



Impacts of Large-scale Land Investments on Income, Prices, and Employment: Empirical Analyses in Ethiopia

PHILIPP BAUMGARTNER^{a,b}, JOACHIM VON BRAUN^a, DEGNET ABEBAW^c and MARC MÜLLER^{a,*}

^a University of Bonn (ZEF), Germany

^b International Fund for Agricultural Development (IFAD), Rome

^c Ethiopian Economic Policy Research Institute, Addis Ababa, Ethiopia

Abstract. — We review the trend and types of large-scale land transaction in Ethiopia since 1992 and assess the impacts of one such investment using four scenarios: (i) a baseline scenario; (ii) the forest loss resulting from the land transfer; (iii) the operation of the investment at full scale; and (iv) an alternative scenario of a smaller investment paired with a more inclusive rural development policy. Results showed that forest resources are important for the rural poor, but that losses can be offset by gains from employment generation and business opportunities. The alternative scenario indicated opportunities for better social and environmental sustainability.
© 2015 Elsevier Ltd. All rights reserved.

Key words — rural development, agricultural labor markets, land rights, land markets, Ethiopia, Africa

1. INTRODUCTION

Since food prices peaked in 2007–08, increased acquisition of farmland by foreign investors has been documented in many countries (Cotula, Vermeulen, Leonard, & Keeley, 2009; Deininger *et al.*, 2010; von Braun & Meinzen-Dick, 2009). Other drivers contributing to increased interest in farmland acquisition include the tightening of factor markets in Asia and increased demand for food in parts of Asia and the Middle East. This has stemmed from population growth and rising income levels, leading to dietary changes as well as an improved business climate in many countries of the Global South. According to data presented by The Land Matrix¹ (Anseeuw, Wily, Cotula, & Taylor, 2012) East Africa experienced the most land transactions involving foreign investors during 2000–11.

Ethiopia has seen a significant rise in the number of large-scale land acquisitions (LSLAs), and has earmarked an area of over three million hectares (EIA, 2011). A sub-set of these LSLAs will lead to “large-scale agricultural investments” (LSAIs), i.e., investment in the land is made to cultivate it as a farm. The remaining share of acquisitions might or might not be developed in the future. Until recently, agriculture in Ethiopia has been heavily dependent on smallholder production, with commercial farms producing less than 5% of the country’s total agricultural (CSA, 2009). The impacts of the recent LSLAs on the economic status and livelihoods of local populations, however, are not well understood. Currently there is only limited evidence of the local impacts of LSAIs and information on country-level trends and patterns are scarce.

In principle LSLAs and subsequent LSAIs can have both positive and negative impacts on the economic status and livelihoods of local populations.² For instance, they can contribute to poverty reduction and the improvement of local livelihoods by generating local employment opportunities (Otsuka & Yamano, 2006). LSAIs can also stimulate agricultural commercialization and possibly benefit rural populations in several ways: by stimulating rural economic growth; by

creating employment opportunities (depending on the labor intensity of cultivation methods); by increasing agricultural labor productivity; and by improving local food supply and nutritional status (von Braun & Kennedy, 1994). Finally, given that there has been comparatively little investment in agriculture—private or public—in many countries of the Global South during the past two decades, greater investment in agriculture is needed to meet increased global demand for agricultural produce (HLPE, 2011). Apart from these potential gains, investments in large-scale commercial agriculture may exacerbate the difficult conditions under which smallholder farmers often operate by depriving them of access to land or causing environmental degradation and pollution. Such negative impacts could contribute to increased poverty, food insecurity, and/or social marginalization (Borras & Franco, 2012; Bues, 2011; Guillozet & Bliss, 2011; HLPE, 2011; Smaller & Mann, 2009).

An assessment of LSAIs in six countries found that they have often led to conflict and social unrest (Schoneveld, German, & Nutakor, 2010). One case study of an early stage project in a densely populated part of Ethiopia found that income and food security were negatively affected after households had lost grazing rights on rangeland acquired by the investor (Shete & Rutten, 2013). Another case study of an established palm oil plantation in Ghana showed that impacts changed with distance from the site, the origin (migrant *vs.* local) and educational status of the household head, and the degree of household integration into the local economy (Väth, 2013). In a study on LSAI contract farming arrangements in Malawi, Herrmann, Grote, and Büntrup (2013)

* The authors are grateful for financial support of the University of Bonn, the Centre for Development Research (ZEF), the *Fiant Panis Foundation* and the Protestant Merit Foundation *Villigst e.V.* Especial thanks go to Assefa Admassie and the senior researchers at the Ethiopian Economics Association for their guidance and support. During extended field work in rural Ethiopia many people were very supportive, which is greatly appreciated. Final revision accepted: February 24, 2015.

ascertain that impacts differed significantly between sugar estate workers who were integrated vertically into the supply chain and independent sugar cane growers operating on their own land, who earned four to five times greater income than the former group.

Other case studies have also found that negotiation processes between local communities and investors are important determinants of the outcomes of LSAIs: “Depending on how the actors “play the game,” land acquisitions can feature aspects of both “land grabs” and of “development opportunities”” (Nolte, 2013, p. 4). Bues and Theesfeld (2012) discovered that water rights were re-allocated away from local users to support floricultural investment in Ethiopia due to pressure on the local government from investors. If local land users are involved in negotiation processes, traditional authorities appear to have greater influence on negotiation outcomes (Nolte & V  th, 2013; Nolte & Voget-Kleschin, 2013). This is related to the importance of traditional rights over individual plots and communal land, and the need to protect these rights, especially if they are not legally protected (German, Schoneveld, & Mwangi, 2013; Goldstein & Udry, 2008; Lipton, 2009; Meinzen-Dick & Mwangi, 2009; Wily, 2010, 2012).

