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Risky Business

large-scale land investments and possibilities of
safeguarding the rural poor in Ethiopia

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ABSTRACT

In the Global South lifting people out of poverty and ensuring food security is of crucial significance. While many hopes are drawn towards the possibilities of economic growth, rural development and production efficiencies gained by attracting investors and capital to the agricultural sector, such activities also threaten to expose vulnerable rural communities. This study investigates what risks are faced by rural communities in presence of large-scale land investors for biofuel production. Through studying three large-scale land investments in Ethiopia, their impacts on the rural communities and the efficiency in the safeguarding measures already put in place, this study aims to understand what measures can be carried out in the future to protect these rural poor. A qualitative interview-based study is conducted at these three sites and the results are analyzed in the light of international guidelines for responsible investments in the agricultural sector, the Ethiopian national policy for agriculture and rural development and theories on pro-poor growth. The result of the study shows that the risks are many and severely threatens the livelihoods of the rural poor as their economical margins are very limited. Providing information, complement mal-functioning markets with unions or cooperatives and pushing towards the strengthening of political representation of the members of these communities are for the specific cases studied possible measures in mitigating some of these risks. The study also argues that the often promoted 'win-win' investment strategy of out-grower schemes can substantially increase the farmers' vulnerability and that the notion of idle or available land, without investigation on the ground, can be misleading.

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1. INTRODUCTION

1.1 LAND, OPPORTUNITIES AND THE POOR

Over the last decade the world has seen a major interest increase in farmland, globally. This is due to many of the challenges the world now face such as; the threats of climate change, overpopulation, accelerating urbanization, instability of financial markets, rising fuel prices resulting in increased interests in biofuels, increased instability on food market prices as well as intensifying pressure on natural resources due to rising living standards (The World Bank 2011:xiv). In the aftermath of the economic crisis of 2008 and the following rise in food prices, the increase in demand for farmland has been overwhelming. Large scale acquisition of land by foreign investors in the Global South, commonly known as ‘land grabbing’, is a rising phenomenon. The World Bank estimates an increase in announced large scale land deals from 4 million hectares before 2008 to 56 million hectares in 2009 only. More than 70 percent of these deals were to be carried out in Sub-Saharan Africa where Ethiopia is stated to be one of the most targeted countries (Ibid.).

This development highly influences the lives of the global poor in periphery countries where the majority is highly dependent on agriculture for their livelihood and income (Von Braun and Meinzen-Dick 2009:10). In Ethiopia more than 80 percent of the population is economically dependent on the agricultural sector which represents more than half of the country’s GDP (MoFED 2006:64). This creates a situation where the means of survival on a day to day basis for members of the rural communities competes with the economic interests of large scale land investors and the pressing need for economic development in the Global South; creating possibilities for development of infrastructure, technical improvements and employment opportunities (Cotula et al. 2009: 5-6).

The threat of climate change in combination with the prospect of peak-oil has intensified the search for alternative fuels and the demand for liquid biofuels has undergone a massive increase. Development and an increased production of biofuels has lately become one of the main environmental targets on many governments' agendas. This further increases investments in land and creates competition with food production. (Cotula et al. 2008:6)

Besides the threats posed to the rural communities due to these changes in land usage, exploitation caused by large scale-land investment might also have vast negative consequences for the environment. Erosion, deterioration of ground water quality, emissions of greenhouse gases, clearing of forests and loss of bio-diversity are examples of major negative impacts on the environment that can be the result of unsustainable farming and land usage. Large mono-cultural industrial agro-businesses also contribute to an increased use of fertilizers, pesticides and genetically modified crops. (Kelly et al. 2003:380-381)

1.2 PROBLEM BACKGROUND

The dual picture of opportunity and threat that foreign investments in the agricultural sector in the Global South presents has resulted in numerous policies and codes of conduct as an effort to ensure good governance and beneficial results for host countries. Major traits recurring throughout these policies are respect for land and resource rights, facilitating consultation, participation, transparency and good governance, ensuring food-security and enabling of socially and environmentally sustainable use of resources (The World Bank 2011a:xxvii; Cotula et al. 2009:102-110; Von Braun and Meinzen-Dick 2009:3-4). Significant weight is put upon the rights of the members of rural communities. However, these efforts are largely put in place from above through international agreements translated more or less into the specific context of the countries of the Global South.

While these investments provide hope for rural development they also highly involve asymmetries in economic assets, political power and social structures. Even though the task of safeguarding the rural poor are at least theoretically held as important for the state and such demands are put upon investors, the gap between the decision making power, agro-industries and the average farmer is hard to bridge on the ground. The problem this study aims to address thus relates to the risks these large-scale land investments bring to the rural communities and the complexity of safeguarding them.



*Figure 1: Map showing Ethiopia's geografic setting in Africa
(GreenwichMeanTime 2012)*

1.3 AIM

The aim of this study is to investigate and analyze risks faced by specific rural communities in presence of large-scale land investors and thereby understand how such risks could be mitigated.

To achieve this aim the study will address four main questions:

- What risks do these specific rural communities face due to the presence of large-scale land investors?
- What safeguards are already in place in order to protect these rural communities and how effective are they?
- Based on the analysis of existing risks and protections, what are the possibilities for protecting the interests of these specific communities in the future?
- What are the lessons from this specific study for the broader project of protecting rural communities from the negative effects of large-scale land investments in the Global South?

1.4 CASE STUDY OVERVIEW

The study focuses on three different land investments for biofuel production, geographically spread in the Southern Nations, Nationalities and Peoples' Regional State (SNNPRS) and the Amhara Region selected from a nation-wide biofuel survey, conducted by the Ethiopian Development and Research Institute (EDRI) in 2010. The case studies are based on interviews and observations with stakeholders during an eight-week field study in Ethiopia. Two foreign and one domestic company were studied, engaged in two significantly different out-grower schemes and one plantation, their geographic setting pointed out in *Figure 2*, below.



Figure 2: Map over Ethiopia showing the study sites and the capital (Vidiani 2012)

The first site investigates Global Energy's investment in the zone of Wolayta Sodo¹ in the densely populated mid-highlands of southern Ethiopia. The company was an American-Israeli private enterprise that engaged in investment for the production of castor bean for export, starting in the year of 2008. The investment was an out-grower scheme and involved 20 000 farmers. Global Energy was also given 5 500 hectares of state land for rent for the establishment of a plantation. In total the company is estimated to have invested ETB 25 million [USD 1.4 million]. The project failed and the company left the area in 2011.

The second site is Omorate, situated in the very southwest of Ethiopia where an Italian company, Fri-el Plc, obtained 30 000 hectares of land next to the Omo River for 50 years at the start of the investment 2007. The South Omo zone is populated by several indigenous pastoralist tribes living very traditional lives, consequently moving over vast areas with their cattle. So far the company has converted 400 hectares of the land received and a continuous expansion is planned. At the time of our field visit, the biofuel production plan was already abandoned.

At the third site the Ethiopian company Atirf Alternative Energy is involved with an out-grower project as a part of a larger investment plan for jathropha cultivation for the future processing of kerosene for the domestic market. Several villages in Kemise, in the central-north of Ethiopia, have been involved with the investment for the past four years, engaging farmers in the cultivation of jathropha on their hillside-commons and land-plot borders.

1.5 DEFINITIONS

Large-scale land investments in this study refers to foreign or domestic private investors who engage in agricultural production on tracts of land larger than 5 000 hectares *or* engage a large number of farmers in the cultivation of the specific company-crop > 10 000 farmers.

In this study *safeguards* are defined as tools that can be used by governmental bodies, international institutions, corporations and civil society to protect rural communities' social, economic and environmental interests. It is worth mentioning that throughout available literature on land-related policies and their implementation, a clear definition of the concept of safeguards is hard to find.²

Biofuels refers to liquid fuels produced from *biomass*, such as agricultural products, forest products or biodegradable waste from industries and households and can be manufactured from both biomaterial grown for the purpose to make biofuels and waste products. (Cotula et al 2008:8)

¹ Amharic does not use Latin letters why Amharic words used in this report are transcribed, including names of persons and geographic places. The transcriptions into English can vary quite widely why the spelling of names places and people can differ substantially from those used in this report.

² For examples see the FAO's *First Draft - Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests* (2011) specifically treating land-related safeguards without defining the term. A definition is also absent in Cotula's *Legal empowerment for local resource control* (2007) otherwise thoroughly treating the subject.

Access to land is a broad term that refers to all ways in which people are able to use land, both collectively and individually and on a short or long term basis. It includes arrangements in both formal and informal institutions, and between individuals as well as the state or head-of-region. Access to land is also dependent on social and cultural structures, availability of capital and technology, power relations as well as kinships and friendships. (Cotula et al. 2008: 7-10)

Land tenure forms the formal part of these structures in direct relation to the land. It can be comprehended as the legitimate access to land based on national or customary law, or a combination of the two. The forms and terms of land tenure can vary greatly and include ownership, land-holding and land-use rights as well as lease and grazing rights to name a few. (Cotula et al. 2008: 7-10)

1.6 CHAPTER OUTLINE

The *second chapter* presents the initial theoretical part of the study. Drivers, mechanisms and scope of land investments for biofuel production as well as theories on safeguards and pro-poor development mechanisms are presented followed by a brief questioning of the market-driven approach. This in order to present the reader with an overview of the subject studied and provide a theoretical background for the analysis.

The *third chapter* is the country context and gives an account of Ethiopian land tenure systems as well as a socio-economic and political country background. It also presents the scope of large-scale land investments and biofuel production in the case of Ethiopia and the policy relevant to this development.

The method presented in the *fourth chapter* describes, motivates and discusses the method used and its theoretical framework. It also gives a more detailed description of how the study questions are answered through themes, forming the basis of the interviews.

The *fifth chapter* presents the findings from each site and in its geographical setting. It gives a detailed description of each specific research site, the investments and their impacts on the rural communities.

The *sixth chapter* summarizes and analyzes the findings presented in the former chapter and presents the risks and safety mechanisms found in the cases studied. It discusses efficiencies in these safeguards detected and further analyzes how evidence drawn from this research can be used to better understand difficulties and possibilities in the light of the theory and country context.

The final *seventh chapter* presents the conclusion of the study and reconnects the results and analyze to the aim. It includes reflections from the authors and presents suggestions for future research on the subject.

2. THEORY

2.1 LARGE-SCALE LAND INVESTMENTS

2.1.1 DRIVERS AND EFFECTS

The growth in the global economy and population has among other factors contributed to the increased demand for crop-land. The expansion of land for cultivation is expected to continue at a rate of at least six million hectares per annum until 2030. Furthermore, extensive effort is being put into increasing productivity in already cultivated areas, and especially in Sub-Saharan Africa where only 30 percent of the potential agricultural production is estimated to have been reached. While expansion of crop-land is hardly a new occurrence, the 2008 food-price rise radically increased the pure investment potential for farmland, marking a new era of agricultural investments and provoking what has been referred to as a global land-grab. (The World Bank 2011:xxv-xxxiii)

Reasons for these investment interests differ. Government-backed investments largely derive from insecurity of future domestic food security due to limited availability of water and land. States such as China, South Korea, India and certain Gulf States are main stakeholders in this. They are all characterized by high dependence on food imports and the availability of large national financial reserves. Different types of private investors are also largely involved in this trade. Some due to mere interest in the profit-making-potential the agricultural sector now shows and others already largely involved in large-scale agricultural businesses seeking to expand. (Cotula et al. 2009:34).

There are two contesting views on what consequences large scale land investments brings to rural communities. Promises of capital inflow through foreign direct investments (FDI), technological transfers, infrastructure development, increased domestic food production or foreign earnings, rural development and job opportunities are all highly needed and sought for in the Global South. Meanwhile, critics see threats to local communities including loss of access to land causing food insecurity and displacements, exploitation of natural resources causing scarcity of water, erosion, deforestation and pollution and the potential creation of land-related conflicts. (Cotula et al 2009:4-7, The World Bank 2011: xxv-xxxiii)

2.1.2 LAND INVESTMENT CONTRACTS

Several forms of land tenure arrangements are prevalent in large scale land investments, greatly affecting the outcomes for rural communities. Large-scale agricultural production can be capital or labour intensive. Capital intensive production refers to large-scale industrial plantations while labour intensive production is often achieved through out-grower schemes (also often referred to as contract farming). Such schemes are contractual agreements directly between farmers and investors, where the farmers use a portion of their land for production of a specific crop to be purchased by the investor (Cotula et al 2009:6). The prevalence and efficiency of these different types of contract agreements can vary greatly depending on the type of crop, soil fertility and availability of water and existing land tenure arrangements. Capital intensive industrial plantations where crops can be handled efficiently both in

production and processing can be highly efficient. However, an increased efficiency or yield in the small-scale agriculture in the Global South, for instance through out-grower schemes, is increasingly held forward as an efficient and equitable investment strategy. (The World Bank 2011: preface). In many countries in Sub-Saharan Africa, including Ethiopia, land contracts with the state are often long term leases from 25 up to hundreds of years, with very favorable conditions or rents, rather than an actual purchase of the land by the investors.

2.1.3 THE MEANING OF LAND

Land, and its user-arrangements, not only bears significance for people through its provision of food and economic security. It is also highly meaningful for matters of identity, culture and spirituality, history, politics and social networks (Cotula et al. 2008:7-10). Thus, consequences of arrangements for and changes in land and its user-arrangements can vary greatly in different countries and regions. Nevertheless, the establishment of policies for security and rights of access to land are vital incentives for further development in rural areas through creating grounds for investments, work opportunities and a future perspective (Nega et al. 2003). Access to land has major effects on food security and the distribution and control has major implications for the availability, stability and utilization of the land.

