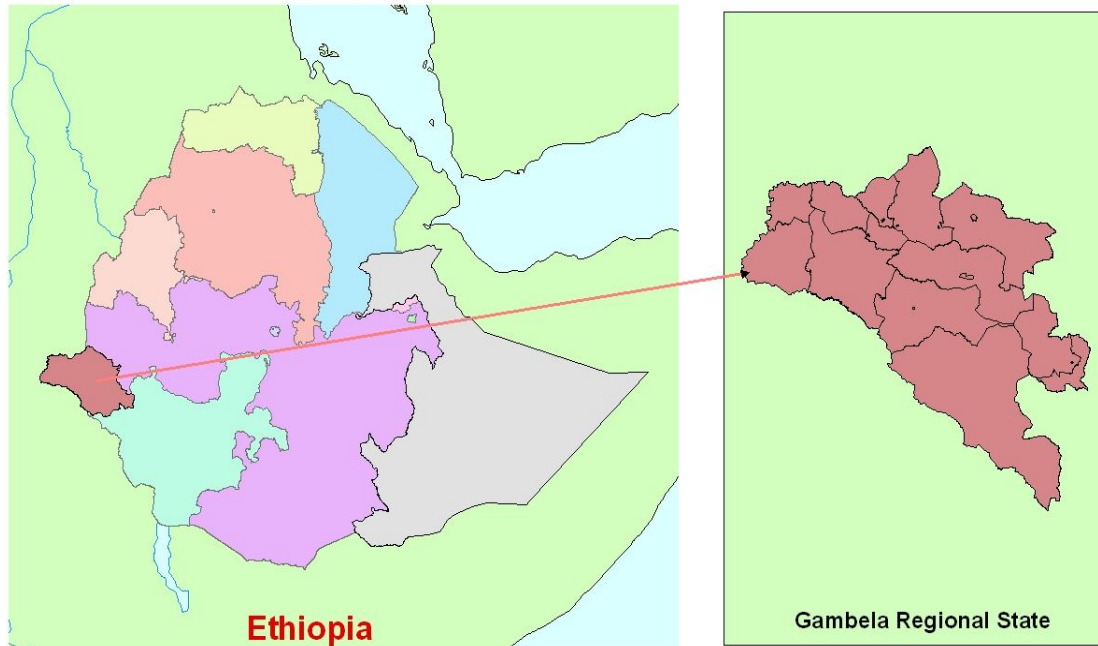


**A Study on the Implications of Agricultural Investment for Local Social Development: The Case of Selected Agricultural Investment Farms in Gambella, Ethiopia**



---

**Esayas Kebede**

Code: ID1051255

**A Thesis Submitted to the Indira Gandhi National Open University in Partial Fulfillment of the Requirements for the Degree of Master science in Rural Development**

**February, 2012  
Addis Ababa**

**PERFORMA FOR SUBMISSION OF M.A. (RD) PROGECT FOR APPROVAL**

**Signature of Guide** -----  
**Name** **Dr. Mengistu Huluka (PHD) and Dr. Mulugeta Taye (PHD)**

**Address of Guide** **St. Mary's University College: Indra Gandhi**  
**National open university**  
**Tel: 251115503140 or 251911345728**  
**Addis Ababa**  
**Ethiopia**

**Name and Address of the Student** **Esayas Kebede Amare**  
**Ministry of Agriculture**  
**Po.Box 27572**  
**Tel: 251911356125**  
**Email: esake21@yahoo.com**  
**Addis Ababa**  
**Ethiopia**

**Enrolment Number** **ID1051255**

**Date of Submission** **February 2012**

**Name of Study Center** **Addis Ababa, Ethiopia**

**Name of Guide** **Dr. Mengistu Huluka (PHD) and Dr Mulugeta Taye (PHD)**

**Title of Project** **Studies on the Implications of Agricultural Investment for**  
**Local Social Development: The Case of Selected**  
**Agricultural Investment Farms in Gambella, Ethiopia**

**Signature of the Student** -----

**Approved/Not Approved**

**Date**-----

## **Acknowledgement**

Scores of people directly and indirectly contributed to this study in various ways. First and foremost; I would like to extend my sincere thanks to my academic supervisors, Dr. Mengistu Huluka and Dr. Mulugeta Taye for their valuable guidance.

I am very grateful to the staff members of the AISD for all their support and encouragement throughout the course and research work.

Special thanks goes to Mr. Nigussie Efa, Training and Research scientist for CABI Africa, Mr. Wubante Fetene who is the instructor for Land administration in Bahir Dar University and national consultant for FAO and Mr. Wasihun Amenu who is consultant of MoA for their deep concern, support and encouragement.

I would like to thank Her Excellency Ambassador Genet Zewdie, Ambassador for FDRE, in New Delhi India, for her support by availing valuable books of great relevance for the study. I have great appreciation for Dr. Abera Deressa, former state minister of MoA, for all his support and encouragement.

I am also grateful to the different organizations and offices at Federal and Gambella regional government who provided me with the necessary information in particular Ethiopia Investment Agency, MoA, Gambella BoARD and Gambella Investment office.

Moreover, I reserve my appreciation and thanks to my wife Hiwot Hailu and my children for all their moral support, understanding and endurance during my study.

Finally, I have given my gratitude thanks for God that has given time, knowledge and health whenever doing the study.

## **Executive summary**

This study conducted to examine the role and contributions of commercial Agricultural investment farms to local socio-economic development.

The specific objectives of the study are: - To assess the role and magnitude of employment opportunities created by agricultural investment; To understand the perceptions of the local community on the roles and contributions of investors in terms of local social development. To assess the contribution of agricultural investment in terms of rural/local social infrastructure development; To examine the negative social effects of agricultural investment for the local communities; To propose ways and mechanisms that may enhance contribution of agricultural investment to local social development and minimize negative effects of such developments.

The study conducted in six districts of Gambella regional government. The study areas purposively selected based on the numbers of agricultural companies in the district. Both primary and secondary data collected from relevant bodies, including local community members, investors and administrative bodies. The quantitative data were analysed using descriptive statistics with the aid SPSS computer statistical package.

This study revealed that large commercial farms have several contributions and impacts on the development of the regional government, national economy, the local community and the people at large. The investors have the contribution on employment creation, development of social service, technology transfer, and on the contrary, few of investors prepare charcoal from the forest trees.

For sustainable agricultural investment in the country the government bodies at different levels, investors, non-governmental organizations, media and the local communities can play pivotal role.

A sustainable agriculture is an environmentally friendly and socially acceptable. In this case, the local communities have significant role in terms of labor supply, security and other social influence factors on the investment farms.

It is important to build the skills and capacity of the local community to excel the contribution and benefit from the investment in their area. On the other hand, the companies should have a plan of social service development and environment protection on their farm and around their vicinity.

The government and the investors should work jointly to alleviate major problems of infrastructure, such as roads, bridges, electricity, telephones and financial facilities to improve the livelihood of the community through sustainable investment.