While determining the net effects of LSLAs is an empirical pursuit, appropriate policy measures are needed to manage any trade-offs. We sought to contribute to this discussion by evaluating secondary data on LSLAs in Ethiopia as well as primary data from a specific LSAI. We addressed two research questions: (i) How is the recent increasing trend of LSLAs in Ethiopia different from the historical context and (ii) what are the impacts of LSAIs on local livelihoods, especially regarding employment and income?

We began with a country-wide analysis of the extent and trends of large-scale land transactions in Ethiopia. We then evaluated the situation and outlined the institutional setting of land transactions in the Gambela region, which has received much attention from international and domestic investors in the past decade. Finally, we created a programming model to examine the potential impacts of a large-scale rice farm on a local population, including simulations of alternative policy and stakeholder involvement scenarios. In our view, this

appears to be the first published effort to conduct such an ex-ante analysis by applying a scenario simulation to better understand long-term impacts of LSAIs on the economic status of local populations.

2. METHODS

This effort builds on extensive field work conducted in Ethiopia during 2010–11, specifically in Gambela. For the country-level analysis we primarily relied on two datasets, nationwide data on investment licenses granted during the 1992–2011 period that involved agricultural land of 100 ha or more (EIA, 2011), and regional data on land parcel sizes requested by large-scale land investors along with the actual land parcel sizes that were eventually allocated to investors in Gambela during 1999–2010 (Gam-EIA, 2010).³

To analyze the impacts of LSAIs on local livelihoods we used household survey data and the results from focus group discussions and site visits to determine the linear programming model’s parameters (Hazell & Norton, 1986). The model simulates the impacts of an LSAI through local land access changes, emerging off-farm employment opportunities, and growth of the rural non-farm economy (RNFE). The strengths of the model is that it allowed us to examine: (a) a future impacts scenario as large-scale farm sizes increase, (b) the potential impacts of alternative policies on local income and employment, and (c) changes in values of production factors that drive livelihood impacts.

The establishment of large-scale commercial farms can be conceptualized as land re-distribution. Often the land on which these farms become established has previously been used less intensively for purposes other than crop production, which have a significant role in rural livelihoods or incomes, especially where off-farm employment opportunities are limited (Diao, Hazell, & Thurlow, 2010; Haggblade, Hazell, & Reardon, 2010). For local populations the loss of access to traditionally utilized areas is paired with changes (emergence of RNFE) in the availability of off-farm employment opportunities and the growth of markets for locally produced goods and services (Figure 1).

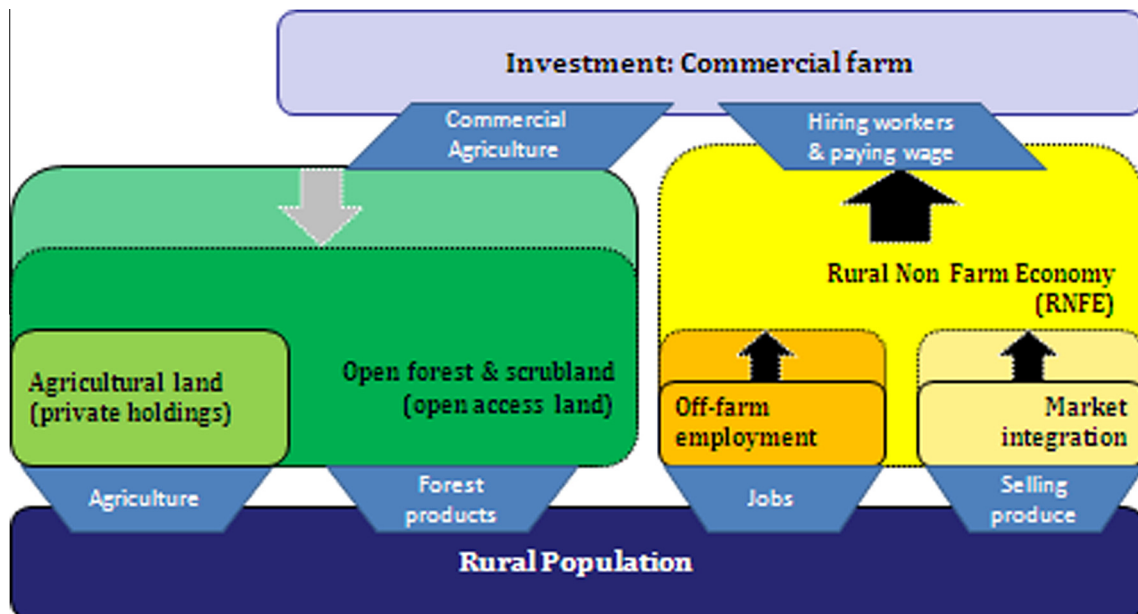


Figure 1. Conceptual linkages between LSLA investments and local populations.

Download English Version:

<https://daneshyari.com/en/article/7393734>

Download Persian Version:

<https://daneshyari.com/article/7393734>

[Daneshyari.com](https://daneshyari.com)