2.1.4 LAND TO INVESTORS

A major hope is that added agricultural production can be grown on *idle* or *available* land, which many governments in the Global South have claimed to hold a significant proportion of, including Ethiopia. However, growing evidence raises doubts about the concept of idle land. In many cases, land is perceived to be idle, *under-utilized*, *marginal* or *abandoned* by governments and large-scale investors. In reality however, this land often provide a vital element of the livelihoods of poorer and vulnerable groups, including crop farming, herding and gathering of wild products. (Cotula et al. 2008:22-23)

People's changing access to land, caused by increased production, can be explained by both direct and indirect linkages and can affect people differently. Direct linkages refer to capital intensive industrial plantations that in many cases lead to small-scale landholders' loss of land and environmental degradation (HLPE 2011:21). Indirect effects of increased production occur when greater demand for arable land increases the value of the land. Such effects may force poorer small-scale farmers to relocate to other, less fertile areas, with lower economic value (Cotula et al. 2008:24).

The highest levels of impact on land availability are expected to be related to large-scale industrial plantations. However, small-scale farmers and out-grower schemes may also have major effects on the local population's access to land. Conversion from one crop to another may be able to strengthen rural livelihoods with higher crop and land values, but can also cause exclusion of those who cannot upgrade themselves technologically to meet the demand of export markets. Such cases may result in people having to find a way out of agriculture and into other sectors, in some situations into urban areas. (Cotula et al. 2008:24; Widengård 2011)

2.2 BIOFUEL PRODUCTION

Biomass as an energy source is not a new phenomenon but has always been an important source of energy for many people around the world. It is estimated that 52 percent of the people living in the Global South today rely on biomass such as wood, charcoal and dung for their household energy. In Ethiopia for example, 88 percent of all energy consumed in the country comes from such biomass sources (MoWE 2012:1). The threat of peak-oil and climate change has now put liquid biofuels as one of the solutions to these global crises and many countries have adopted ambitious plans to increase the production and consumption of biofuels. For High Income Countries (HICs), these ideas correspond to the aim of reducing greenhouse gas emissions while in periphery countries the main objectives rather being the gain of energy security, promotion of exports and rural development (Dufey and Grieg-Gran 2010:1). In that sense, production of biofuels has the potential to create jobs, bring cash crop earnings to poor farmers and provides a strategy for poor countries to mitigate high import costs of fossil fuel, gain export incomes and create opportunities for foreign direct investment (FDI) (Cotula et al. 2009:54).

The production of biofuel feedstock will however compete with other crops, as well as foodstuff, since they all rely on the same production resources. Therefore, energy prices are likely to affect all other agricultural products. The reduction of greenhouse gas emissions through the usage of liquid biofuels might not always be the outcome as the net effect can be negative depending on feedstock characteristics or if increased production leads to land-use change, i.e. through deforestation (FAO 2008:passim). Such evidences are among others put forward by NGOs and intergovernmental organizations arguing that the increased production of biofuels had led to rising food prices and accelerating deforestation, due to the greater competition for land (HLPE 2011:20-21, Widengård 2001). Promoting biofuel production and consumption on a global scale has by critics thus been referred to as a neoliberal *greenwash*. A supposedly environmentally friendly biofuel production in the Global South is put forward as a logical solution to climate change thereby legitimizing land grabbing, forest conversion, introduction of controversial biotechnologies and core country government-supported strategies to secure food and energy supply through offshore production. (Borras and Franco 2010a:6; Widengård 2011)

2.3 SAFEGUARDING THE POOR

2.3.1 AN INTERNATIONAL POLICY OVERVIEW

In the international debate today, there seems to be a consensus on the inevitability of the interest increase in large-scale agricultural investments due to the nature of the globalized economy of the world. Numerous policy-papers, principles for responsible agriculture investments (PRAI) and codes of conduct (CoC) have been produced in response to the overwhelming evidence on negative outcomes of these types of investments in an effort to mitigate the risks faced by the host countries and their populations. The overall aim is to, through these policy regulations directed to a multitude of stakeholders, create a win-win situation where investors as well as local communities can benefit from the large-scale land

investments with minimum impact on the environment. (Borras and Franco 2010b; Cotula et al 2009:4-8; Focali 2012)

The list below summarizes and explains the main principles reoccurring throughout the international debate on responsible investments within the agricultural sector in the Global South. Key proposed measures on how this is to be done are also listed. The list, made by authors, is based on policy papers and briefs produced by FAO, IFPRI, UNCTAD, IFAD and the World Bank Group.³

- **Recognition of rights** to land and natural resources. Acknowledges the need for clearly defined and recognized use or ownership rights including customary and informal agreements and access to commons. Measures include transparent and clear procedures in the transferring of rights, just compensations (in kind rather than cash) and demands of public interest as motivation of expropriation prohibiting this practice for private investors.
- **Voluntary transfers and fair compensations**
Transfers of land user rights should be based on voluntary decisions and therefore forced expropriation should be avoided. This demands awareness of rights, fair negotiations, and fair compensations.
- **Ensuring food security**
Certifies that the investments strengthen food security rather than jeopardizes it. This is done through making sure that the investments strengthen the incomes and livelihoods of the rural poor, a production of diversity of crops is promoted and that contracts contains a possibility for the government to demand purchase right over parts of production when in risk of food scarcity.
- **Transparency and Good Governance**
Ensures a proper enabling environment through availability and correctness of information and functioning monitoring, administrative and legal institutions.
- **Consultation and participation**
All those materially affected are consulted, and agreements from consultations are recorded and enforced.
- **Technical and Economic viability** of investments ensuring profitability for investors as well as local communities through clear investment plans and scope in line with the area's development plans and resource availability.
- **Ensuring durable shared value**
The investment should generate desirable and equitable social impacts and result in a sharing of benefits and should not increase vulnerability. Labour intensive investments are held forward as more successful than capital intensive investments.
- **Environmental sustainability** aims at assessing external damages prior to engaging in activity and weigh against advantages. It involves the protection of natural recourse

³ Based on: FAO (2011): *First Draft. Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests*; FAO, IFAD, UNCTAD and the World Bank Group (2010): *Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources*. The World Bank (2011): *Rising Global Interest in Farmland – Can It Yield Sustainable and Equitable Benefits?* IFPRI Policy Brief 13 (2009): *“Land Grabbing” by Foreign Investors in Developing Countries: Risks and Opportunities*.

as well as water resources. Environmental safeguards are directed to the protection of water resources, prevention of soil degradation and erosion, measures to avoid overuse of land and deforestation, mitigation of pollution, drivers of climate change and natural disasters as well as protection of biodiversity and wildlife. The protection of natural resources and environmental capital bears importance, not only for the environment itself, but also for social sustainability and livelihoods. (FAO 2011:35-36, Melesse 2010)

2.3.2 PRO-POOR GROWTH

Economic growth is held as a prerequisite for lifting people out of poverty. However, this does not need to be the outcome, where economic growth can also merely lead to increased economic inequalities within a society and decrease the relative income of the poor. There are two ways in which pro-poor growth can be defined, sometimes argued as being a trade-off between efficiency and equity (Kakwani and Pernia 2000:4-5, The World Bank 2012).

The first definition is *absolute pro-poor growth* which simply considers economic growth to be pro-poor if the relative income of the poor is increased through the process of economic growth. This definition is often seen as a fast-path to poverty reduction but has been criticized for not leading to a sustainable or long-term pro-poor growth. This definition is used by the World Bank and can be classified as a weak definition, where most growth processes would be defined as pro-poor (Kakwani and Pernia 2000:4-5, Kakwani et al. 2004:3, The World Bank 2012).

Relative pro-poor growth defines growth to be pro-poor when the income of the poor increases more in relation to the incomes of the population as a whole (DFDI 2004). It is an inclusive growths strategy that “enables the poor to actively participate in and benefit from growth” (Kakwani and Pernia 2000:3). It argues that market-led growth tends to be biased towards the already resource-rich members of a society due to their inherent advantages such as better access to health, education, capital and networks. As a consequence it is argued that pro-poor economic growth requires a strategy that deliberately favors the poor. This in order not to increase the income inequalities in the society as a result of the growth (Kakwani and Pernia 2000:3-4).

Using the relative definition of pro-poor growth thus requires extensive mechanisms to be put in place in ensuring that economic growth will in fact be pro-poor. These include according to Commission on Growth and Development and affirmed by Sida:

- Ensuring that investments and development is carried out through *technical and efficiency improvements* is essential in avoiding productivity losses for the agricultural sector which might lead to food scarcity and increased vulnerability, as development in the agricultural sector almost always is the first measure towards a diversification of the economy for periphery countries,
- *Reducing vulnerability* is also held forward as a prerequisite in enabling pro-poor growth, as a lack of financial margins pushes the poor to engage in risk-minimalizing rather than profit-maximizing activities, limiting the growth potential of the economy.

- Promoting *geographical and social mobility* is also seen as an important task in enabling people from benefitting from job opportunities and engaging in economic activity outside the agricultural sector.
- *Discrimination* is another factor, hurting the vulnerable more than the rich, which risks harming the sustainability of growth and its ability to lift people out of poverty.
- Economic growth is a driver of change, both technical and structural, whereas ensuring a functional state and administrative systems including *room for political debate* and *promotion of democracy* is held forward as cornerstones in ensuring equitable effects from growth, strengthening the poors' ability to take an active part in these changes.
- *Development of infrastructure* in order to reduce transaction costs and ensuring the functioning of markets.
- *Macroeconomic stability* and especially keeping low inflation rates increases the reliability of the market, enhances the market security and decreases future risks.
- A functioning state is held forward as an important actor in *building human capital* as well as creating *rules and regulations for efficient markets*.
- *Involvement in the global economy* is seen as a generator of growth

(Commission on Growth and Development 2008:33-68, Sida 2009:8-27)

2.3.3 QUESTIONING MARKET-LED DEVELOPMENT

It is well worth noting that the above reasoning on responsible investment and pro-poor growth are all represented by liberal institutions carrying forward market-driven solutions to poverty reduction and socially sustainable development in the Global South. This section thus aims at carrying forward the most fundamental criticism towards mechanisms and faults in this approach and swiftly questions the notion of a market-led development.

The liberal theory builds on the assumption that the market is a better regulator than the state in allocating resources and creating welfare because it is more *efficient*. The market however, in order to obtain and sustain this efficiency needs a few prerequisites, among others perfect competition, mobility and information (Stiglitz 2008: 15-16). In the poorly developed countries of the Global South there are a few particular problems with the existence of these prerequisites as lack of infrastructure, scarcity of accurate information and non-competitive markets for cash-crops are prevalent. These countries also face the risk of being extra vulnerable to externalities as environmental regulation as controls might be lax. Underdeveloped or absent labour unions and consumer organizations is also commonly seen in these countries, widening the information asymmetry (Kirkpatrick and Parker 2005:4).

Furthermore, the promotion of good governance carries with it a view on the state as an enabler rather than a provider and the concept has been accused of leading to a hollowing out of the state, having the market and NGOs taking its place in many a situations. The liberation of the state regulatory functions, carried out through structural adjustments programs in many states in the Global South, that were supposed to lead to an increased efficiency and freedom, often in Sub-Saharan Africa have led to "*less order, less peace and less security*" (Ferguson

2006:49). Evidence also shows, unlike the argument that economic development and democracy goes hand in hand, that in the challenge of attracting foreign investments and capital, strongly corrupt and highly controlled countries are often the most successful. This because such state prerequisites can provide the investor with a predictable investment climate with clear directions on who to talk to and pay, and insurance of non-interferences of local communities or the civil society. (Ferguson 2006:40-42)

3. COUNTRY CONTEXT

3.1 LAND FACTS

Ethiopia holds the second largest population of the African continent with 85 million inhabitants and is situated on the Horn of Africa. Over 80 different ethnic groups reside in the country and the official languages are Amharic, Orominia and Tigrinia and numerable other regional languages and dialects are widely used (Sida 2012). The average life expectancy at birth was in 2009 estimated to 57 and 54 years of age for women and men respectively, the literacy rate was in 2008 29.8 percent and child mortality rate, under an age of five, was in 2009 estimated to 67 per 1000 (Ibid.). The Human Development Report of 2010 puts Ethiopia as number 157 out of 169 countries in the Human Development Index Rank and it is categorized as one of the Least Developed Countries (LCD's) (UNDP 2010:143-146). Over 80 percent of the population lives in poverty on less than USD 2 per day and over 13 million inhabitants suffer from severe food insecurity yearly (The Oakland Institute 2011:4).