<b>Table of Contents</b>	<b>Page</b>
Acknowledgement .....	ii
Executive summary .....	iii
List of Table .....	vii
List of Figures .....	viii
Acronym .....	ix
Chapter One.....	1
1.0 Introduction .....	1
1.1 Country Background .....	1
1.2 Background of the study .....	4
1.3 Statement of the problem .....	6
1.4 Objective of the study .....	9
2.0 Review of Related Literature.....	11
2.1. Concept and definition of Agricultural Investment.....	11
2.2. Trends and prospects of FDI in Ethiopia .....	12
2.3. Investment contribution on Employment and social service .....	17
2.4. Food security and Agricultural Investment .....	24
2.5. Potentials of agricultural investment in the country .....	27
2.6. Current situation of investment in the country.....	29
2.7. Investment Rules and Regulations .....	34
2.8. The coming five year prospect of Agricultural Investment .....	34
2.9 General Gambella Situation .....	38
Chapter Three.....	47
3.0 Methodology of the Study .....	47
3.1 The study area .....	47
3.2 Sampling strategy and sample size.....	48
3.3 Data collection .....	49
3.4 Secondary data collection.....	52
3.5 Data organization and analysis.....	53
3.6 Significance of the study.....	53
3.7 Scope of the study.....	54
3.8 Limitation of the study.....	55
3.9 Organization of the study.....	55
Chapter Four .....	56
4.0 Result and Discussion.....	56
4.1. Socio-Demography of the farmer respondents .....	56
4. 2 Livelihood base of local community.....	59
4.3 Profile of Agricultural investors.....	62
4.4 Environment Impact assessment document preparation and implementation.....	64
4.5 Social contribution of Agricultural Investors.....	65
4.6 Employment Opportunity .....	65
4.7 Community response related to contribution of investors.....	67
4.8 Local social service and infrastructure development .....	68
4.9 Technology transfer .....	69
4.10 Opinion of local community towards Investors.....	70

4.11 Attitude towards Investors.....	71
4.12 Investors relation ship with local communities .....	72
4.13 Challenges of the investors.....	73
4.14 View and Role of government Organs with respect to investors.....	73
Chapter Five .....	84
5.0 Conclusion and Recommendation .....	84
5.1 Conclusions .....	84
5.2 Recommendation.....	92
Chapter Six.....	96
6.0 Refernces .....	96

List of Table	Page
Table4. 1 Frequency distribution of respondents by educational background.....	58
Table 4.2 Frequency distribution of farmer respondents by family size.....	59
Table4. 3 Frequency distribution of respondents by cultivated crop type.....	59
Table 4.4 Frequency distribution of respondents with rearing livestock .....	61
Table 4.5 Frequency distribution of resources utilized by the respondents .....	61
Table 4.6 Frequency distribution of respondents by alternative of farm activities.....	62
Table4. 7 Frequency distribution of the agricultural investment profile .....	63
Table 4.8 Frequency distribution of EIA document preparation .....	64
Table 4.9 Benefit of the community from large commercial farms.....	65
Table 4.10 Distribution of employment creation response from the investors .....	66
Table 4.11 Frequency distribution of community respondents .....	68
Table 4.12 Investors' response on social service development .....	69
Table 4.13 Frequency distribution of investor response on technology transfer.....	70
Table 4.14 Frequency distribution of the respondents opinion .....	71
Table4. 15 Frequency distribution of attitudes of the respondents .....	72
Table4.16 Investors response in relation with the local communities.....	72
Table 4.17 Frequency distribution of challenges faced by investors.....	73
Table 4.18 Response of local administration in relation to investors .....	74
Table 4.19 Investor land received with employment opportunity .....	79



List of Figures	Page
Figure 2.1 Country Licensed investment by sector .....	31
Figure 2.2 FDI distributions by countries.....	32
Figure 2.3 Licensed agricultural investor in Ethiopia.....	33
Figure 2.4 Gambella licensed investor .....	46
Figure 4.1 Frequency distribution of farmer respondents by sex .....	56
Figure 4.2 Frequency distribution of respondents' age .....	57
Figure 4.3 Map of potential investment land in Gambella .....	77
Figure 4.4 Map of villagization and investment land.....	83

## Acronym

<b>ADLI:</b>	Agricultural Development Lead Industrialization
<b>AISD:</b>	Agricultural Investment Support Directorate
<b>ATP:</b>	Agricultural Transformation Plan
<b>AU:</b>	Africa Union
<b>BOARD:</b>	Bureau of Agriculture and Rural Development
<b>BOFED:</b>	Bureau of Finance and Economic Development
<b>CABI:</b>	Center for Agriculture and Bioscience International
<b>CBE:</b>	Commercial Bank of Ethiopia
<b>CSA:</b>	Central statistics Authority
<b>EIA:</b>	Ethiopia Investment Agency
<b>EU:</b>	European Union
<b>FDI:</b>	Foreign Direct Investment
<b>FDRE:</b>	Federal Democratic Republic of Ethiopia
<b>FTC:</b>	Farmer Training Centre
<b>GDP:</b>	Gross Domestic Product
<b>GTP:</b>	Growth and transformation plan
<b>ILO:</b>	International Labour Organization
<b>WB:</b>	World Bank
<b>MOA:</b>	Ministry of Agriculture
<b>MDG:</b>	Millennium Development Goal
<b>MOARD:</b>	Ministry of Agriculture and Rural Development
<b>MOFED:</b>	Ministry of Finance and Economic Development
<b>PASDEP:</b>	Plan for Accelerated and Sustainable Development to End Poverty
<b>RIO:</b>	Regional Investment office
<b>SPSS:</b>	Statistical Package for Social Science
<b>TNC:</b>	Trans National Companies
<b>UNCTAD:</b>	United Nation Conference on Trade and Development
<b>WFP:</b>	World Food Program

# Chapter One

## 1.0 Introduction

Agriculture is the fundamental economic sector and main source of income in Ethiopia. At present, about 81 percent of the country's populations are engaged in various agricultural activities. Moreover, the country generates the lion's share of its foreign currency earnings from the sale/ export of agricultural commodities abroad. Currently the sector contributes 45 percent of the country's GDP, and above all the sector believed to be the main source of inputs to various industries in Ethiopia, which again plays the determinant role to bring about sustainable economic development for the country (CSA 2011). Even though, Ethiopian agriculture had suffered for years from the use of backward and traditional farming practices and subsistence level of farming system, as well as limited use of modern farm inputs, that resulted in the sector's poor performance ( i.e. yield low production and productivity of the sector). However, improvements in agricultural production had started along with productivity increments that had registered during the last few consecutive years. This indicates that the agricultural system in general and the crop production of productivity in particular had shown improvement (MoFED, 2011).

## 1.1 Country Background

Ethiopia is located at 3' and 13.8" latitude 33' and 48' longitude in the Eastern part of Africa (Horn of Africa) bordering the state Somali (1600km), the Sudan (1,606km), Djibouti (349km), Kenya (861km), and Eritrea (912km). The country

covers an area of 1.15 million square Kilometre (944,000 square miles (MoFED 2009). This makes it the 10th largest country in Africa. Ethiopia's proximity to the Middle East and Europe, together with its easy access to the major ports of the region, enhances an international trade.

Although Ethiopia lies within 15 degrees North of the Equator, enjoys moderate temperature and pleasant climate, with average temperature rarely exceeding to 20°C (68°F). The sparsely populated lowlands typically have sub-tropical and tropical climates. Approximately 850mm (34inches), the average annual rainfall for the whole country considered to be moderate by global standards. In most of the high lands, rainfall occurs in two distinct seasons: the "small rains" during February and March and the "big rains" from June to September (MoARD, 2010).

According to the census the total population of the country were around 80 million. The agricultural suitable land estimated 74.5 million hectares of which 15 million hectares were cultivated annually. Agriculture was the most important economic sector of the country contributing to 41% of the GDP, 90% foreign earning and employing 83% of the population (MoARD, 2010).

The country has 18 major and 32 sub diversified agro – ecologies that are suitable for the wide ranges of crop production, livestock rearing and microbes. There are a number of crops produced throughout whole the country. Major food crops include: Cereals, (maize, teff, wheat, barley, sorghum and millet), root and tubers, pulses, oil seeds and vegetables, whereas the major cash crops were

coffee, cotton, oil crops, tea and sugarcane. Other emerging high value crops include rice for local consumption, spices and flowers for export. The livestock population of Ethiopia are the highest in Africa. The major livestock include cattle, small ruminants, poultry, camels, honeybee and several aquatic animals (MoARD, 2002).

Although the country has abundant resources and high potential for development, increasing production and productivities that can support the ever-increasing population, there are hindering factors. One of the main factor is limited productive agricultural development programs. Over the past few years, the Government of Ethiopia has been implementing a reform program aimed at poverty reduction through rapid economic growth and macroeconomic stability (Adisu, 2008).

The Government of Ethiopia were successfully implemented poverty reduction strategy called plan for Accelerated and Sustainable Development to End Poverty (PASDEP) which had eight priority thematic areas: commercialization of agriculture, geographical differentiations, gender, infrastructure, risk management, scaling- up, service delivery to reach the millennium development Goals (MDGs) and employment. And now the practical implementation of the new growth and transformation plan (GTP) has implemented since 2010 (MoFED, 2010).

In relation to the previous poverty reduction strategy, PASDEP places much greater emphasis on commercialization of agriculture, diversification of production and exports. These objectives realized through various agriculture. Policies that includes modernization of the research, extension and system marking strategies to make them more demand driven. These major issues strengthened and continued through implementation of the GTP (MoFED, 2010).

## **1.2 Background of the study**

Commercial Farms in agriculture refers to the farms that include state and private owed commercial farms which are mainly established for the purpose of profit making through selling agricultural products at local and international markets. These farms are communal, which are owned and operated by government, private companies and non-governmental institutions, such as private individual investors, shareholders, religious and non- religious institutions...etc.

Commercial farm is mainly characterized by the use of relatively capital intensive, mechanized and market oriented farming system with increased use of modern farm management practices and inputs, such as, the use of high tech-farm machineries and implements, irrigation scheme, use of chemical fertilizers, pesticides and improved seeds.

In Ethiopia, however, due to various reasons, commercial farms were not widely spread, and as a result of which the contribution of these farms to the country's gross total agricultural output were limited only to about 5 percent (CSA, 2002).

As indicated in different studies the major problems of the pre-1975 land tenure system in Ethiopia were characterized by include exploitative tenancy, monopolized land concentration and underutilization, tenure insecurity, diminution and fragmentation individual of holdings (Nega.et al, 2001). For instance, concluded that the presence of large idle lands reinforced by high rate of absentee ownership, high rate of tenancy, insecurity of tenure, operation of sub-economic sizes of farms and lack of relevant supporting institutions constituted principal bottlenecks that kept agriculture in a subsistence and generally retarded state. Low production system and recurrent drought were serious problems that make production of agriculture low and expose the people to periodic food insecurity for the last six years. The current consumption of fertilizer remains one of the lowest in the world that 27.6 kg/ha of DAP and 16.9 kg/ha of urea (MoARD, 2010).

Based on CSA (2008) the area under field crops and horticultural crops covered by seeds of improved varieties in 2007 was 424,065 hectares, which only 3.4% of the total area under crop, even though this trend were increasing.

Ethiopian Revenue and Custom Authority (2010) estimated that the total revenue obtained from agricultural products rose from USD 274 million in 2002 to USD 1.2 billion 2009, showing that the annual rate of growth were quite significant. The importance that more emphasis were given for the coming five-year's GTP as the country needs huge amount of foreign currency to implement Growth and Transformation Plan.

Since the 1974 revolution, a major component of the government's agricultural policy was the development of large-scale state farms. After the 1975 land reform proclamation, the Derge regime converted a majority of the estimated 75,000 hectares of large commercial farms owned by individuals and cooperatives into state owned farms. Since then, the government expanded the size of state farms. In 1987/88, there were about 216,000 hectares of state farmlands, accounting for 3.3 percent of the total cultivated area (Thomas et al, 1991).

### **1.3 Statement of the problem**

The Ministry of Agriculture identified and availed 3.6 million hectares of potential agricultural investment land in different regions. For large commercial farm development the greatest interest were coming from Indian and Saudi Arabian firms and from other Arab countries. China, Japan, South Korea and the U.S. had also expressing strong interest in leasing land for agricultural investment. However, there was no systematically studied and documented information, which clearly showed such immense agricultural investment contribution for economic and social development. This study intended to fill this information gap by generated valuable information for policy makers, development planners and implementers, donors' and any other key stakeholders. It could also open the door for further investigation in the field.

The government's development policies and strategies particularly recognized the need for transforming the agriculture sector from its low-productivity status



and subsistence production orientation to a high productivity and market-oriented production. To this end, the government of MoA delineated 3.6 million hectare of rural land for local and foreign agricultural investors. Out of these, only 413,803 hectares of land were already allotted for 8 Ethiopian diasporas, 12 Ethiopian, 9 Indian, 2 Saudi Arabia, 1 Turkish and 1 China totally 33 investor had land to cultivate different agricultural commodities (MoA, 2012). Large commercial coffee farm development were one of the agricultural investment sub-sector in which 137 local and foreign investors cultivated more than 32000 hectare of land .In this venture the women played great roles from preparation of seedling to marketing products (Esayas, 2009).

The Ethiopian population grown at a rapid rate and already reached around 80 million. Limited availability of arable land and shortage of employment opportunities in the industrial and service sectors were increased pressure on the forest and grazing land resources. The government's policy, strategy and programmes emphasize the importance of large-scale investment by local and foreign investors mainly for capital accumulation, development of rural infrastructure, employment opportunity and as well as technology transfer. As part of this effort, the Ethiopian government offered vast large amount of fertile farmland to local and foreign investors through rational lease rates. By the next five years, 3 million hectares of idle land expected to be allotted, which is equivalent to more than one fifth of the current land under cultivation in the country (MoA, 2010). There were a strong belief and expectation from the

government that expansion of commercial agricultural investment would provide foreign earning, transfer of modern technology, employment opportunity and other social services development to the local community.

On the international scenario the global food crisis, reinforced by the ongoing global financial and economic crisis, had become a major challenge for development and the achievement of the Millennium Development Goals. It has emerged in a situation of significant mal-distribution of the world food supply and lack of coherence in international policies, as well as unfavourable environment towards development, including rural development, agriculture and food production.

The challenges facing the agriculture sector are many, particularly for developing countries. The achievement of food security requires strengthening and revitalizing the agriculture sector in developing countries, (i.e. empowerment of women, indigenous peoples, rural communities, small and medium scale farmers, providing technical and financial assistance, access to and transfer of technology, capacity building, research for food and agriculture, including research to adapt to and mitigate climate change and exchange of knowledge and experiences).

However, increasing food production alone might not suffice in achieving food security. The problem at the root of food crises were also lack of the access and distribution of food. We should focus our policies at the national and international

level to improve production and strengthen the capacity of the people to have access to food, especially for the poor and most vulnerable people in developing countries. Some of the developing and developed countries companies (FDI) were coming at alarming rate to acquire agricultural land in Ethiopia and some of them are have already acquired and entered in to agricultural investments.

Therefore, the country lacked sufficient technical information to generate ideas and/or to improve the existing policies in relation to large-scale commercial farms or large-scale agricultural investment in the country. Therefore, this study intended to contribute as much information as possible with respect to large-scale agricultural investment for private in commercial farms.

The Ministry of Agriculture had developed a five-year Growth and Development Plan (GTP) for agriculture (ATP) .Relevant and timely information generated from this study has great significance for the future expansion of this development plan.

## **1.4 Objective of the study**

### **1.4.1 General objective**

The overall objective of the study is to assess the roles and contribution of agricultural investment or large commercial farms to the local community's socio-economic development.