The main export products are coffee, vegetable oil plants, chat, gold and leather goods (Sida 2012). The annual growth rate of the Ethiopian economy has been stable at around 11 percent the last five years, although high this increase is marginal if considered in relation to the population increase. The annual inflation rate was in 2011 recorded at is highest, at 40 percent and has since then dropped 20.9 (latest update July 2012). (Reuters Africa 2012)



Figure 3: Satellite image over Ethiopia
(The Encyclopedia of Earth 2012)

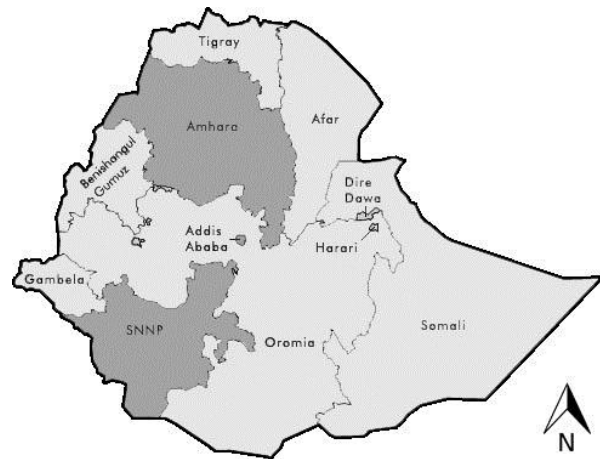


Figure 4: Map of Ethiopia showing the regional states
(Mapsof 2012)

3.2 ADMINISTRATIVE LEVELS

Ethiopia is a federal republic composed of nine ethnic-based *Regional states* (see Figure 4 above, grey areas show the regions in this study) with their respective regional governments and capital cities. Each of the regions is subdivided into several administrative levels, *Zones*, the equivalent to provinces. These collect and administer the districts, *woredas*, which in turn administers the village level *kebeles* forming the smallest administrative entity. The federal

government has in addition launched a strategy for ensuring food security and facilitating the introduction of new agricultural practices for small scale farmers through a system of *model farmers*. The model farmers are often represented by better off farmers selected after performance by the administration on kebele or woreda level. They function as role models for the rest of the farmers in their respective kebele. (Dessalegn 2011: Annex 2)

- Federal
 - Region
 - Zone - province
 - Woreda - district
 - Kebele - village
(model farmers)

3.3 ACCESS TO LAND

Even though landlessness was nearly eradicated through the 1975 Land Reform, people lacking access to land is a major social and economic problem in Ethiopia today. In some areas of the country, up to half of the households are currently categorized as landless peasants, with even more people having access to only tiny holdings (the near-landless). Rural women, the young as well as ethnic and religious minorities are pointed out as especially vulnerable groups. In Ethiopia this problem largely derives from a strong population pressure in already well-populated areas. (Yigremew 2002)

Since the land reform enacted by the *Derg*, the former socialist regime, in 1975, all land in Ethiopia is owned by the state. The farmer rents his or her land from the state with no legal right to lease, sell, mortgage or exchange it and is in addition most often highly dependent on commons owned by the state for grazing. The state has the power to re-allocate, re-distribute and confiscate land for the public purpose of the state, which repeatedly has been done historically (Dessalegn 2011:7). With the coming in power of the present government an extensive debate on the land tenure system followed. The current government retained the position of the former, arguing that a privatization of land rights would create landlessness among the poor and further accumulate capital and recourses amongst the rich. (Crewett et al. 2009; Dessalegn 2011:6-7; Yigremew 2002)

The de-centralizing 1997 *Federal Rural Land Administration and Use Proclamation no. 89/1997* transferred the land administration responsibility from the federal government to the respective regional states. The proclamation strengthened property rights and the rights of compensation in case of expropriation and also includes the right to create regional state laws regarding land tenure if consistent with federal laws (The Oakland Institute 2011:11; Yigremew 2002). Since then, the Amhara, Oromia and Tigray Regional States has put in place regional laws launching land certification and registration system and include permitting of inheritance and lease rights and prohibiting land holdings outside of the residential kebele, the actual effects of these laws are however often scarcely noticed on ground level (The Oakland Institute 2011:12-13). Several other states are still in the process of producing these regional laws. (Dessalegn 2011:6-8, Yigremew 2002)

3.4 ECONOMIC, POLITICAL AND SOCIAL STRUCTURES

The fall of the Soviet Union in 1991 had major economic effects on the former socialist state of Ethiopia, marking the end of the civil war. The country's economy was on its knees, the transition government thus initiated a Structural Adjustment Programme (SAP) resulting in vast macroeconomic and structural reforms aiming at turning the formerly state-run, centrally planned nation into a fully market led economy (African Development Bank Group 2000:1-13). The adjustment policies focused on the development of the private sector, fostering full competition on all markets and realizing market-driven pricing on commodities as well as interest and exchange rates (Ibid.). The government in 2010 launched a new five-year Growth and Transformation Plan (GTP), with the objectives of ensuring a rapid and broad-based economic growth to end poverty, achieving the Millennium Development Goals by 2015 and becoming a Middle-Income Country by 2020 (MoFED 2010:8).

Since 1991 the national politics has been dominated by the Ethiopian People's Revolutionary Democratic Front (EPRDF). Even though the EPRDF has a socialist background the country's economy is largely market-based (Sida 2011). The party won the majority of votes in the latest election in 2010 but reports on violence on opposition are frequent and critique has been raised regarding election regularities. There have been reports on abuse and imprisonment of citizens associated with open opposition. The hard political climate in the country has led to a general fear of government and officials among the people. The 1994 Ethiopian Constitution includes Human Rights but the laws are poorly reinforced. UN and Human Rights Watch reports on discriminatory practices against certain ethnic groups (including executions, torture, harassment and confiscation of land) as well as violations on women and girls. Even though acknowledged by the Ethiopian government as citizens of the federation, the ethnic minorities, often autonomous with a very strong cultural affiliation, having access to weaponry and controlling vast areas of land resulting in the government perceiving the presence of these groups as a threat to the security of the nation. (The Oakland Institute 2011:4-7).

In the mid-1980s the former government introduced a nationwide villagization program with the aim to resettle scattered communities into larger village units in order to improve land and resource use facilitate for health, education and infrastructure improvements. The program resulted in forced movement and displacement of millions of people and rather than solving sanitation problems led to spread of pests and diseases, loss of harvests and conflicts between ethnic groups. Memories from this time are still present and rural communities express fear of similar occurrences when large movements of people from the highlands are moving to less densely populated areas to work on commercial plantations. (The Oakland Institute 2011:14)

3.5 LARGE-SCALE LAND INVESTMENTS

The agricultural sector has the primary priority in the development plan for the state of Ethiopia. The Agricultural Development-Led Industrialization (ADLI) strategy is an initiative developed and implemented since the coming into power of the current government aiming at creating economic growth mainly through increasing export earnings from the agricultural sector. The strategy promotes the development of large-scale agriculture as one of six main

features and promises a liberalization of markets and generous encouragements especially for foreign investors (Embassy of Ethiopia 2008, Embassy of Ethiopia 2012). The incentives offered to investors within this sector are extensive and include tax holidays, full exemptions for import customs and export taxes, income tax reliefs and low land-lease costs, to name a few (Ibid, The Oakland Institute 2011:15) The Development Bank of Ethiopia also enables investors to borrow up to 70 percent of the investment cost, provided that the criteria for borrowers are met (Development Bank of Ethiopia). In recent years, after an incident where a foreign investor left the country with a substantial amount of borrowed capital, the Bank has become more stringent in their requirements for borrowers (Interview A6).

To invest in the agricultural sector in Ethiopia a company must first obtain an investment license from a government ministry. In 2008 the government decided to transfer the rights and responsibility of handling investments exceeding 5 000 hectares including information distribution, allocation of available land and signing of contracts to the federal Ministry of Agriculture and Rural Development (MoARD). A *land bank* was constructed to where regions are encouraged to transfer contiguous tracts of land larger than 5 000 hectares available for investments. All land deals involving land tracts less than 5 000 hectares are still administered by the regional states. (Dessaegn 2011:9-11, The Oakland Institute 2011:16, 21)

The figures on how much land have already been transferred to investors and how much land is available differs quite widely. The Ethiopian Agricultural Bureau estimates the total suitable area for cultivation to 74.3 million hectares and states that only 15 million hectares is currently in use (Embassy of Ethiopia in Sweden 2012). Corresponding figures from the World Bank, based mainly on satellite imagery, estimates the land suitable for investment to be over 7 million ha, little over half of the country's already cultivated area (The World Bank 2011:165). 1.2 million hectares estimates to already have been transferred by 2008 but the level of realization of these deals are uncertain. (Dessaegn 2011:12; The World Bank 2011:146, 165)

Long term leases of large-scale land tracts are available to investors primarily in the western lowlands where land is fertile and sparsely populated, however, given the poorly developed infrastructure in these areas, establishment of commercial plantations might be challenging. In the densely populated highlands, some land is claimed to be idle, and therefore open to investment, although labour intensive investments (out-grower schemes) are preferred in such areas. Lease fees are set low in order to direct investment capital to other sectors in need of development rather than concentrating the capital in the payment of land (MoFED 2003:25).

3.6 BIOFUELS

In the year of 2007 the Ethiopian government launched a strategic plan for the development of biofuel investment as an important part of the country's economic development. The objectives of the plan are to substitute fossil fuels on the domestic market, create foreign earnings and enhance rural development through employment opportunities. The plan also presses on the importance of safeguarding the rural communities as well as the environment through supporting soil and water conservation programs (MoME, MoTI and MoARD 2007).

Furthermore the government has launched a nationwide strategic plan for the development of jatropha production. The main long term objectives of the plan are to increase the soil fertility by protecting it from erosion and to reduce desertification. In the short term the plan aims at providing a good income source for farmers and will not, since the plant can be cultivated on degraded land, compete with food-production. Furthermore the plan is that an increased jatropha production will provide job opportunities and create income for unemployed, landless youth and women. Establishment of a processing plant is planned for the production of bio-diesel and to meet the expected demand, each woreda is subjected to look for suitable land for jatropha production in their district. Contract agreements will be held between investor or receiving organization and the farmers union and prices will correspond to the international market. (Amhara Region Agricultural and Rural Development Bureau)

According to the Ethiopian environmental organization MELCA, land allocated for large-scale land investments in biofuel production was in 2008 estimated to have reached 300 000 hectares and that 80 percent of these land allocations had been carried out in arable or forest land, except for the Amhara Region where cultivation of biofuel feedstock is strictly executed on degraded land. Critique has therefore been raised towards an unsound use of natural resources causing deforestation and threatening food-security. (MELCA Mahiber 2008:2-3)

3.7 POLICY FOR AGRICULTURAL AND RURAL DEVELOPMENT

The Ethiopian Policy for Agricultural and Rural Development prepared by Ministry of Finance and Economic Development (MoFED), 2003, has four main objectives, namely to; ensure rapid economic growth, enhance benefits for the people, eliminate the country's food aid dependency and to promote the development of a market-driven economy. Major strategies in order to achieve the objectives are:

- Focus on *labour-intensive* rather than capital-intensive agriculture in order to employ the county's extensive labour force as well as maximizing the utilization of land throughout the year by the practice of multi-cropping and the development of irrigation systems.
- *Strengthening the agricultural labour force* by improving farming skills and develop farming technologies, improve the health status among rural farmers as well as working towards a more industriousness agricultural production rather than subsistence farming creating excess outputs.
- Enhancing a *proper use of land* taking into account the specifics of each agro-ecological zone, mainly aiming at water conservation programs in drought prone areas and a more effective use of water in areas with heavy rainfall during certain times of the year. Full use of the country's extensive water resources by building of dams and irrigation systems. In *enhancing the food-security*, resettlements of people living in drought prone areas with poor prospects of agriculture to areas with greater opportunities of farming can be a necessity. As for pastoralist communities agricultural programs, including introduction of irrigation systems and agricultural training, in ensuring their own food security will be launched.

- Working towards a *market-led agricultural development* by the production of cash-crops demanded on the international market. Assist farmers by providing information to help them obtain the best price on the market, strengthen their negotiation power as well as information on what crops should be produced and when the best time is to sell. Before a competitive market is established there is a need to support unions and cooperatives that can substitute the mechanisms of a functioning market. Monitoring of private entrepreneurs in order to eliminate the risk of monopolies is identified as an important part of the development of markets.
- Improving *rural financial systems* by providing rural banking facilities in order to enable the rural farmers to make savings and take loans for the sake of further investments. Cooperatives are also here pointed out as a potential operator.
- *Attract foreign investors* to the agricultural sector in order make earnings from FDI. Out-grower schemes are mentioned as a low-cost and beneficial system for both farmer and investor.
- *Expansion of rural infrastructure* in order to increase accessibility and enable investments in remote areas as well as the improvement of health, education, drinking water supplies, telecommunications and electricity in rural areas.
- Strengthening of *non-agricultural activities* in rural areas as rural development will lead to a higher demand in consumption and services.

4. METHOD

4.1 DESCRIPTION OF METHOD

In order to achieve the aim of this study the research design is based on a case study and information from secondary sources. The case study was based on in-field interviews and observations during eight weeks in the zones Wolaita Sodo, South Omo and Kemise woreda in Ethiopia. Three sites were handed to us upon request, provided by Mr Zenebe Gebreegiabher at the Ethiopian Development and Research Institute (EDRI), based on the Biofuel Investment Survey 2010. The selection of the sites was based on the target areas: *i. Capital intensive investment (plantation)*, *ii. Labour intensive investment (out-grower scheme)* and *iii. Prospected area for investment*. The secondary guideline material studied (international and national policies/guidelines on agricultural investments and mechanisms for pro-poor growth) presented in the theory and country context, is based on the weight on the institutions providing these.

The interviewee selection was based on the target group division; *a. members of rural communities*, *b. government officials* and *c. company employees*, aiming at conducting semi-structured qualitative interviews with the target groups respectively in target areas *i-iii*. Two weeks were to be spent in each target area, collecting approximately 15 interviews per site. The bulk (approximately 2/3) of the interviews were to be carried out with target group *a. members of rural communities*. At the third site, Omorate, a fourth target group was also interviewed; *d. NGOs*. The interviews were held individually or in group and recorded through notes rather than recordings, largely because of the sensitivity of the subject.

The extent of the material accessed varies significantly between the sites, presented in *figure 5* below. In Wolayta 16 interviews were collected as planned, largely facilitated through the magnitude and geographic concentration of the investment providing us with a vast amount of possible interviewees as well as the access to a private vehicle at this site. In Omorate, the second site only five interviews were collected and in Kemise, seven. The reasons for this are described in limitations below.