### **1.4.2 Specific objectives**

- Assess the role and magnitude of employment opportunities created by agricultural investment or large commercial farm in Ethiopia, specifically in Gambella;
- Understand the positive or negative perceptions of local community on contributions of agricultural investments on local social development.
- Assess the contribution of agricultural investment in terms of rural/local social infrastructure development;
- Examine the negative social effects of agricultural investment for the local communities;
- In addition, propose ways and mechanisms that may enhance contribution of agricultural investment to local social development and minimize negative effects of such developments.

## **Chapter Two**

### **2.0 Review of Related Literature**

#### **2.1. Concept and definition of Agricultural Investment**

Investment has different meanings in the fields of finance and economics. In Finance investment is putting money into something with the expectation of gain, which upon thorough analysis, has a high degree of security of principle, as well as security of return, within an expected period of time. In contrast putting money into something with an expectation of gain without thorough analysis, without security of principal, and without security of return is speculation or gambling.

Investment related to saving or deferring consumption. Investment is involved in many areas of the economy, such as business management and finance whether for households, firms, or governments ([www.wikimedia](http://www.wikimedia)).

In general terms, investment means the use of money in hope of making more money ([www. Investorwords.com](http://www.Investorwords.com)).

Investment and Investor may have different definition in different countries. In Ethiopia's context, the FDRE Proclamation No. 280/2002 Re-Enactment of the Investment Proclamation gives the following definition:-

**"Investment"** means expenditure of capital by an investor to establish a new enterprise or to expand or upgrade one that already exists.

**Agricultural Investment:** Based on the regulation by the FDRE council of minister on the administration of agricultural investment land under the appointment/delegation of regions "Agricultural Investment shall mean the capital investment incurred by an investor to establish new farms, animal husbandry or expansion or improvement of existing farms, forest and livestock investment". On the other hand the AU in Kenya action plan of October 4-5 2011 says agricultural investment is "large scale land based agriculture".

## **2.2. Trends and prospects of FDI in Ethiopia**

Countries attracting investor interest include those that are land abundant and those with weak land governance. The 2008 commodity boom dramatically increased interest in agricultural land as potential investment, especially in a sub Sahara Africa (Deninger et al, 2011).

A foreign investor, who intends to invest on his/her own, is required to invest not less than USD 100,000 in cash and/or in kind as an initial investment capital to start business. The minimum capital required from a single foreign investor for investing in consultancy services or publishing is USD 50,000, which may be in cash and/or in kind on condition that the investment is made wholly on his/her own. A foreign investor reinvesting his/her profit or dividends, or exporting 75 per cent of his/her outputs, however, is not required to allocate a minimum capital. A

foreign investor is not allowed to invest in areas reserved for domestic investors (FDRE, 2002).

A foreign investor can team up with a domestic investor or company for a joint investment, usually in the form of a partnership, or private limited company. Under the Investment Proclamation No.280/2002, a minimum equity capital of USD 60,000 is required from a foreign investor who intends to enter into a joint venture partnership with a domestic investor. The restriction under the previous Investment Proclamation that required the domestic investor to own a minimum of a 27% equity share capital in a joint venture has now been revoked. However, the minimum equity capital requirement for foreign investors investing in areas of engineering, architectural, accounting and audit services, project studies or business and management consultancy services or publishing is only USD 25,000 when it is made jointly with the domestic investor. The foreign partner should fulfill this minimum equity capital either in cash, in kind or in both (FDRE, 2002).

Between 1974 and 1991 there was a policy environment that emphasized centralized /command oriented state planning and administrative control of investment, production and trade. In line with this the researcher discussion with some elites. In this it is noted that the socialist ideology propagated not only the nationalization, the regulation and controlling of enterprises but also did deliberate discrimination against the private sector, stifled private initiative harm and capital formation in the country.

The Foreign Direct Investment inflow to, Ethiopia is low compared to other developing countries between '1985 and 1996. The annual average flow of FDI to Ethiopia never exceeds one million dollars between 1985 and 1990 (UNCTAD, 1997). As indicated in UNCTAD report the highest (in 1995) inflow of FDI to Ethiopia was 8 million dollars.

In the same year the FDI projects approved by Ethiopian Investment Authority were amounts to Birr 235,286,800 (US\$ 33 million). Although this amount of money refers to the total investment capital approved by the Ethiopian Investment Authority, the foreign investment capital that actually flew to Ethiopia is much closer to the one estimated by UNCTAD, i.e., US\$ 8 million. This implies that whether we use the data provided by the EIA or UNCTAD, Ethiopia's investment portfolio is quite low which demands much more effort in identifying the factors and attracting more investment to the country.

Looking at the inward and outward FDI stock as percentage of Growth Domestic Product, Ethiopia's profile is too low. The inward FDI stock of Ethiopia ranges between 2.0 and 2.7 percent between 1980 and 1995. Even the proportion of FDI to GDP does not show any improvement. It is rather below what it used to be in the 1980s (Yohannes, 2001).

As of EIA between July 1992 and April 8, 1998, Foreign Investment projects approved Birr 7.6 billion.

As of the UNCTAD (July 2011) the 2011 world investment Report highlights the



welcome news that Global Foreign Direct Investment (FDI) modestly increased to US\$ 1.24 trillion in 2010, although this autumn was some 15 percent lower than the level recorded before the onset of the global economic crises in 2008. Furthermore, on a year basis, FDI flows to Africa fell by 9 percent to \$55 billion in 2010 while the continent's share in total global FDI remained largely stagnant compared to the previous, year (UNCTAD,2011).

The same report shows that FDI flow to Ethiopia has continued to decline, from an annual average of US\$240 million between 1995 and 2004, to US\$184 million in 2010, despite the improvements in the overall economic context, Ethiopia share of FDI inflows to Africa remains below 2 percent (UNCTAD, 2011).

And inauspiciously, the share of FDI in the Ethiopia's gross fixed capital formation has declined an annual average of 14.8 percent over the 1995-2004 to a meagre 3.2 percent in 2010. This is far below the average for Africa, which stood at 15.9 percent in 2010 (UNCTAD, 2011).

Esayas (2010) stated that the government has allotted 1,311 foreign companies to operate in the country with a capital of 84.7 billion birr (6.83 billion USD) ,solely for investment or joint venture with domestic who are licensed and registered to involve in the agriculture investment sector. Out of which 211 are getting around 420,000 hectares of land from federal and regional government.

FDI has several proven positive development attributes critical to consolidating the economic progress that Ethiopia has witnessed during the last decade. There is clear evidence that FDI flow to Ethiopia enhances technological transfer, employment opportunity, capital accumulation and thus technological progress (Esayas, 2009).

As of Leipzig 1993, The success of East Asian countries in attracting FDI is mainly attributed to the commitment of political leaders for economic development. The second-generation Newly Industrialized Economies (NIEs) relied more on foreign investment than on aid. The governments did not follow an aggressive policy of acquiring technology (Yohannis, 2001).

Aside from promoting FDI in agricultural production, host countries should pay particular attention in promoting contractual arrangements between TNCs and local farmers. These contract farming which would enable the latter to enhance their capacities and become part of national or international food value chains. However, in pursuing such strategies host countries should be aware that, in general, TNCs are more interested in contractual arrangements concerning the production of cash crops. This means that promoting contract farming for alleviating food crisis remains a big challenge (UNCTAD, 2009).

In this context, governments should address the specific obstacles to promote cooperation between TNCs and local farmers. To mention some of these obstacles (1) lack of capacity of smallholders to supply products in a consistent and standardized manner; (2) lack of availability of adequate technology; (3) lack of capital; (4) remoteness of production and capacity for timely delivery; (5) limited role of farmer organizations; and (6) lack of adequate legal instruments for dispute settlement. There are various policy options for tackling these bottlenecks. Among them are education and training programmes for local farmers, the provision of government-led extension services, the establishment of standards and certification procedures, the granting of financial aid, match making services to connect local farmers to TNCs, support for the establishment of farmer organizations, and improving the domestic court systems to increase legal security. Governments could also consider the development of model contracts to protect the interests of farmers in negotiating with TNCs (UNCTAD, 2009).