Sites	Interviews	Target areas
Site 1: Wolayta Sodo	Interviews were carried out in three of the woredas involved with the investments; Offa, Kindo Koncha and Damot Weide, visiting four kebeles. Interviews were carried out with <i>ten households, one woreda head and one head of agricultural office, the zonal manager of the company plus four former employees</i> (including one group interview of three) and one group interview with <i>mixed stakeholders</i> (farmers, former employees and administration). In total 16 interviews (Interview A1-16)	<i>ii. Out-grower scheme</i>
Site 2: Omorate	Interviews were carried out with the <i>farm manager, the woreda head, three NGO workers</i> and one <i>group interview with approximately 20 community members</i> , including the kebele head. In total five interviews (Int B1-5)	<i>i. Plantation and iii. prospected area</i>
Site 3: Kemise	Interviews were carried out with the <i>manager of the company</i> in Addis Ababa, the <i>project leader in Kemise and two shop-keepers</i> . Three <i>group interviews with farmers</i> were held in different kebeles, involving 15-30 people at each interview. In total seven interviews (Interview C1-7)	<i>ii. Out-grower scheme</i>

Figure 5: Interview overview

The interviews referred to are presented with a short description in the reference section, divided after site and numbered.

While in field, alterations had to be made to the design of the study method. The first study site, Wolayta Sodo, was according to the biofuel survey supposed to be a working out-grower scheme (target area *ii*). When arriving at the site, however, it was quite evident that the project had already failed and the company had left. Even though a failed investment was not an original target area, investigating the case and what went wrong felt as a valuable contribution to the study aim. Since the site in Omorate consisted of large areas of both converted and non-converted land, corresponding to both target areas *i* and *iii*, visiting a second functioning out-grower scheme in Kemise as the third site, felt more valuable than following the original target area-design. This especially since the first site no longer had a working investment.

Two interpreters were used during the research, one in Wolayta Sodo and Omorate and another one in Kemise. Interviews A1, A4, A6, B1, B5 and C1 were held in English as the informants were comfortable with the language, but in presence of an interpreter. The interpreters used during the field study were chosen because of their language skills, knowledge of the areas visited and understanding of the subject. They were employed directly by us and found through advertisements at the university and friends. Extra care was taken during the job interviews to make sure the interpreters understood the sensitivity of the subject studied and the need for discretion and that this would not be a constraint.

4.2 ANSWERING THE STUDY QUESTIONS

The semi-structured interviews were based on themes, aiming at answering the study questions. An understanding of the scope of the investment and the effects on the local communities made or anticipated from it had to be gathered, especially as written documentation was very scarce. Themes included in the interviews aiming at producing this information are; *description of course of events, first contact with the investment/local communities and proceedings, information provided, scope of investment, technical and crop-related details, economic prospects.*

- **What risks do these specific rural communities face due to the presence of large-scale land investors?**

Questions are asked, aiming at producing information from the informants regarding their own view on the negative as well as positive aspects of the investment. Themes recurring through the interviews for this part are: *problems occurred in relation to investment, expectations prior to and after investment.*

- **What safeguards are already in place in order to protect these rural communities and how effective are they?**

This question relates to the prevention and safeguarding of the risks identified through the first study question. Interview questions are in this section asked to find out what safeguards are put in place, their significance and effectiveness. Recurring themes throughout this interview section are; *access to and accuracy of information, availability and reliability of markets, technical training and aid, access to government institutions and representatives of company for complaints and guidance, existence and reliability of contracts, involvement opportunities, freedom of choice, access to legal support, right to compensation, safety net mechanisms.*

- **Based on the analysis of existing risks and protections, what are the possibilities for protecting the interests of these specific communities in the future?**

To answer this question, the underlying mechanisms to why these risks occur and why the protection mechanisms does or does not work must be understood. This section will thus include an analysis of above questions combined with interviews directed to all stakeholders based on the themes; *attitudes towards future investments, improvement suggestions.*

- **What are the lessons from this specific study for the broader project of protecting poor people from the negative effects of large-scale land investments in the Global South?**

The method of answering this question is an analysis of the answers from the prior questions. This material together with literature on safeguards and pro-poor growth is here used and questioned in relation to the critique on the hegemonic view on market liberal solution for pro-poor economic development. The results of this case study are thereafter put in relation to the efforts of safeguarding the rural poor in the Global South.

4.3 THEORETICAL FRAMEWORK

This study holds a systematic approach as it focuses on a specific topic, namely impacts from land investments on rural communities and corresponding safeguards. Since these investments mainly take place in periphery countries, with a low share of industrialized agriculture and in great need of capital inflow, the study orientates under the field of *development geography*.

The study builds on a hermeneutic scientific approach as the researchers pre-understanding of the research is seen as a precondition for this study and unavoidable. The buildup of the pre-understanding is based upon secondary data and literature as well as the researchers' cultural, socio-economic and academic background. These factors are largely relevant for analysis and understanding of the collected material. The active construction of a nuanced and comprehensive problem picture prior to the collection of data and consciousness of the pre-understanding are vital for the reliability and credibility for the research. (Thurén 2007:58-62, 94-99)

4.4 JUSTIFICATION OF METHOD

4.4.1 DESIGN

Within the social sciences, choosing case study as a method provides excellent opportunities for an in-depth examination of processes, relations and experiences for a specific phenomenon. This method is especially suitable for small scale investigations where focus is laid on one specific subject. It gives the researchers the possibility of observing and analyzing complex interrelations between processes, a holistic approach, in search of a deeper understanding of the subject studied. It also gives the researchers incentives to use different kinds of data and research methods (Denscombe 2009:59, Merriam 1994:25).

4.4.2 THE ISSUE OF SENSITIVITY

Land related issues are sensitive subjects in Ethiopia and restraints exist in freedom of speech, opinion and political views. Awareness of this sensitivity is important for this research as it risk affecting the responses of the interviews. Therefore all interviews with members of the local communities and employees were held anonymously, their names were not asked and it was emphasized initially that their identity would not be noted. The initial part of all interviews was used to present us, the researchers, our background and emphasize our objectivity in relation to both government and investors. This sensitivity of the subject and our status as *faranjii* researchers were sometimes believed to possibly have induced answers colored by fear, unfamiliarity of being asked opinions and improvement suggestions as well as an eagerness to give us the answers they thought we were looking for, as an extended courtesy and hospitality toward us as guests. Observations are therefore also largely drawn from the interviews forming an important part of the study.

4.4.3 SELECTIONS

The motivation for the selection of interviewees is threefold. Firstly, it proved very useful in providing us with inputs from stakeholders representing different levels of society, giving an

understanding of social and political relations and the possibility of comparing views. Secondly, the selection was inevitable, as the research and ourselves needed to be presented and explained to the woreda and kebele heads in order to gain access to and trust from the rural communities. Thirdly, interviewing these stakeholders proved necessary in the task of getting a clear picture of the scope and proceedings on the investment since very little accurate written material generally existed. At the third site, taking in a fourth perspective d. NGOs proved necessary to provide a more nuanced picture of the investment since only one group interview with members of the rural communities was held.

As for the selection of target areas, collecting inputs from different forms of investment strategies, plantation or out-grower schemes, and looking at investments in different stages of establishment, converted or non-converted areas, created a comprehensive ground for understanding different risks and protections met in each case.

4.4.4 INTERVIEW DESIGN

The nature of the material gathered at the different sites differs quite widely. Individual interviews were held with the households of the rural communities in Wolayta, the first site, as well as with most government officials and company employees. At the other sites these interviews were held in group. This gives us access to different kinds of information and is largely due to the specific circumstances of each site. Conducting individual interviews gives the interviewees more space and freedom to express a more intimate view in accordance to each informant's personal experiences and feelings. In Wolayta, the first site, farmers had been personally involved with the project and were therefore individually affected by the investment, interviewing them separately thus made sense.

Conducting group interviews provided us with a good opportunity to access a lot of information under a limited amount of time. They also facilitate for a verification of information and an overview of the course of events, as opinions and memories can vary over time. In Omorate, the second site, the investment research was more related to external effects, which made a group interview suitable. Also the time restraint caused by the need of a second interpreter and the specific cultural context also made this the only possible interview design for this study. In Kemise the investment was more of a community project and when arriving at the site it was rapidly quite clear that the investment was not a very sensitive issue. This because the investment was not very clearly defined and did not involve the farmers' main income-generating land. The general ambience in these communities also felt more candid and less hierarchical, than for instance in Wolayta, which led to a variety of inputs and opinions being expressed by a multitude of community members with very few restraints.

4.5 LIMITATIONS

4.5.1 SCOPE

In Omorate, the second site, the research was quite limited due to the investment still being in an early stage. Because of the communities' nomad lifestyle and the need for a second

interpreter, it was hard to conduct interviews in this area at all. This resulted in only one group interview, representing one kebele out of many. The characteristics of the area and the state of the investment were not clear to us before reaching the site due to cultural misconceptions and insufficient information. This heavily affects the validity of the research at this site and our ability to draw general conclusions. The restraints here met are obstacles generally confronted with when conducting research in areas inhabited by traditional indigenous nomad communities. Because of the inaccessibility of this people, often generating an underrepresentation of their views, we still find it valuable and relevant to analyze this material in our study.

The research conducted in Kemise was put to some time constraints since it was the last research site, a new interpreter had to be found and previous unplanned events provided us with less than two weeks at this site. However, the investment being more of community project, smaller in size and still at an early stage, given the possibility of conducting group interviews at this site, we find the information gathered from three of the kebeles involved sufficient for accessing an overall picture of the investment.

4.5.2 SELECTION OF INTERVIEWEES

The Ethiopian Development and Research Institute provided us with well needed recommendation letters, that were to be presented at the administrative offices as well as to the company employees, in order to access further information on the investments and sites and allowing us to carry out field work in the area.

In Wolayta Sodo, this meant that we were repeatedly accompanied by someone assigned by the administration. While this provided us with great help in finding farmers involved it also meant that our selection to some extent was colored by the choice of these helpers. In one village for example, after conducting a few interviews we understood that these farmers had been chosen because they had been most successful in the project (Interview A14), this as a form of hospitality towards their *faranjii* (white) guests. However, given the complete failure of the project in this area, the general attitude towards the project and company was not a very sensitive issue, as it might have been had we visited the area during the time of the investment. In addition, it was quite clear when this gave an actual effect on the outcomes of the interviews, one farmer for instance claiming that it was a very good investment deal but still admitting that he got a substantially less income from the crop (Interview A12). This problem with the selection was however not the general case, the helpers also giving us access to specific farmers when asked for. Given that these arrangements provided us with a large amount of household interviews in several different villages, and with several former employees and administrative staff, we feel that a comprehensive image of the case could be gathered. This situation did not exist at the other sites.

4.5.3 GENDER ASPECTS

Except for one of the households and one shopkeeper, all of the people interviewed were men. This means that the study lacks alternative views and gender specific inputs on the

investments. This is not a preferable situation, and a problem repeatedly thought of during the field visits. However, given the Ethiopian gender structure and our high status position as foreign researchers, the task of gathering isolated female inputs would have meant a tremendous work. In Omorate however, where the pastoralist women do all virtually all the productive and reproductive work (except for herding the cattle) and the men would have been employed on the plantation, female inputs would undoubtedly have been interesting and probably generate additional results. However, the task of gathering such material felt almost impossible due to even stronger gender hierarchies and might even have led to these women being harmed by talking to us (Interview B2).

4.5.4 INTERPRETERS

Using interpreters inevitably decreases the reliability of the study and therefore they must be carefully selected. In this research, the interpreters have been thoroughly chosen among several alternatives. We also worked closely with our interpreters during several weeks and had continuous communication with them, we thus feel confident regarding their work. In interviewing the pastoralist community in Omorate a second interpreter was needed. This interview would otherwise have been impossible since nobody in the area spoke both the Dessanesh language and English. This complicated the entire interview procedure and made the interview material from this site less comprehensive and less reliable. Worth noting is also that all three interpreters used were male, which might have further aggravated our chances of interviewing women.

4.6 SCOPE

An eight week in-field *time constraint* made us chose the *physical settings* made out by the three study sites in Ethiopia. The delimitations to the *methodological approach*, referring to the choice of method and specifically the interview focus is determined by the hermeneutic approach of the study as well as the need of qualitative inputs relating to other than solely quantitative assessments of effects from large-scale land investments. It is meant to complement the previous assessments made on these land transformations. The delimitations in the *analytic material* refer to the choices of actors and theories analyzed. Within the field of human geography and environmental science the understanding of the geographical context is also important.

5. FINDINGS

This section presents the results from our eight week field study conducted April to May 2012 in Ethiopia. It presents the geographic context of each site and the scope and impacts.

5.1 SITE 1: GLOBAL ENERGY, WOLAYTA SODO

5.1.1 REGIONAL CONTEXT

Wolayta Sodo is one of the thirteen zones in the Southern Nations, Nationalities and Peoples (SNNP) Region. The vast majority of the inhabitants of the zone are Orthodox Christian Wolaytinians and the languages most widely spoken are Amharic and Wolaytinia. The zone is located in the northeastern part of the region, in the south mid-highlands of Ethiopia, on the fertile slopes of the rift valley. With a population density of 385 inhabitants per km² this is one of the most densely populated areas in the country. The location in the mid-highlands, with an elevation that ranges between 1200 to 2950 meters above sea level, provides good prerequisites for cultivation with seasonally reliable rainfalls and moderate temperature in comparison to dryer and colder parts of the country. (Adugna and Said 1991; SNNPRS 2012a:17-18)

The majority of the inhabitants of this area are small-scale farmers holding on average half a hectare of land per household, mainly cultivating maize, sweet potato, enset (false banana), teff (endemic grain), haricot bean, sorghum, Irish potato, yam and cassava (Interview A1; SNNPRS 2012a:17-18). The majority of the farmers also hold livestock, predominantly cattle, sheep, goats, donkeys and poultry, and the main cash crop produced is coffee. The administrative center of the zone, Sodo, is one of few towns in the region with an adequate infrastructure; asphalt roads, electric power and telecommunications, piped water supply, as well as banking, health facilities and one of the country's biggest university. It is located along the main road leading south from Addis Ababa, roughly six hours away on public transport and a three hour journey from the regional capital, Awassa. (SNNPRS 2012a:17-18)



Figure 6: From left to right showing: farming household, farmer's house, aged farmer, castor bean plant. Pictures taken in Wolayta Sodo, by authors 2012

5.1.2 CASE DESCRIPTION

Global Energy (GE) was an American-Israeli private enterprise that engaged in investment for the production of castor bean for export in the zone of Wolayta Sodo, starting in the year of 2008. The investment was an out-grower scheme and involved 20 000 farmers in several

woredas in the zone, each farmer contributing at least a quarter of a hectare. GE was given 5 500 ha of state land for rent at ETB 47 [USD 2.5] per hectare and year from the regional office for the establishment of a plantation. They were also provided with an office building in the center of Sodo town and facilities in order to build a peeling factory. The company imported seeds, fertilizers and tools from China. In total the company is estimated to have invested ETB 25 million [USD 1.4 million] in Wolayta.