### **2.3. Investment contribution on Employment and social service**

Employment generation is often a key avenues for local people to benefit from out side investment. Because for bulk commodities, it is the production, rather than the processing stage that employment is generated. In many developing

economies the potential of the agricultural sector to absorb labor and provide gainful employment provide a key safety net (Deninger et al, 2011).

Private investors are already making a significant contribution to agricultural development. Experiences of developed economies clearly show that as an economy grows there is a tendency for some small farmers to quit the sector and seek employment in other sectors and, there are others who accumulate enough capital to go big in the sector. This implies that there is a direct correlation between agricultural growth and the role of private investment in the sector. This in turn means that assuming the objective of accelerated agricultural development is achieved. It is likely that there will be a role change. The key actor in the sector's development will be relatively large-scale private investors and not the semi subsistence small farmers (Desalegne, 2011).

Agriculture provided jobs for 1.3 billion smallholders and landless workers worldwide in 2007. But in rural areas severe under employment is still a problem (World Bank, 2007). Generating more and better jobs is, therefore, an integral goal of sustainable agricultural development. Moreover is crucial in rural development and poverty alleviation (ILO, 1988 and 2008). The variety of land ownership patterns and modes of cultivation in agriculture give rise to many types of labor relations and forms of labor participation (Singh, 2010).

## **Employment creation**

The quantitative impacts of TNC participation on agricultural employment can be both direct and indirect. Direct impacts refer to employment creation (or reduction) by foreign-invested plantations, or by foreign affiliates through contract farming. Indirect impact employment by local communities resulting from TNC participation can occur through, for example, competition from foreign players, business linkages, and demonstration and spillover effects (Singh, 2010).

## **Skills enhancement**

The qualitative aspects of agricultural employment have become an increasingly important concern for developing countries, as reflected in the advocacy by the International Labour Organization of a comprehensive strategy for promoting employment and decent work in rural areas (ILO, 2008). Like FDI in other industries, the primary impact of TNC involvement in agriculture on employment is as likely to be on its skill mix and quality (in terms of remuneration and working conditions) as on the number of jobs created (Dunning,1993). In Kenya, floriculture companies, most of which are foreign-invested producers, have developed a code of conduct, backed by regular audits, with requirements for workers' health and safety, general worker welfare and various labour-related issues (Singh, 2010).

On the contrary as WIR (2009) child labour is a major concern in agriculture throughout the developing world (ILO, 2007). According to the Food and Agriculture Organization of the United Nations (FAO), agriculture accounts for 70% of child labour worldwide, a significant proportion of which is in plantations, such as coffee, cocoa and banana plantations. In cocoa plantations, for example, hundreds of thousands of children are engaged in hazardous tasks on cocoa farms in a number of African countries, including Cameroon, Cote d'Ivoire, Ghana and Nigeria (International Institute of Tropical Agriculture, 2002). There is regular trafficking of child workers from neighboring, more impoverished countries, such as Burkina Faso, Mali and Togo, who are sold into forced labour. The rural sector constitutes the foundation of India's economy. No programme of national development can ever succeed unless it is built upon this foundation. More specifically, the rural sector in general, and its agricultural subsector, in particular, contributes to the growth and development of India's economy (Singh 2010).

There are many responsible and developmental oriented investment companies made their own social service contribution to the local communities. Some of the companies in Ethiopia have built stadium in Zeway town of Oromia Regional State (Addis Fortune 2008).

Moreover, some of the investors along with its businesses, it has constructed a nursery to primary level school and the referral hospital in the town. The school

enrols 1,700 students for the families in the town, while the hospital has 140 beds open to people from other areas and residents of the town (Addis Fortune, 2008). These social and corporate responsible activities are an exemplary for an entrepreneur only maximizes their own profit without considering the social responsibility.

On the other hand, in transferring high value cash crops and modern and new technologies agricultural investment companies have a great role in Ethiopia ten years back. Before 15 years back, there had not been any farmers who grow green leaf tea in tea growing area, green bean in rift valley, exportable mango in Bench Majji-Gura ferda district, rice in Abobo district By now many small scale farmers are growing the above and additional high value crops without out growers scheme and individually on their own farm (Esayas, 2009).

Transnational Corporations carry with them technologies of production, tastes and styles of living, managerial services, and diverse business practices including cooperative arrangement, marketing restrictions and advertising (Todaro, 1989).

As of FAO (1994) on Sustainable Development technology assessment and transfer has a great role on the sustainability of agricultural development Technology assessment for sustainable agriculture and rural development is defined here as a comprehensive approach to examine the actual or potential impact of technology applications on certain sustainability issues and second order consequences and to facilitate the development and use of technological

interventions according to location-specific constraints and objectives. To render the somewhat elusive concept of sustainability applicable to problem-solving, a methodological approach was suggested that builds on the description of agro-ecological zones, production systems, resource endowments and their management, and socio-economic environments with special reference to rural development. The conceptualization, collection and collation of UN sustainability indicators and critical areas shall eventually lead to definable objectives and technological needs and options. It is well recognized that the development of technology assessment capacities may imply a considerable demand for institution-building and establishment of sectoral linkages (public and private sector as well as intra-sector linkages) in order to make use of technology assessments and to allow for transfer and appropriate use of technologies for sustainable development.

### **Technology transfer**

Technology transfer was taken to mean a system under which various inter-related components of technology, namely, "hardware" (materials such as a variety), "software" (technique, know-how, information), humanware (human ability), "orgaware" (organizational, management aspects) and the final product (including marketing) are rendered accessible to the end-users (farmers). The system also includes institutional capacity for technology adoption, adaptation or rejection, constituting a matrix of technology component and institutional capacities for absorbing technologies. Thus, technology transfer has both



functional and institutional meanings. A technology transfer programme would be considered effective when there is minimal or no gap between the potential and realized impacts of the technology. It means that monitoring of adoption or adaptation of technologies is an integral part of the technology transfer system. The technology transfer preceded and succeeded by technology assessment, reasserting that technology transfer and assessment are complementary processes (FAO, 1994).

Transnational Corporations carry with them technologies of production, tastes and styles of living, managerial services, and diverse business practices including cooperative arrangement, marketing restrictions and advertising (Todaro, 1989).

As of Science and Development Network (2007) Agricultural technologies and knowledge have, largely been created until recently and disseminated by public institutions. But over the past two decades, biotechnology for agricultural production has developed rapidly, and the world economy has become more globalised and liberalized. This has boosted private investment in agricultural research and technology, exposing agriculture in developing countries to international markets and the influence of multinational corporations. But the public sector still has a role to play, particularly in managing the new knowledge, supporting research to fill any remaining gaps, promoting and regulating private companies, and ensuring their effects on the environment are adequately assessed (SciDev.Net, 2007).

## **2.4. Food security and Agricultural Investment**

In the past fifty years, more than \$1 trillion in development-related aid transferred from rich countries to Africa. Had this assistance improved the lives of Africans? No. In fact, across the continent, the recipients of this aid were not better off as a result of it, but worse much worse.

In *Dead Aid*, Dambisa Moyo describes the state of post war development policy in Africa today and unflinchingly confronts one of the greatest myths of our time: that billions of dollars in aid sent from wealthy countries to developing countries life in African nations has helped to reduce poverty and increase growth.

In fact, poverty levels continue to escalate and growth rates were steadily declined—and millions continue to suffer. Provocatively drawing a sharp contrast between African countries that have rejected the aid route and prospered and others that had become aid-dependent and seen poverty increase, Moyo illuminates the way in which overreliance on aid has trapped developing nations in a vicious circle of aid dependency, corruption, market distortion, and further poverty, leaving them with nothing but the “need” for more aid.