The castor bean is an oil-rich biofuel feedstock, indigenous to the area. For this investment a Chinese variety of the crop was introduced by GE. Since the plant is inedible and has no usage except for the production of biofuel, the presence of the plant has formerly been fought by farmers. It does however increase soil fertility, since the bean fixes nitrogen in the ground. Harvests are by Ethiopian farmers measured in quintals which is a volume unit corresponding to approximately one sack, for castor bean one quintal weighs between 20 and 30 kg.

In most places the introduction to the investment was made by *faranjiis* (white people) from the company and representatives from federal investment agency holding a presentation for the woreda and the agricultural and financial office. Thereafter the project was presented directly to the farmers. In most kebeles involved, the farmers were gathered and meetings were held with company people. Participation in the project was voluntary although several informants reported a heavy promotion of the project to the farmers “*especially because of the ‘high’ introduction* (Interview A5) referring to the federal officials and foreigners present at the initial presentation. Most farmers in the selected kebeles joined the project. “*There is no forcing, but aggressive marketing*” (Interview A1). Model farmers were in addition principally targeted and trained to grow the castor bean to further encourage the other farmers in the kebele.

Contracts were reported by former employees to have existed but at further questioning none of the interviewees had seen one. As a former supervisor for GE in the kebeles said “*There’s a contract – (us) Are you sure? – As being just a worker that’s what we were told but we never saw a contract*” (Interview A5). The head of one of the involved woredas explained why “*The contract was not with the region or the farmer. Maybe with the federal government. There was only oral presentation. Since global energy was going to work with grassroots level, this is why there was no written contract*” (Interview A3)

Initially the promises made by the company to the farmers were a yield of three harvests per year, 80 quintals [2 000 kg]⁴ per hectare and that from two-three years after planting there would be no need for new seed input. In the first year, when initially agreeing to join the project, the farmers were offered ETB 0.4-0.5 [USD 0.02] per kilo for castor beans. In comparison to other crops and their market prices anticipated in the first year, this price in combination with the high promised yield, made planting castor a good investment for the farmers. All of the castor beans were to be sold to GE and it is worth noting no alternative buyer for this crop existed on the Ethiopian market. The farmers were, in one out of two woredas visited, offered an initial incentive of ETB 50 [USD 2.8] since the planting of the

⁴ This is an approximation, 1 quintal = 25 kg

castor bean means a lot of preparation. The model farmers were promised extra incentives such as rubber boots, raincoats, t-shirts and caps.

The farmers were given a receipt for the total amount of beans contributed when collected at the kebele office. Payment was handed out, in exchange for the receipts, when the company came to collect the harvest from the kebele. The kebele office did not accept amounts less than ten kilos.

Fertilizers and seeds were handed out to the model farmers for distribution among the rest of the farmers. Pesticides were provided and kept at the kebele office. The seeds and fertilizers were loans to be paid back by each farmer, including the model farmers, to the company through deduction of the first harvests. The farmers were also given training on how to grow the crop by the supervisors. This training mainly consisted of informing the farmers to keep half a meter distance between the castor plants and advising them not to intercrop.

Both farmers and officials were optimistic about the prospects at the outset. The farmers expected good earnings since the promised yield was very high and the cultivation would demand very little maintenance in the long run. The farmer would be guaranteed sales and saved a trip to the market as the crop was to be collected in the kebeles. The prospects of new techniques and modern agricultural inputs and the development possibilities were also very appealing aspects of the investment project. A former project supervisor captured the early optimism *“First year, since it’s a new thing. They were told they could get 70-80 quintals per hectare. Everybody was very motivated. The expectations were very high.”* (Interview A5) and one of the farmers explained *“You know, what the government is teaching us is to do better with the technology and develop, so these are the things we look for”* (Interview A16)

After the first year of growing the castor bean, however, many problems arose. Firstly, the promised yield did not correspond to reality. The highest recorded harvest was 25 quintals [625 kg] per hectare and the average 16 quintals [400 kg] per hectare. Secondly, only two harvests were possible per annum and the third year as low as one, the yield additionally being nearly non-existent. Thirdly, there were complaints on the low weight of the crop. Compared to other crops castor bean has a low weight per quintal which was not initially made clear to the farmers. Fourthly, due to unusual rainfall patterns in the region during this period; droughts during the flowering of the plant and heavy rainfall during the harvest, a lot of the harvest was lost or destroyed.

In addition to the low yields, there were other price-related problems with the crop. Due to high inflation rates in Ethiopia during the investment period the price of other crops increased substantially. Also, large fluctuations exist on the Ethiopian food market depending on availability throughout the year. GE, being the only buyer of castor the crop, did not follow the prices on the domestic market but rather the prices stayed fixed in accordance with the agreement. In the second year this meant, that the relative price of castor had fallen substantially compared to other foodstuffs sold on the market. As an example the price per kilo of castor corresponded to one quarter of the price of maize (maize rising from ETB 1 to 4 [USD 0.05-0.2]). One farmer summarizes the problems *“I trusted what they told me, they told me three times harvests per year. All the details they gave us were wrong. The product was*

very light, even if you fill one sack, it is not so much weight, in comparison to other grains. Main problems was that it was cheap, hard to collect and very light.” (Interview A10)

Another recurring complaint was that the farmers had to wait for payment two to three weeks up to half a year after harvest, which is a massive problem for subsistence farmers. The yields being diminutive, the deductions of the fertilizers and seeds resulted in the farmer getting very little or no income at all from the first harvests. The kebele limit of not accepting less than ten kilos also meant that farmers with very little harvest could not sell their crop at all, which was a common problem in the third year. In addition, farmers sometimes lost the receipts which resulted in them losing their income. *“...because people are unused to this, sometimes they put [the receipts] in pocket and they wash, and then it was no more. And without receipt, no payment”* (Interview A2). Furthermore, the initial ETB 50 [USD 2.8] promised to the farmers was never paid out and neither were the incentives promised to the model farmers.

Seeing that the incomes from the crop were so limited, a major problem with the investment, pointed out by the farmers, was that the crop is inedible and has no other use. The intercropping prohibition further aggravated the food security situation for the farmers. The indigenous castor, even before the investment was largely disliked. An old Wolaytinian saying for cursing your enemy and cited by one farmer as his reason for not joining the project, is *“Let the castor bean grow on your land”* (Interview A15).

A major problem in one of the woredas visited concerned the loss of grazing land. The state land used by the community as a common was given to the company for establishment of a plantation, which was never started. No compensation was offered to the users of the common and they were given two months’ notice to stop using it. One farmer commented on the loss of the common *“Everybody used it for grazing. When the land was given away the areas were closed. People were suffering. You know, there is not so much land here. Animals were grazing around the house or near the river. [they gave] no compensation.”* (Interview A10).

The plantation and the peeling factory were supposed to provide the young unemployed, landless people of the communities with job opportunities but were never started. The reason for this, according to the former manager, was the company’s lack of funds. GE applied for a loan from the Ethiopian Development Bank, but was turned down and encouraged to show profit from the out-grower scheme before getting the loans. Even though the investment potential of the company was unclear, land was at an early stage given to them. *“There were a lot of actors trying to get land, there was a lot of competition for land-grabbing in these regions so they tried to get as much land as possible. They came with foreign money and the government is so impressed and they just give away the land”* (Interview A6).

Virtually all crop-related information given to the farmers by the company in the beginning of the project was inaccurate. Besides the misinformation on the yield, the castor had to be reseeded every year, demanded a lot of maintenance and was hard to harvest. Additional problems brought up in the interviews concerned declining quality of fertilizers and seeds over the years as well as problems with the distribution of fertilizers as some model farmers were reported to have kept it to themselves. There were also concerns among the farmers over their cattle and other animals as well as their bees dying because of the pesticides used.

The interviews showed that there was little continuous communication between farmers in and between the kebeles on the project in general, even though they were fairly closely situated to each other. For example, one farmer believed the reasons for her failure with the crop was an isolated incident connected to insects harming the crop or her household's insufficiency (Interview A7). The prices in the initial arrangement also differed quite widely in closely situated woredas (from ETB 0.4 to 1 [USD 0.02-0.05]).

In experiencing all these problems, farmers started to complain to the project supervisors as well as the kebele and woreda offices. Some changes were made as a result. The question of the low prices was raised at the zonal level by project supervisors and representatives for the farmers and a meeting was held with company staff and government officials from Addis Ababa. *“(researchers) How did the price-rise happen? - There is a person called x, he planted a lot and was successful. He went to a meeting at the zonal level and said the price was not ok. Especially when we heard about the international prices on biofuel oil. And also we told the representatives of the company, foremen for the local area, when they came.”* (Interview A10). The price was then raised to between ETB 0.8-1.8 [USD 0.04-0.1] per kilo which was still a low price in comparison to other crops.

In the case of the loss of the grazing land the issue was raised at zonal level, but resulting in no acknowledgement or compensation followed. This resulted in the forced resignation of a kebele head carrying forward the complaints. *“The chairman of this kebele and Eesho kebele were complaining so much. The zonal office said this is the government's land and for development purpose. The chairman of the other kebele was complaining so much that in the end he was put down from his post.”* (Interview A10)

The problem with the distribution of the fertilizers was solved through transferring this responsibility from the model farmers to the kebele officials. The pesticides were also transferred to a locked shed where the dilution of the chemicals was controlled and the farmers were instructed to spray only before sunrise and after sunset when the bees are not active.

The participating farmers were rapidly discouraged and some left the project already the second year. By the third year the company realized that the project had failed and started to withdraw. After the end of the third year, the project was totally abandoned and parts of the company were sold off, the rest of the company was reported to be investing in biofuels in another region of Ethiopia under a different name. One farmer described his feelings about the project *“I'm not blindly accusing, but if one works hard and use so much time then one should get something back. The reason I have been hopeless, me and my wife labored so much.* (Interview A11)

At the end of the project, facing the risk of a complete investment failure and all opportunities of the investment lost, additional land was offered to the company by one of the woredas. The involved farmers were however left to fend for themselves. *“Since they [the company] were using the land of the farmers, the farmers could just quit [the castor cultivation]. But the solution for the young people, since they [the company] could be employing them, we gave*

them land in Mancha, in Galda and other kebeles for plantations. They did not accept [the land].”(Interview A3).

Ethiopian former employees of the company had a number of explanations as to why the investment had been unsuccessful. *“The problem started in the beginning, the faranjiis [Israelis] they didn’t have every info on the castor bean, they had no experience, they were not professional.”*(Interview A6). A number of them pointed to lack of a long term business plan, lack of previous experience with the crop and the involvement of such a large number of farmers at once as key factors. In addition, no guarantees were offered in case of bad harvests caused by unreliable weather or other external factors.

The investment was furthermore highly promoted from the federal government and the expectations were high on the development and opportunities a foreign investor would bring to the area. A former employee now working at the zonal administration office pointed out that *“The problem is that the government has a biofuel strategy and when the government see a company coming from abroad, you know, they are supporting FDI, then they try as much as they can to make them invest. They build the factories you know, it’s industrialization, and the government is so impressed.”* (Interview A1)

In this densely populated area people already suffer from land and food shortages. In retrospect, seeing that the market for this crop is very poorly developed in Ethiopia, the company’s lack of experience, structure and funds and the farmers having very little previous experience with cultivating the crop, the project of growing the inedible castor bean in this area had at the outset very little potential of succeeding. An investment like this clearly exposes the poor farmer of an array of difficult risks and is a telling example of what can go wrong when a large investor involves resource-poor farmers in such an extensive project, with all too little local knowledge and an insufficient investment plan, involving way too many farmers. Finding possibilities of safeguarding rural communities like these from similar projects in the future is thus an important task.

5.2 SITE 2: FRI EL PLC, OMORATE, SOUTH OMO

5.2.1 REGIONAL CONTEXT

Omorate lies within South Omo, the southwestern-most zone of the SNNP Region bordering Kenya and South Sudan. The approximate population density in the South Omo zone is 19 inhabitants per km². The zone is characterized by low-lying bush land with a seasonal climate of dry hot seasons interrupted by two rain periods, yearly. The Omo River flows through the zone and is one of the few rivers in the country that has a constant water supply through the whole year. The land is fertile and suitable for cultivation, with possibilities of irrigation from the Omo River (SNNPRS 2012a:19-20).