It is time to stop pretending that the aid –based development model currently will generate sustained economic growth in the world’s poorest countries. And we have offered an array of financing alternative trade, FDI, the capital market, remittance, microfinance and saving have strong effect on development rather than aid (Moyo, 2009).

In Africa there are enough resources for cultivation of crops. On the contrary, in Africa the agricultural import bill mostly for food has actually been rising from 13 billion USD in the 1980 to 16 billion USD in the 1990, 20 billion in the 2000 and 33 billion in 2007 (Africa union ,2009).

Generally the current dependence on both commercial import and food aid is completely unwarranted and undermine national security and even political dependence in the country and the region as well. Therefore, it is important to deliberate effort to be made to create trade space for cereal originating from Eastern Africa to Eastern Africa market, promote FDI in food sub sector value chain , promote an enabling political economy through regional integration and strengthen private agricultural investment.

As of the New Capitalists (2006) In the United Nation needs help, in developing world, millions are hungry , billion need more productive work. This day , the UN is not looking for investors charity. It has to understand how to persuade returns and hence big investment funds to encourage companies to invest in the developing , where capital is scarce and hence returns should be higher. And when that capital is invested, the UN's Mandarins Wants to know that it will be used in a way that is socially responsible (Davis et al, 2006).

The food aid convention is a 1967 agreement concluded as part of the negotiation of international grains agreement between the EU and seven rich countries mostly agricultural exporting nations to provide a predictable amount of

food aid each year. It is the only treaty committing donors to some minimum annual food aid disbursement and providing a set of guide lines for the provisions of food aid (Canadian food grains Bank, 2009). From these, the annual total average global delivery is about 40,428,000 metric ton. From these amount Ethiopia's share from 1988 to 2008 is 726,800 metric ton and actual recipient of the country is 2,008,915,000 metric tones (FAO, 2010).

Agriculturally, Ethiopia's food security situation showed significant signs of improvement. On the whole farmers experienced successful *belg* (June to August) and *meher* (October to February) 2010 harvest. Given to the anticipated level of food production, in November 2010 the government of Ethiopia subsequently announced that only 2.8 million people would require relief assistance at the beginning of 2011, compared to 5.2 million during the same period in 2010. This is the lowest level of relief assistance since 2007 (WFP, 2010). On the other hand, higher food prices have triggered an increase in hunger worldwide. Provisional FAO estimates show that the number of chronically hungry affected people in 2007 increased by 75 million over and above FAO estimates of 848 million undernourished in 2003-05 with much of the increase attributed to high food prices. This brought the number of undernourished worldwide to 923 million in 2007. In order to ensure the increased food production and enhance food security, developing countries must be able to exploit their potential to increase agricultural production and productivity through more conducive policy frameworks and increased investment in agriculture and rural

development. To ensure this, both national governments and international donors should involve in supporting & Promoting agriculture and rural development. And Access to a regular stream of technologies adapted to specific condition contributes to increasing productivity, particularly in the context of limited land resources, and, thus it is important for small scale producer (FAO, 2008).

## **2.5. Potentials of agricultural investment in the country**

Ethiopia has huge investment potentials for the agricultural sector development in general and for agricultural investment sector in particular; Now-a-days investment in agriculture has become a prominent and attractive sector for the purposes of producing different products varying from food crops and cash crops to bio-diesel products. The agriculture sector accounts for 41% of the Gross Domestic Products of the country. It provides 83% of employment, and 80% of foreign currency earning. Out of the 111.50 million hectare total land area of the country; about 74.3 million hectare were suitable for agricultural production. Currently, only around 15 million hectare of land were under cultivation of cereals, pulse and oil crops. (MoA, 2010).

Ethiopia is endowed with abundant and diverse agro-ecologies and agricultural resources. With the altitude ranging from 148 meters below sea level to 4620 meters above. The country is home of 18 major and 32 sub agro-ecological zones. The soil and agro climatic conditions are suitable for cultivation of diverse

products (IL and FS, 2010). Therefore, the country has untapped natural resources that can be utilize to diversified agricultural investments.

The five-year Growth and Transformation Plan (GTP), which is to run from 2011 to 2015, and which was launched in 2010, envisages agriculture to grow at the rate of 14.9 % annually, and expects to double farm output by the year 2015. The Plan predicts that the country will meet all the MDG targets in 2015, and by 2028 Ethiopia will become a “middle income” country. One of the strategies for rapid agricultural growth is to be private investment in large scale farms for which the government will provide support and encouragement. The land expected to be transferred to large-scale investors in the Plan period is expected to increase from 0.5 million hectares in 2011, to 2.8 million in 2013 and 3.3 million in 2015 (AISD, 2010).

Through proper implementation of Agricultural investment the country and the people at large can attain the objective of food security and improved foreign currency earning.

The Ethiopian government has high commitment to encourage the private sector in agricultural investment. After the formulation of the new economic policy by the government in the 1990 the government has started privatization programs and transferred 287 public enterprises since 1995. The next five year privatization and public enterprises supervising agency (PPESA) plan to privatizing state owned agricultural enterprises such as Abobo agricultural enterprise, Arsi

agricultural development enterprise (5 farm), Awassa agricultural enterprise, Bale agricultural enterprise (4 farm), coffee plantation enterprise (3), upper awash agro industry enterprise and rubber plantation (PPESA ,2011).

Additionally the local and foreign investors have an opportunity to establish on agro-processing and relevant input processing factories such as fertilizer and pesticide industry in the country.

## **2.6. Current situation of investment in the country**

Ethiopia is facing challenges and serious problems in addressing food security, poverty and achieving more sustainable livelihoods for its population. In order to solve these problems and restore sustainable development, the government initiated and formulated a development strategy known as the Agricultural Development-Led Industrialization. ADLI is described as focusing on increasing the productivity of smallholder farmers through the diffusion of fertilizers and improved seeds and the establishment of credit associations schemes as well as the expansion of the road facilities, the improvement of primary health care, primary education and water supply are the focuses agriculture development led industrialisation. The strategy viewed agriculture as the engine of growth, on account of its potentially superior growth linkages, surplus generation, market creation, and provision of raw materials and foreign exchange earning.

However, to fulfil these goals and its assumed role as the engine of growth, the agricultural sector should be able to demonstrate that: (i) it can grow at sufficiently higher rate (ii) the source of growth should principally originate from efficient use of resources (from increased productivity) rather than from the use of additional scarce resources especially land, and (iii) agriculture should be able to establish a good inter-sectoral linkages with other sectors. In particular, the success of ADLI depends on the validity of a number of its assumptions.

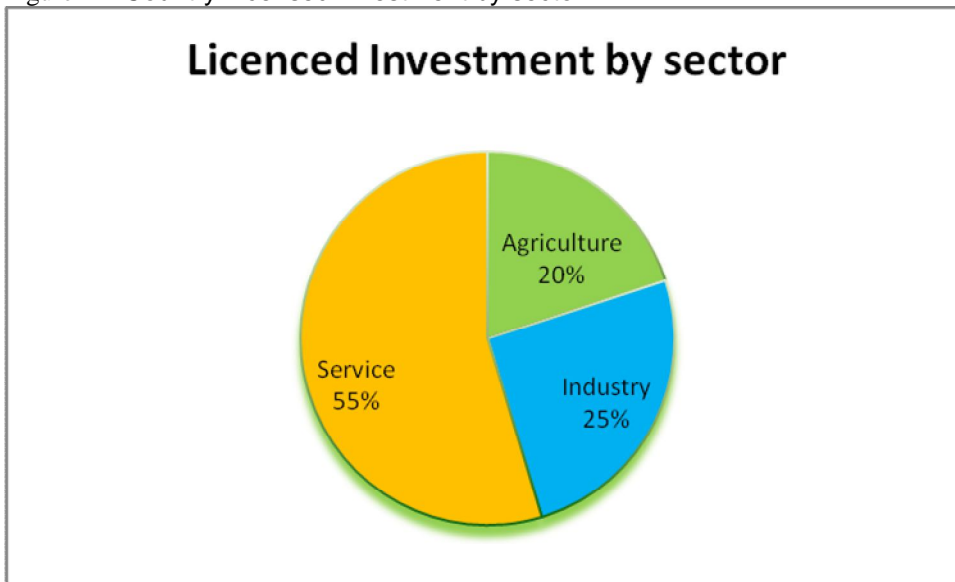
First there is the issue of substantially increasing productivity through the provision of improved technology alone without fundamental change in the existing institutional arrangement, second, there is the tenuous assumption that increased productivity and output does adversely affect prices to lead to increased monetary income of rural households leading to demand driven industrialization (Nega et al, 2001).

The total FDI inflows into Ethiopia increased continuously from USD 135 million in 2000 up to USD 545 million in 2004. Since then, according to the UN Conference on Trade and development (UNCTAD), the yearly FDI inflows have varied between USD 545 million and USD 94 million, but have been steadily dropping since 2006. According to the Federal Investment Agency of Ethiopia; inflows have increased largely since 2005. At present, FDI inflows into the agricultural sector account for 32 percent of the total Ethiopian FDI (Oakland 2011).



According to the Ethiopian investment agency, around 52,597 licenses have been given to different sectors; from these, only 20% i.e. 10267 projects constitute agriculture (figure 2-1).

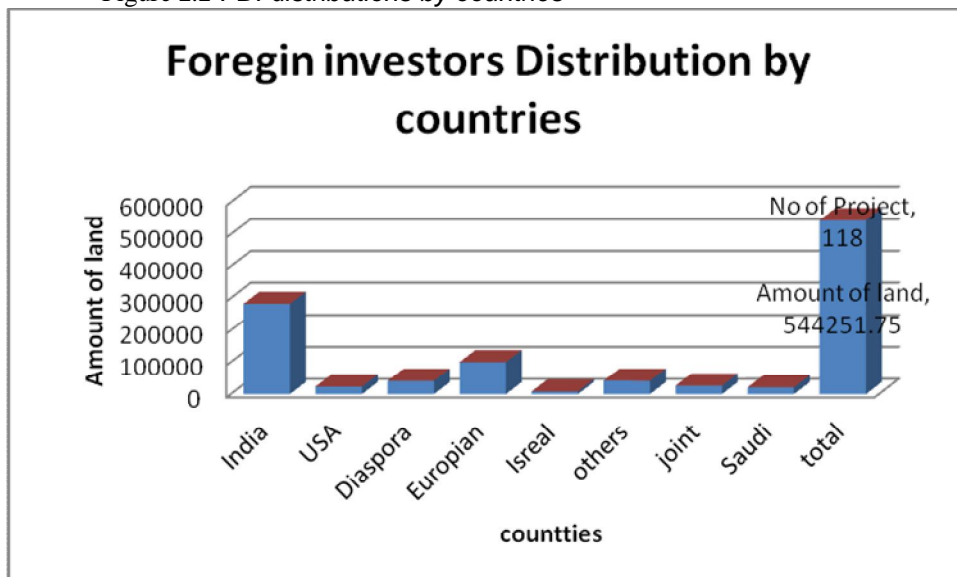
Figure 2-1 Country Licensed investment by sector



Source: From field collected

In the country more than 4000 local investors and 118 foreign investors have taken 2.2 million hectare and 544251.75 hectare of investment respectively land.

Figure 2.2 FDI distributions by countries



Source: Ministry of Agriculture AISD Report 2011

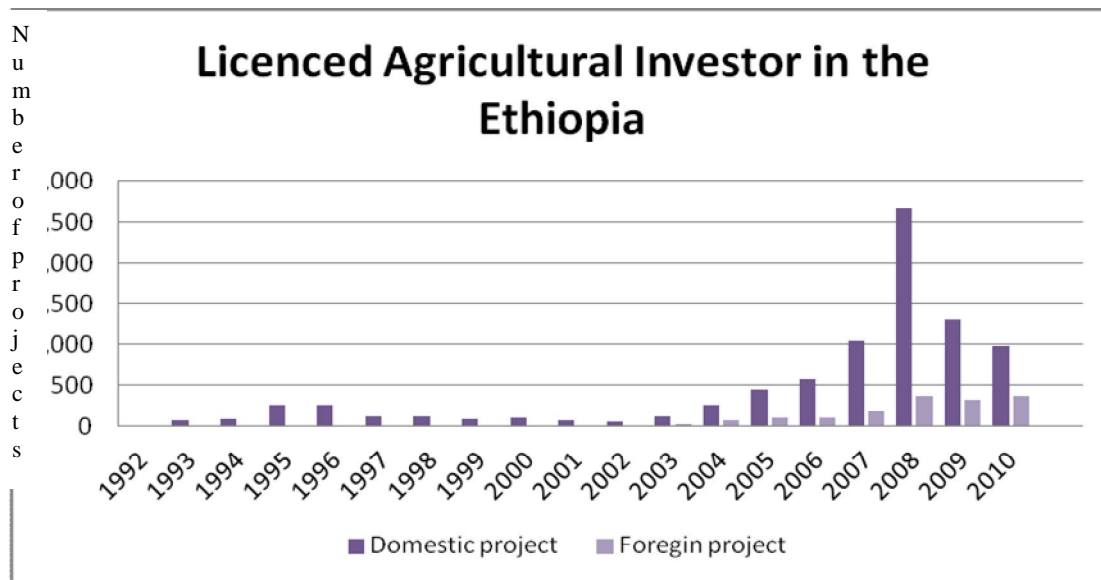
As per the AISD report from the total allotted 375,099 hectare of investment land 71% of agricultural investment lands have been transferred to the Indian FDI on lease basis which is higher than the sum of the other FDI.

As per CSA (2011), in 2010/2011 large and medium scale commercial farms cover all parts of the country. And 2851 farm sample were surveyed and according to the result from the total 452244.02 hectare large and medium scale commercial farms 11,824,820.66 quintal of production was obtained and commercial farms are not widely spread, and as a result of which the contribution of these to the country's gross total agricultural out puts is limited which is about 5%. From the total area in Gambella 7,811.95 hectare were cultivated and 78,960.97quinatl of different agricultural produce harvested. Therefore the data collected by the regional investment office and CSA lacks correlation &

consistence .Thus, the federal and regional governmental bodies should work together to collect reliable and consistent data.

The flow of agricultural investor shows tremendous increase since 1991. Many local and foreign investors have getting license from federal and regional investment agencies. But from the total 10267 local and foreign investors around 40% of them having land from local and federal land bank (AISD and Regions 2010 report).

Figure 2 -3 Licensed agricultural investor in Ethiopia



Source: EIA 2011

## **2.7. Investment Rules and Regulations**

Development and civilization of a certain country depend upon Modern farming, use of new technology, access to information technology, capital availability, and educated and skilled labour.

In this respect, the United States of America, Canada and Australia, succeed in attaining the above necessities, but other European and Asian countries trail them. For rapid economic development, financial capital is one of the key factors. And Investment is accused to financial capital.

The government of Ethiopia taking in to consideration the importance of investment as an access to capital, technology, and modern management, following modern market, by formulating and issuing different proclamation, rules and regulation in addition to the constitutions.