The SNNP Region of Ethiopia is an exceptionally ethnically diverse area, hosting at least 56 of the country’s different ethnic groups where South Omo alone holds most of these ethnic minorities (SNNPRS 2012b:1). The zone is largely inhabited by autonomous indigenous tribes, firstly introduced to the surrounding world and their location in the country of Ethiopia in the late 60’s (Briggs 2009:525). Most of the people of these tribes still live in highly remote

and isolated areas, practicing their traditional cultures and ways of living. They are largely dependent on the bush land for herding and the fertile banks of the Omo River for small-scale cultivation of sorghum after the seasonal floods. Traditionally, these ethnic groups do not have a monetary system, their cattle being their only currency deciding their social status. The tribes consequently migrate over vast areas as well as across the borders of Kenya and South Sudan. In Omorate, the dominating ethnic group is the nomad community of the Dessanesh people. (Briggs 2009:3-6, 538-539, Interview B2; SNNPRS 2012a:19-20)

Omorate town, with roughly 2000 inhabitants, is a remote border crossing connected to the closest smaller town with one dirt road two to three hours away with a four by four. In the dry season Omorate is accessible by public transport only from the zonal administrative center Jinka at the most three times a week, and is situated a two day journey from the closest town with adequate infrastructure, Arba Minch. This main road has been under construction during the last decade and is in very poor condition. During the rainy season, Omorate is virtually inaccessible. Privately owned generators provide the few small businesses with electricity, the water is pumped up directly from the river and the telecommunication network is highly unstable.

Recently, the Ethiopian government has taken initiative to develop the infrastructure in the area, to promote investments and agricultural production and to strengthen the health and educational status of the region. In Omorate, both the government and NGOs are involved with projects aiming at securing access to food for both the community members and their cattle during the harder times of the year. These projects all involve agricultural activities which, deliberately or not, inevitably result in a higher degree of stationary settlement for the pastoralists. An accelerated cultural tourism in the area has also increased the contact between the tribes and the ‘modern world’ (Briggs 2009:538-539, Interview B2)



Figure 7: From left to right showing: cattle, Dessanesh pastoralists, the Omo River, a pastoralist kebele. Pictures taken in Omorate by authors, 2012

5.2.2 CASE DESCRIPTION

Fri-el Plc is a private Italian-owned company involved in green energy that has received 30 000 hectares of state land from the federal government for investing in production of jatropha for biofuel production as well as palm tree and other crops in the town of Omorate. 400 hectares are currently in use, where the company cultivates maize and palm oil, and plans to double this area in 2013. They also plan to expand their production with cotton and sugar cane in the long term and to build a processing plant for the cotton. The company is reported to have a USD 36 million investment plan for the area (Legesse and Meskir 2008:55). The land lease contract is for 50 years and all of the cultivated land is irrigated from the Omo

River. The investment was initiated in 2007 and it then took several years to make all the arrangements, receive the ownership certificate and demarcate the land. 10 000 hectares of the land attained had earlier been used in a socialist agricultural development project during the Derg regime.

The company has 59 employees in Omorate, and another 250 contract workers are employed on a daily basis, with additional workers being called in during busy seasons. The contract workers are paid ETB 25 [USD 1.4] per day, a shelter building is provided for and they are given 15 kg of maize every 15 days.

The woreda head stated that only land that is not used by the pastoralists is open to investments in the area. In case of investment, the users of the proposed land are consulted and an investment plan is only accepted *“if they get the blessing from the local community”* (Interview B3). The development facilitator working closely with the pastoralist communities emphasizes that *“if they [the investors] come directly without information [prior to establishment] then there will be big problems”* (Interview B2). According to the group of pastoralist visited, they had been informed about the investments in the area and commented *“it’s about the development, and we don’t hate development.”* (Interview B4). They were never involved directly with the company but received information via the woreda.

Land contracts with investors in this area are normally time restricted to 10-50 years. The woreda head explained that the reason for Fri-el Plc getting the longest possible contract of 50 years was that they were growing palm oil, which demands seven years of cultivation before the first harvest.

There were no use-restraints put on the land demarcated by the company but not yet converted to agricultural production. The farm manager pointed out that *“Of course, they are not our enemies, they are our people. As long as we don’t use the land they are free to be there.”* (Interview B1) In order to make the river accessible to the local communities living in the area a regulation has been issued by the zonal office, prohibiting companies from engaging in any activity 500 -1000 meters from the river. The pastoralists interviewed were well aware of this usage right, perceiving this restriction as at least 1000 meters. The farm manger however first told us that the limit was 50 meters and hastily corrected this after our meeting with the woreda head.

Prior to investment a mandatory environmental and social assessment was conducted by the company. Concerning this assessment and the contact with officials the procedures were explained by Dessanesh people visited as *“often they don’t come out here and they only speak to the same people. And even if they come they don’t talk to the majority of the people. The people they talk to are not influential, but if he goes to the town often and he moves around a lot, then he is chosen”* (Interview B4).

One of the criteria for the pre-investment assessment is that it benefits the communities in the area; providing job opportunities and tax incomes. In the interview with the head of the woreda in Omorate, four advantages of the Fri el Plc investment were presented. *“1, it creates job opportunities for the people that work on the farms. 2, it improves the working culture of*

the people and introduce a new and better ways of living. 3, it is also good for the environment, before this was only bush-land, now we have different kinds of crops. 4, the woreda gets fees from these kinds of investments, and it all goes back to the community.” (Interview B3). The Dessanesh people however reported that job opportunities were scarce. *“We want to work but it’s hard. That is because we don’t speak the same languages and we don’t have so much work experience. Sometimes they say come tomorrow, and then again tomorrow they say the same.”*(Interview B4). They also pointed out that they did not benefit from the food and shelter provided to the contract workers employed from outside the area.

When visiting the farm no jatropha was cultivated. The farm manager said *“about the jatropha, it was under planning for two years but never started. And nobody knows why.”*(Interview B1).

The Fri el Plc investment is still in a very early stage of establishment whereas the impacts of the investment so far are not very noticeable. However, the magnitude of the investment, involving 30 000 hectares of land immediately next to the river on a long term lease, creates substantial risks for the communities in losing access to their land and possibilities of living their traditional lives. Considering the cultural gap between investors and the pastoralists they also pose the risk of not accessing benefits from this investment.

5.3 SITE 3: ATIRF ALTERNATIVE ENERGY PLC, KEMISE, SOUTH WOLLO

5.3.1 REGIONAL CONTEXT

Kemise is situated in the zone of South Wollo in the Amhara Region, in the central north of Ethiopia. Ninety percent of the population in this region depends on small-scale agriculture for their livelihood and the population density of the area is 100 inhabitants per km² (Sida 2010:8). The majority of the inhabitants in the region are Orthodox Christian people of the Amharic ethnicity. Bordering with the Oromia Region, the Kemise district forms a *special woreda* as it hosts a predominantly Oromo population who like their neighboring region speak Orominia and adhere to Islam. (ANRS 2012a,b)

With an elevation of 2150-2300 above sea level, South Wollo lies in the sub-tropical (Woina dega) climatic zone. The climate is warm to moderate with seasonal rain-periods and the land is suitable for the cultivation of most cereals including the staple *teff* as well as the cash crop coffee (ANRS 2012a). The small town of Kemise is situated in close proximity to other towns along the paved main road to the national capital Addis Ababa, which is approximately seven hours away. The infrastructure of Kemise is fairly developed providing bank facilities, electricity, telecommunication and piped water.



Figure 8: From left to right showing: Kemise town, the jatropha plant, burning jatropha seed, the hills of South Wollo. Pictures taken in Kemise by authors, 2012

5.3.2 CASE DESCRIPTION

Atirf Alternative Energy Plc is a private Ethiopian company involved in cultivation of jatropha for biofuel production. It is funded through a larger sister company involved in wind and solar energy and had an initial investment capital of ETB 3 900 000 [USD 220 000]. The company is mainly involved in out-grower schemes in Kemise and the neighboring Bati, as well as the Gamo-Gofa zone in the far south of Ethiopia. The company also holds 108 hectares of land 100 km outside Addis Ababa where a jatropha plantation is established, employing 32 permanent workers. The company's main objective is to produce kerosene from jatropha for the domestic market. They are in the process of importing processing equipment for extraction of oil from the jatropha fruit. The aim is also to develop and sell affordable kerosene burners for the rural poor, substituting the current use of wood for cooking. In the long run the plan is to be able to produce fuel for cars and even airplanes. (Interview C1, Legesse and Meskir 2008:56)

The jatropha seed contains up to 40 percent oil and is therefore a suitable biofuel feedstock. The jatropha plant demands very little maintenance, is drought resistant, increases soil fertility and can prevent soil erosion. Unprocessed the seed can be used as candle, in the making of soap, for greasing pans for frying the staple food (injera) and the plant's remains function as compost material. Jatropha is grown in several countries worldwide and is continuously being developed, mainly in India, to give larger and more frequent yields as well as being suitable for different types of climates. The plant demands two to three years before producing yield if seeded and one year if seedlings are planted (Amhara Region Agricultural and Rural Development Bureau, Interview C1,C2,C3).

The field research on the Atirf Alternative Energy Plc was carried out in three kebeles in the woreda of Kemise, where 200-300 households were involved with jatropha cultivation in 7 kebeles. The jatropha plant was introduced in this area by the current government roughly 20 years ago but until recently has only been used for fencing to keep out the animals from the farmland and backyards. Kemise is one of the woredas involved with the nation-wide jatropha production and development plan launched in 2006 by the federal agricultural and rural development bureau. The project objective in the woreda was to function as a safety-net initiative involving unemployed young, landless members of the community in an income generating project.

In 2009 the Kemise jatropha project started and two woreda employees were made project leaders for the woreda. They were trained and informed about the benefits of the plant by employees of the federal governmental agricultural bureau. An inventory was initially made

by the woreda, counting the plants in the area. Thereafter a cultivation promotion started with the farmers in the involved kebeles. The farmers were taught the benefits of the plant and told by the project leaders to plant it on the hillside commons and on the land plot borders. There was no record of the amount of labour input contributed by each farmer or household on these commons. At the initial stage of the investment, the farmers were informed of the future profit making potential of the plant, however information on by whom and at what price the seeds would be purchased was not clear to the farmers.

In the neighboring town of Bati, there is a processing machine for the production of biofuels, run by a semi-NGO for the development of the Amhara Region. The factory has not yet started but the future plan is that the jatropha produced in Kemise will be collected and sold to Bati for processing.

No incentives were given to farmers during the initial cultivation, the reason for this was explained by the company manager as *“The UNDP in Tanzania gave money to the farmers, so everybody planted [jatropha] and the edible got very expensive”* (Interview C1). To avoid off-setting food production, the company encourages the farmers to use only their waste-land and fence area for the jatropha cultivation, never their main income-generating land.

Virtually all farmers interviewed in the kebeles visited were involved with the planting of jatropha. The choice of this involvement seemed very limited as the commands of planting the jatropha came from the woreda. *“(researchers) Do the woreda people in general come often to advise? – Yes, all the time - (researchers) And you always follow? - Yes”* (Interview C3).

A few years after the project introduction was made, a merchant from Bati showed up in the kebeles wanting to purchase the jatropha seeds. The households then started to collect and the seeds were sold to the local shop-keeper. The shop-keeper bought the seed at ETB 4-5 [USD 0.2-0.3] per kg and sold at ETB 8 [USD 0.44]. *“They came from Bati, someone came here and collected and then we [the shop] started buying from the children. But then I collected and no one came. Then the agricultural office came”*(Interview C6). In two out three kebeles, the communities were initially visited by a merchant from Bati and told that he would come and purchase the seeds once a year. The merchant’s visits were reported to be scarce and highly irregular, although there were differences in opinions on the exact number of visits. Because of the absence of the purchaser, the communities stopped collecting the seeds for approximately one year. Recently the woreda started buying the seeds from the shop-keepers, redistributing them among the households in the area for further cultivation and development of the project, and the collecting of seeds has thus resumed.

The income generated from the collection of seeds did not contribute to the main household income, but to candy or sweets to the children that collected. Since the collection of the jatropha is labour intensive and fairly unprofitable, small children unsuited for harder labour in the village carried out this work. Regarding the planting of the jatropha the farmers commented, *“we put in extra time, we work more”* (Interview C3). Their regular farm work, which generates most household income, was not reported to have been affected by the jatropha planting.

A problem brought up by the farmers was the inconsistency and unreliability in the purchases of the seeds. The information generally provided to the farmers was *“They said the fruit is very important. They said plant and you will get good profit”* (Interview C4). This had resulted in households and shops storing seeds waiting for 'someone' to come and buy them. One farmer told us about one community member having a fire in his house while storing 500 kilos of seed which resulted in the whole house burning down. Because of the lack of information given on the future plans of the project many farmers involved felt discouraged *“Now, no one buyes, so what we can do. There is no profit so we don't care.”* (Interview C5).

Another complaint raised was that the flower of the jatropha might harm the bees, disturbing the honey production. There were also reports of young cattle being poisoned from eating the jatropha fruit, in one reported case leading to the death of a small oxen. The farmers also reported that the juice coming from the plant destroyed their clothes.

The hillside commons where the jatropha was planted had earlier been used for grazing. However the loss of grazing land was not a concern among the farmers as they had other lands for this purpose.

Overall, the attitude towards future involvement with the jatropha project was very positive as the farmers interviewed in general showed a great interest. This despite the fact that the information provided by the project leaders and purchaser had been very limited and so far the project had not provided them with any benefits of significance. One group of farmers was very intrigued about the fact that you can use the jathropha to fly 'jet planes'. In one kebele visited they expressed the hope for a processing machine they had seen on television to be established nearby *“so we can benefit from the oil”* (Interview C4).

The farmers interviewed also expressed willingness to and interest in a further development of the project. *“Now when we have planted so much we will try. Now that we know the use we can work on the farmland. If we are not busy we can pick up seeds. We have to choose the best profit. When we have the time we can also do this [collect jatropha seeds].”* (Interview C4). The woreda project leader also had great hopes about the job-creating potential of the project for the future.

Out of the three sites visited this project holds the most potential of benefitting the community. The farmers were well used to the crop beforehand, the cultivation being carried out on waste-land and the long term investment plan are all positive aspects of the project. The uncertainty about future plans and the lack of information provided to the farmers exposes the participants to risks of not benefitting from the project while already putting in workloads.

6. ANALYSIS

6.1 OVERVIEW

This section draws from the material presented in the findings. It analyzes the risks faced by the rural communities due to the presence of the investors and examines the effectiveness of any safeguards encountered during the field study. The efficiency of the safeguards will in this section also be discussed and they will be looked at in perspective of international and national policy guidelines and theories on pro-poor economic growth, presented in the chapters *Theory* and *Country context*, to find out what lessons can be learnt. Having reflected on the risks that communities were exposed to in the light of existing safeguards an assessment is made on what further protections might be effective.

6.2 RISKS AND PROTECTIONS

In both out-grower schemes visited (case 1 in Wolayta and case 3 in Kemise) the farmers involved faced the risk of *loss of opportunity cost compared to business as usual*. Where the investment resulted in a shift of the crop cultivated on the main income-generating land this became a major risk when the yield and payment did not correspond to expectations. This risk also occurred when the investment led to animals or bees being damaged because of poisonous plants or the usage of pesticides.

Unrewarded or poorly compensated labour was another risk faced by these communities because of the absence of alternative buyers, limiting the negotiation power of the farmers. The absence of contracts or other formal arrangements and limited possibilities of contacting the investor further aggravated the possibility of ensuring income from the cultivation. In Kemise unrewarded labour was also caused by unreliable sale opportunities and inadequate information about the buyer. Regarding the Omorate plantation, this risk was posed through local community members not accessing the full labour compensation since they did not access the maize provided for the other workers.

Reduced food security is a risk faced everywhere in poor rural areas where the cultivation of foodstuffs is foregone in favor of inedible cash-crops, if the land availability is scarce and the market for the cash-crop unsecure, as was the case in Wolayta.

These three risks increase the rural communities' economic vulnerability as a decreased production of foodstuffs might lead to a food price rise and the loss of opportunity costs decreases the purchasing power of the poor. As held forward in the theory on pro-poor growth, an increased vulnerability reduce the farmers financial margins and further pushes them to focusing on risk-minimalizing rather than profit-maximizing activities which has negative impacts on the growth potential of the economy as a whole. The engagement in unrewarded activity further limits the resources available (mainly labour) for these profit-maximizing activities.

At all three sites visited, measures were carried out in order to protect the local communities from food scarcity. *Ensuring food security* is seen as an important measure in both the

international policies for responsible agricultural investment and in Ethiopian policy on agriculture and rural development as well as a prerequisite for creating pro-poor growth. Since famine and malnutrition are frequent threats in all of Ethiopia and all biofuel cultivation in these investments meant cultivating inedible crops, ensuring food security was seen by administrative bodies in all regions as an important task. The manager at the domestic company Atirf was also very clear about the importance of this risk. In Kemise strict recommendations from woreda and company were thus carried out not to plant on main income-generating land. In Wolayta no such recommendations were given by the company although the farmers involved were advised by responsible woreda heads not to use the majority of their land for the crop. This restriction was thus followed also largely due to self-capacity among farmers. In Omorate both the government and NGOs were involved with projects aiming at securing access to food for both the community members and their cattle during the harder times of the year. These projects all involved agricultural activities.

Loss of access to commons was a major risk faced in Wolayta and Omorate. This risk can result in scarcity of, and longer distances to, grazing areas and pastoralist losing access to the river banks and bush-land, their main resources for food collection, further reducing food security and increasing the labour load.

Recognition of land use rights including pastoralists' land use rights to some extent existed in Omorate. Restrictions in the use of land close to the river were put in place, the pastoralists' usage of the land was acknowledged and the non-converted areas of the plantation were still open for use by the local communities. The magnitude of the plantation investment, a 30 000 hectare lease next to the river for the following 50 years, was not yet very tangible in the area since the amount of converted land was still low. When full implementation is done, however, the issue of land use rights in the area might be of a larger scope. No compensation, economic or subsidiary, was offered when grazing land was confiscated, neither in Wolayta or Omorate and the recognition of land use-right was in the case of the commons in Wolayta non-existent. The Omorate farm manager's responses appeared to indicate that restrictions on land near the river were not being complied with. Even though the information was hastily corrected by the manager the fact that he physically pointed out the exact boarder of the company's land and property 50 meters from the river made us believe that the restrictions might not be accurately followed. In Kemise the jatropha production was carried out on the degraded hillside commons and no complaints were put forward during the field study on the shift in the use of this land. This information follows the restrictions of the Amhara Region where cultivation of biofuel feedstock is strictly to be executed on degraded land.

This risk draws back to the notion of idle land and the debate on to which extent this actually exists especially in highly populated areas in Ethiopia, predominately the highlands. The Ethiopian policy on agriculture and rural development, while admitting that land is scarce in the highlands, states that in these areas "*there is some land that, for various reasons, is not utilized by peasants*" (MoFED 2003:25), and is therefore open to investment. Even if property rights and the right to compensation of land if expropriated was strengthened in the land law reform 1997 (Proclamation no. 89/1997), there was no strengthening of the customary rights to land. As discussed in 2.1.4 *Land to investors* these patches of 'idle land' often provide a

vital element in the livelihoods of poorer and vulnerable groups, including crop farming, herding and gathering of wild products. The method used in assessing what land is idle, for example the World Bank's method of scanning land with satellite in deciding the usage of land, can thus be highly questioned and needs at least to be followed up on the ground. It is also important to mention that land also has values other than economic and food provisioning through its social and cultural significance for people. This is an important point to make in the case of the pastoralists' bush-land where compensation in kind has been tried before in neighboring regions resulting in violent conflicts.

Allocating land for investments without involving land that is already in use as commons demands knowledge of the local area and participatory processes, as well as a political will to do so. The 2008 transfer of agricultural investments involving more than 5000 hectares from the regional states to the federal government did not simplify this process. Since all land is owned by the state, land not cultivated by separate households or holding property is seen as solely belonging to the state. In Wolayta, while fully aware of the farmers usage of the grazing commons, the administrative offices firmly stated that the commons were state land and for investment purpose.

The international policy principles for responsible investments holds voluntary transfers, fair compensations and respects of rights, including customary rights to commons, as important tools to safeguard the local communities and also relates to the compensational aspects of the issue. Compensation in kind is held forward in these policies as preferable. However, where land is scarce or culturally valuable this form of compensation is probable to be inaccessible. The other solution, economic compensation, would be substantially hard to carry through, even if the customary rights would be acknowledged, as the price of very scarce land for indefinite time would be hard to establish. Deciding who would be entitled to compensation is another hindrance. Such a compensatory measure, because of land scarcity in the highlands, still risk to result in overuse of land, as no other land can be purchased for the money, or in the worst case scenario displacing people.

In all three investments the local communities risked a *loss of political representation* due to the administration's direct involvement and sometimes even employment in the company, blurring the line between the representatives of the rural communities and the investment. In Wolayta the failure of the project and heavy involvement by the administration also harmed the farmers trust in that the officials actually work to support the welfare of the communities. In the case where the complaints carried forward due to the loss of commons led to forced resignation of an official representative, this risk was quite evident; the farmers thereafter being sure the conflict could not be solved by their political representatives. While the diffusion between company and state representatives might provide the investment with a higher possibility of succeeding due to local knowledge, it substantially weakens the social and political security for the local communities. Separating these bodies would form an important part in empowering the local communities and enabling an inclusive development.

Even though the administrative bodies in the cases studied hardly could be described as representative, community members' *access to representatives and possibilities to complain*

are in rural Ethiopia fairly well-developed through an elaborate multileveled administrative system (see 3.2 *Administrative systems*). Every small village, including nomad communities, has their representatives (kebele heads) to whom all members of the village can put forward comments on subjects regarding the community. The heads are in turn directly connected to the higher levels of the administrative system. In Wolayta, regarding smaller adjustments and in raising the crop price, this was a successful protection mechanism. The price-rise could, however, be closer connected to the dropping out of participating farmers and fear of investment failure than an outcome of adequate political power, the farmers still claiming they did not get sufficient payment in comparison to the work put in. Furthermore, in the case of the complaints over the loss of commons which resulted in the forced resignation of one kebele head this safeguard did not at all function. Regarding the plantation the pastoralists were informed on the investment plans. The woreda was, however, reported of making unfair selections in their contact with community members.

In the theory on inclusive growth, political debate and democracy is held forward as an important tool in ensuring equitable effects from and sustainability in the economic growth. Good governance and proper functioning administrative bodies is also included in the international policies for responsible investments and are meant to ensure a proper enabling environment for these investments, benefiting both the investor and the communities. As involvement in the international market is held forward as a cornerstone in producing growth that can be pro-poor, the criticism must be carried forward that in the competitive climate among periphery countries in attracting foreign capital and investments, empowering the rural communities in their representation and political rights, might not be a priority. As carried forward in 2.3.3 *Questioning market-led development*, strong control over the population can be an important asset in attracting these investments. In the case of Wolayta for instance, providing an opportunity of offering an involvement of 20 000 farmers in a year's time.

The risk of *future conflicts* is threatening in Omorate where the loss of all of the 30 000 hectares of land in the future might lead to the communities being displaced leading to potential violent conflicts with neighboring tribes, which has been the case in this area before. In Kemise, this threat relates to the absence of records on the amount of labour put in during the cultivation on the commons, which might cause future conflicts in determining the income distribution from the crop.

The protection from such outcomes is the agricultural projects held in Omorate, creating a possibility for the pastoralists in becoming more settled thus depending on smaller tracts of land for their livelihood, theoretically then not being harmed from the loss of land. If employed at the plantation this could also be an outcome. This promotion of social mobility is seen as an important mechanism in enabling pro-poor growth, but has complicated implications for choices of livelihood, further discussed later on.

The risk of the investments resulting in *no community benefits* is present in all cases, the project in Wolayta resulting in rather the opposite and the plantation in Omorate providing very scarce employment opportunities for the pastoralist community. Seen in a future perspective the out-grower farmers might also risk losing out on potential future development

projects if the unreliability of the income generating effects and scarcity of information creates a hesitance among farmers towards similar positive future development projects.

In Omorate, prior to the establishment of the plantation an environmental and social assessment was made. The main demand herein put on the investment was the insurance of the benefits hereby offered to the local communities; economic development and job opportunities. These demands can virtually almost be theoretically met prior to a profit-making investment demanding some sort of workforce. In reality and so far, the pastoralists had seen very little of such benefits. The communication with the pastoralist in this assessment, while existent must be described as insufficient given that the community members who regularly frequented the town most often were contacted.

The communities involved with the out-grower schemes were given *training and technical support* regarding the cultivation of the new crops. The investments studied gave with them few technical improvements, the need of technical support not being vast. The exception being Atirf Alternative Energy Plc where one of the company's main objectives was to produce biofuel for the domestic market to substitute the use of fire-wood for cooking in the future.

Large scale investments for agricultural production have in theory many positive implications for the local communities, providing them with among others job opportunities and technical and efficiency improvements, which creates economic growth and is the whole reason for attracting them. Ensuring community benefits from these investments, besides from being a national goal in the policy for rural development, it is essential for ensuring the principle of durable shared value held forward in the international policy guidelines and is a cornerstone in an inclusive growth strategy with equitable distribution. Furthermore, parallel to engaging in investments in the agricultural sector which substitute foodstuffs or is aimed at exports, ensuring an increased productivity in food production is paramount for ensuring food security.

Environmental degradation is a risk faced in all cases and in the out-grower projects caused by land overuse due to loss of commons. Soil quality and health degradation might also be the outcomes in introducing harmful and unfamiliar chemicals with inadequate training and information, which happened in Wolayta. The expansion of the large scale plantation also risk increasing the use of fertilizers, pesticides and genetically modified crops and causing an unsound use of water in irrigating the plantation from the Omo River.

The environmental and social assessment carried out in Omorate is also here put in place to function as a safety mechanism, ensuring that major negative impacts on the environment due to the investment are mitigated. Unfortunately, we were not able to get a hold of this assessment and can therefore not evaluate its efficiency or accuracy in relation to the investment and the environment. Some suspicions might however be raised as the head of the woreda claimed the investment to be beneficial to the environment in the area since it introduces new crops to an area that before was 'only bush-land'.

Ensuring *environmental sustainability* in these investments includes measures to protect water resources, prevent soil degradation and erosion, avoid overuse of land and deforestation,

mitigate pollution and drivers of climate change as well as protecting biodiversity and wildlife. It is held forward as an important safeguard in the international policies for sustainable investments in the agricultural sector and is a cornerstone in creating sustained economic growth and reducing the vulnerability of the poor. One of the objectives of the biofuel strategy of Ethiopia is to substitute fossil fuels on the domestic market and even though no such production was yet put in place in the cases visited, and marginally in Ethiopia in general, this is a long term strategy and if successful might be successful in substituting other energy sources. The nationwide jatropha project launched by the federal government also aims at preventing soil erosion which in the case of Kemise was successful in the protection of the degraded hillside commons.

Lack of livelihood choices is a risk caused by the uncertainty of future prospects for the farmers when provided with limited, inaccurate and scarce information on the project they are involved with. This compromises the possibilities of planning their future cultivation, further aggravating the risks of loss of opportunity costs and engaging in unrewarded labour. This risk is also caused by limits of freedom of choice due to the social and political climate in Ethiopia. In the case of Wolayta this was expressed in the form of ‘aggressive marketing’ and as in Omorate promoted as a push for development. In Kemise involvement in the project was not even perceived as a matter of choice by the communities as they reported to always do what the woreda advises them.

In addition, in Omorate this risk also carry with it the specific risk of loss of cultural identity and traditional livelihood when decreasing access to land and riverbanks limits the possibilities of a pastoralist lifestyle. This is further pushed by the promotion of ‘modern’ ways of living and agricultural development projects targeting these communities resulting in a higher degree of stationary settlement for the pastoralists. In Ethiopia this must be understood in the light of the government’s efforts in securing political stability in the country and controlling its territories as well as accessing the vast areas of land currently controlled by these autonomous ethnic groups. Another similar area in Ethiopia is the Gambella Region from where there are many reports on violation of land-use rights and displacements of pastoralist communities due to the presence of foreign investors (The Oakland Institute 2011:7).

It could however be argued that the choices of livelihood of the rural poor in poorly developed countries like Ethiopia are already limited to such a degree that they hardly do not exist at all from the start-off. Demanding a real right to choose involvement in developing projects might be argued as being a typical western demand, as the rural poor are not generally in the position of choosing their livelihoods in any real way; the farmer’s son inheriting his land and occupation from his father and the women gaining their social position from her marriage. In Omorate and among the pastoralists communities in general, it is a debated issue whether these ‘development opportunities’ provide these people with a choice of a different way of life or merely diminishes their choices, cultural rights and inheritance. This is a multiply complex dilemma considering the human rights and food security situation for these indigenous communities, where starvation during parts of the year is common as

well as the practices of female circumcision, cultural infanticide and polygamy; the men marrying multiple wives at often very young ages (Interview B2).⁵

This discussion can be represented by the differences in the definitions of pro-poor growth and the question of, when is economic growth beneficial for the poor. If an investment lead to an increased income of the rural communities and provides job opportunities, as might be the case in the future in Kemise, does it matter that the growth was not inclusive, demanding an active and free participation of the farmers involved? And if in fact the settlement projects with the pastoralist communities saves children from dying and empowers women, how is that weight towards the loss of cultural identity? This discussion is important in deciding what is and what not a risk is for these communities, opinions differing quite widely. What could be argued though is that when facilitating for making informed and free choices is not a hard goal to reach it should be sought for.

6.3 WHAT WAS MISSING?

Besides from the protections mentioned above, and the need for them being functional and reinforced, these are the safety mechanisms that in the three cases studied were missing.

In all three cases of this study, *availability of accurate information* was lacking for the rural communities. Access to and correctness of information is one of the cornerstones in the international main principles for responsible investments within the agricultural sector. This is essential both for enabling long term sustainable investments and for the planning of future prospects for the communities involved or affected. In Wolayta, for example, accuracy of information would have given the farmers an informed choice of involvement in the project as well as it might have led to the long term survival of the investment. It can also be argued that no investment would have been initiated at all if the information provided on the yield and labour load of the crop would have been accurate, as it was not a profitable deal for the farmers. In both out-grower schemes, providing the participating members with information would not have meant much extra expenditures for the company or labour for the project leader or company supervisors since they already worked close with the farmers, given that the companies had the right information to give to their employees (as not was not the case Wolayta).

A major problem in both out-grower schemes was the lack of *functioning and competitive markets* for biofuel feedstock. In enabling the existence and functioning of these markets, availability and access to information is also here a paramount ingredient. As Ethiopia is working towards a market-led agricultural development by enhancing the production of cash-crops demanded on the international market, the government admits that information on market prices is a must in order to strengthen the farmers' negotiation power. Macroeconomic stability is in addition carried forward as a principal mechanism for pro-poor growth is, especially keeping inflation rates low, in order to enhance the market security and decrease future risks. In Ethiopia, as in many other countries in the Global South, keeping

⁵ This discussion draws from many conversations on development, its objectives and possible damages, with Ethiopians. In Ethiopia april-june 2012.

price stability is a major challenge, the Ethiopian inflation rate though having sunk in the past few years, is still high.

As argued in 2.3.3 *Questioning market-led development* the existence of efficient, well-functioning markets in periphery countries like Ethiopia often meets obstacles as poorly developed infrastructure, lack of market information as well as market monopolies. Since the production of biofuel feedstock is fairly recently introduced in Ethiopia, the development of a market for these crops is not yet established. This is a fact acknowledged by the government who aims at supporting *unions and cooperatives* that can substitute the mechanisms of a functioning market while a competitive market is being built up according to their agriculture and rural development policy. Such initiatives, however, were not fund in the cases studied. On the contrary, this study rather shows that the initiatives taken by the federal or regional governments is implemented by the woredas and information hence given to the farmers with little or no insight in the procedures and decisions taken. Unions and cooperatives would have been a useful safety mechanism in assisting farmers to receive fair prices for their produce through strengthening their negotiation power. It is therefore important that the government take real measures and acknowledge such institutions, however, given the political climate in Ethiopia and the pressing need for investments in the agricultural sector it is put in question how effective they can be.

In both out-grower schemes *contracts* between the farmers and the company were absent. Clearly defined contracts would have given the farmers more power to complain when information given did not correspond to reality. Difficulties, such as price-related issues, unrewarded labour and uncertain future prospects were detected in both cases, problems that in presence of clearly defined contracts might have been eliminated. Engaging in out-grower schemes often means a relatively small capital input from the company whereas for the farmer the resource input is relatively large. This means that the farmer is always at a higher risk of losing out in such agreements and contracts become essential in ensuring that the farmers produce is being sold and compensated for at a fair price. In the out-grower schemes studied contracts between farmers and the companies could have been put in place but this might have become a less prioritized issue when the government is pushing for attracting investors. This is worth keeping in mind as both international and national policies explicitly prefers out-grower schemes to plantations as it enables durable shared value and is a prime example of an inclusive growth strategy for investments.

Technical and economic viability as well as the ensuring of durable shared value are held forward as significant safeguards in the international guidelines for responsible investments in the agricultural sector. That the government is putting *adequate demands on investors*, through clear investment plans that correspond to the area's development plans and resource availability as well as making sure that investments result in a sharing of benefits and do not increase vulnerability is essential. For example, this was not the case in Wolyata, an area with scarce resources where already vulnerable farmers got involved in a project with inexperienced and unreliable investors that in the end lacked financial resources to carry through the project. In Ethiopia there is a pressing need for especially foreign capital inflow. The competition amongst the least developed countries (LCD's) in sub-Saharan Africa,

resulting in the bidding out of land and offering of incentives to foreign investors, has been referred to as a race to the bottom. In this competition it is undoubtedly a difficult task to put heavy demands on these investors. Although as argued through the policies on responsible agricultural investments, and as seen in the case of Wolayta in this study, offering land for agricultural production without ensuring the investors sectorial and technical viability benefits no one.

The enforcement of *non-discriminatory practices* is mentioned as a prerequisite objective for pro-poor growth. Discriminatory practices were detected in the case of Omorate for the pastoralist communities. To find solutions to this is not an easy quest but language training for these communities might have lessened the cultural gap and enhanced their job opportunities on the plantation.

Out of the three sites studied, Kemise held the largest potential of succeeding in creating a durable shared value for community members as well as company with few negative external effects. The reason for the more positive outlook for this investment could be explained by the company being domestic with insights to the specific country and cultural context, having a long-term investment plan and a secure funding as well as engaging in business closely connected to the state project plan thus receiving massive aid in carrying out the project in terms of woreda project leaders employed by the state.

7. CONCLUSION AND REFLECTIONS

The aim of this study was to investigate and analyze risks faced by specific rural communities in presence of large-scale land investors and thereby understand how such risks could be mitigated. The following conclusion is a presentation of these risks, protections, mitigation measures and future lessons.

What risks do these specific rural communities face due to the presence of large-scale land investors?

The risks faced by the specific rural communities studied in the presence of large-scale land investors were; loss of opportunity cost compared to business as usual, engaging in unrewarded or poorly compensated labour, the reducing of food security, loss of access to commons, loss of political representation, the threat of future conflicts, absence of community benefits from the investments, environmental degradation and the investments resulting in a lack of livelihood choices.

What safeguards are already in place in order to protect these rural communities and how effective are they?

The safeguards found in the cases studied were; the ensuring of food security, recognition of land use rights, access to representatives and possibilities to complain, provision of training and technical support and ensuring environmental sustainability. Out of these safeguarding mechanisms, this study found the work carried out in order to protect the rural communities from food insecurity in all three cases to be effective and functional and in the case of Kemise, the jatropha project had positive environmental outcomes, preventing soil erosion and increasing soil fertility on the degraded hillside commons. Inaccuracies, inadequacies, and/or power asymmetries were detected in all other safety mechanisms found, deeming them as non-effective.

Based on the analysis of existing risks and protections, what are the possibilities for protecting the interests of these specific communities in the future?

Subsistence farmers and pastoralists are highly vulnerable and very sensitive to risks as their economic margins are diminutive, their stakes thus being very high in these large-scale land investments. The risks are many and diverse why it is hard to implement safeguarding measures in order to protect them. This situation is aggravated by the pressing need for foreign earnings and development in Ethiopia further compromising the state's role in protecting its citizens. In the cases studied, providing the local communities with sufficient and accurate information would have demanded very little extra work and expenditure, and would have been able to mitigate many of the risks present. Unions and cooperatives could be a substitute for a functioning market and strengthen the voice of individual farmers as well as facilitating establishment of contracts, and as even so admitted by the state could provide possibilities in mitigating risks. While the diffusion between company and state representatives might provide the investment with a higher possibility of succeeding due to local knowledge, it substantially weakens the social and political security for the local

communities, why disconnecting these entities would be an important measure in empowering the local communities and enabling an inclusive development.

What are the lessons from this specific study for the broader project of protecting rural communities from the negative effects of large-scale land investments in the Global South?

The lessons learnt from this study in a broader sense, relates to the promoted investment strategy of out-grower schemes as they are not always of a win-win nature but can increase vulnerable farmers exposure to severe risks. This study is also evidence concurring the arguments for, that what might from an office in the capital or from a satellite camera look like unused or available land often form vital parts of rural communities' livelihoods.

After conducting this study the thoughts on subjects for further research on the subject of how to protect rural communities in presence of large-scale land investments were many. A longitudinal study of the out-grower scheme in Kemise would have been interesting as it was the case that showed the most potential in this study, and was carried out quite differently from straight forward out-grower investments. A study aimed at gaining a deeper understanding of what mechanisms make out-grower schemes work or not work for the rural poor would also be of value to the study field. Finally, specifically studying the possibilities for and effectiveness of unions and cooperatives would also form an interesting subject for further research.

After having conducting this study in merely eight weeks, looking into only three specific investments, we were stuck by how information and concepts can differ so widely from place to place and between theory and real life and are therefore strengthened in the conviction that more qualitative ground inputs are needed in order to fully understand what the real effects of large-scale land investments can look like.

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Interviews:

Site 1: Global energy, Wolayta Sodo

A1: 2012-04-17. Sodo town. Former GE employee now working in the Zonal Administration Office. Male, in his thirties in his office.

A2: 2012-04-18. Kebele Galda, Offa woreda. Group interview with former supervisors employed by GE, head of kebele and affected farmers. Eight male adults present in the kebele official building.

A3: 2012-04-18. Offa woreda. Woreda head. Male, middle-aged, at a restaurant in Offa.

A5: 2012-04-19. Kebele Bilbo Badessa, Daamoota Weide woreda. Former kebele supervisor for GE. Male, in his thirties in his office.

A6: 2012-04-20. Sodo town. Former manager of GE in Wolayta Sodo and two of his former employees. All male, in their late twenties to thirties. At a restaurant.

A7: 2012-04-18. Kebele Galda, Offa woreda. Farmer involved. Female, in her thirties. In her house.

A10: 2012-04-18. Kebele Mancha, Offa woreda. Farmer involved. Male, middle-aged. Outside kebele main building.

A11: 2012-04-18. Kebele Mancha, Offa woreda. Farmer involved. Male, middle-aged. Outside kebele main building.

A12: 2012-04-19. Kebele Bilbo Badessa, Daamoota Weide woreda. Farmer involved. Male, middle-aged. In a farmer's house.

A14: 2012-04-19. Kebele Bilbo Badessa, Daamoota Weide woreda. Farmer involved. Male, middle-aged. In a farmer's house.

A15: 2012-04-19. Kebele Tora Wolisho, Daamoota Weide woreda. Farmer not involved. Male, middle-aged. Outside kebele main building.

A16: 2012-04-19. Kebele Tora Wolisho, Daamoota Weide woreda. Farmer involved. Male, middle-aged. Outside kebele main building.

Site 2: Fri el Plc, Omorate, South Omo

B1: 2012-04-25. Omorate town. Farm manager of Fri el Plc. Male, middle-aged. At the farm main building.

B2: 2012-04-27. Omorate town. Development facilitator at Agro-Service. Male, in his thirties. At restaurant and while walking to one kebele.

B3: 2012-04-26. Omorate town. Omorate woreda head. Male, in his thirties. At his office.

B4: 2012-04-27. Kebele Trigole, Omorate woreda. Group interview with kebele head and members of the community. Approximately 20 people present. Both male and female, of all ages. In the village.

Site 3: Atirf Alternative Energy Plc, Kemise, South Wollo.

C1: 2012-05-21. Addis Ababa. Manager of Atirf Alternative Energy Plc. Male, middle-aged. In his office.

C2: 2012-05-28. Kemise town. Interview with jatropha project leader. Male, middle aged. At Kemise agricultural office.

C3: 2012-05-28. Kebele Garbi, Kemise woreda. Group interview with members of the community. Approximately 30 people present. All male. In the village.

C4: 2012-05-28. Kebele Mesana, Kemise woreda. Group interview with members of the community. Approximately 15 people present. All male. In the village.

C5: 2012-05-28. Kebele Kallo, Kemise woreda. Group interview with members of the community. Approximately 10 people present. All male. In the village.

C6: 2012-05-28. Kebele Garbi, Kemise woreda. Shop-keeper. Female, middle-aged. In her shop.