Generally, the constitution of FDRE gives the right to every citizen to work and have property in any part of the country. In addition, the government of Ethiopia gives protection to its property and the country keep the international agreement and convention signed on bilateral and multi lateral countries as well.

## **2.8. The coming five year prospect of Agricultural Investment**

As of the Growth and Transformation Plan (GTP) 2010/11-2014/15 the Ministry of Finance and Economic Development (MoFED,2010). In the Agricultural Rural

Development (ARD) policy it was explicitly stated that, the private investors can participate in the nation's agriculture development endeavours.

As a result of the efforts exerted to implement this policy, success had registered in the floriculture sub-sector. It is known that the participation of the private investors were minimal in areas where extensive agriculture could have been practiced mainly because of the lack of basic infrastructures facilities.

In recent years since such infrastructure has been expanding in these areas and the industry requirement of agricultural raw materials is increasing, as well as the market for agricultural products is on rise domestically, all these have created favourable situations for agricultural investment. Because of these, there is an increasing interest for investment in agriculture as actual situation demonstrates this. It is assumed that such momentum will continue, and hence in the coming five years efforts will be exerted to make meaningful change in terms of the private investment role in agriculture.

In the private sector, the investment to develop agriculture will be directed as situations of various land permits. This will include investment in areas where extensive land and labour scarcity prevails as well as, those areas which had limited land, but abundant labour where high value agricultural products could produced. In the lowland areas the land that identified to allotted for a large scale commercial farm is possible; private sector encouraged to develop these land.

In the highlands and areas close to major cities, the private investment activities will be centered on high value horticulture products that can be produced on limited land, using abundant labour, thus generating large employment as well as supply for export. Such type of agricultural private investment requires tremendously basic infrastructure expansion and supply of labour. Such agricultural development can be integrated with farmers' agriculture, throughout out growers scheme. This provides sustainable markets for the smallholder farmers.

The cluster based development that started in selected areas to expand and expedite investment in horticulture export ventures, particularly those supported by green house technology, will be strengthened. To formulate new clusters land will be identified and kept in the land bank in areas where basic infrastructures prevail or where there is a gap measures will be taken to rectify them rapidly. Cognizant of the expansion and strengthening of farms in the vicinity of Addis Ababa, similar cluster formation and intertwining arrangements will be undertaken around other major cities. Besides, in order to minimize investment cost, favourable conditions will be put in place to produce green house facilities, irrigation pipes etc. In this process focus will be made to increase the participation of Ethiopian investors and integrate them in different areas with farmers engaged in horticulture production. Furthermore, the necessary activities will be implemented to enhance the role of breeders and seed suppliers in the country, to increase the number of horticulture investors, input suppliers

and service providers within the sub-sector and design means of motivation for this purpose.

In the next five years, small scale farm holders will be encouraged to participate in out-growers scheme in areas of exportable vegetables, fruits, spices and herbs production. Side by side strong monitoring and evaluation mechanisms that is implemented on pre- and post production benchmarks and standards will be placed, human resources development will gain particular attention to have specialists with practical skills and knowledge.

It is envisaged that agriculture development will be undertaken by private investors in lowland areas where abundant extensive land found. Assessment will be made to identify suitable land and keeping the same in organized land bank; and promoting such lands for investment by facilitating for local and overseas investors to develop by lease system. In this sub-sector, the necessary support will be given to encourage the participation of Ethiopian investors. Besides this efforts will be done to attract foreign investment in a manner that will be beneficial for Ethiopia's agriculture sector sustainable development.

In the whole, comprehensive attempt and efforts will be done to make the private investor get government services backing in an efficient way. While keeping the support for private investment in large scale farms, special focus will be made to ensure that the products produced from such farms to be primarily for exports and raw materials for industries. In this respect, an emphasis will be given for

cotton, oil palm, tea, rubber tree and the like. This being the focus, food crops production will be encouraged to be undertaken in a double cropping system.

As of the plan of AISD in the coming five years, in addition to already identified over 3 million hectares of land planned to identified, prepared and will get ready for the desired development purpose. And finally the land will be transferred to local and foreign investors and in so doing tangible support will also be given to private investors to enhance their investment participation in commercial agriculture.

## **2.9 General Gambella Situation**

Gambella peoples National Regional State is situated in western part of Ethiopia. The region is composed of 11 districts and one city administration which is grouped into two zones and one special district (Gambella Government council, 2006) .The regional government capital city Gambella, is 777km away from Addis Ababa.

The region is strategically bordered with the Sudan in the west and south west and SNNPR in south east and Oromiya and Benishagul Gumuz regions in the North east. Due to its proximity with Sudan, the Gambella region has access to markets across the international borders.

Gambella Regional State is located between 06<sup>0</sup> 19' 19''- 08<sup>0</sup> 42'35'' North Latitude and 33<sup>0</sup> 00' 20''- 35<sup>0</sup> 22'28''East longitude. The regional state is



administratively divided into 3 zones and 12 districts, of which one special administrative sub division and 198 kebeles'. And the total land coverage of about 3,030,530 hectares

The regions is one of the smallest regions in terms of population and land size , according to the reports of 1994 census, the total population of the region is currently estimated to be 262,042 of which 49% and 51% female and male, respectively ( CSA ,2006).

The region has a total land coverage of about 34,068 square kilometre (BoFED, 2006). The population settlement pattern of the region is dispersed, with a population density of 7.7 person per square kilometre. There is variation in population density from district to district. The lowest is in Gog, Jor and Gambella , with respective 1.44 and 4.22 people per sq.km. The highest density is in Jikao (19.08) and Godere (13.26) (BoFED, 2008).

Gambella is characterized by flat topography and flooding occurs during the rainy season and its climate is hot and humid. Annually the region receives a mean annual rainfall of 900 to 1500mm in low land area and 1900 to 2100mm in midland district of Godere, (BoFED 2008). These areas are highly suitable for tea, coffee, palm oil and rubber production. The main rainy season of the region is from May to October. In addition the mean annual temperature vary from 17.30 degree Celsius to 28.30 degree Celsius in the plain area. The absolute air temperature reaches 45 to 47 degree Celsius in mid March (BoFED, 2005).

Ago-ecologically, the region is predominantly lowland (kolla) with a few midlands (weynadega). Recession of river side agriculture is common, particularly maize and sorghum. Which are widely practiced by Anyuaak people along the Baro, Gilo and Akobo rivers. The economy of the region is dominated by traditional animal husbandry and crop production, mixed with fishing. The major crops produced in the region includes sorghum, maize, oil crops, coffee and sweet potato.

Generally, as the region is not cereal self-sufficient, alternative income sources such as fishing are important sources of food. Wild food consumption is part of the daily dietary intake given the still partly untouched bush land and natural forest resources.

There are 126,198 cattle, 43,476 sheep, 49,076 goats, 59,222 traditional hives and 239,930 poultry are found in the region (BoFED, 2005).

According to the 2011 regional government report in 2011 52,850 farmers participated on the house hold and minimum extension package and around 56,179 hectares of farm land covered with maize, sorghum, oil seed vegetables and other oil seeds from which 105,241 quintals of product collected (BoFED, 2011).

## **House Hold Food security**

Achieving food security at the house hold level requires the aggregate availability of physical supplies of sufficient food, so that household have adequate access to those food supplies through their own production, from the market or other sources.

In poor agrarian economies , land is not only a key factor of production but also performs an essential role as an insurance device and a social safety net.(Kalus et al, 2001).

As per Gambella region socio- economic survey (2007) the major primary and secondary sources of food at the household level was from their own farm, relief food aid, fish catching, wild honey production, gift from relatives, hunting and collecting, and as well as renting oxen, land, and boat. Based on the assessment, 4.9% of all households on average have enough food to eat all the time during the year 2006. This means about 95.1% of households face food shortage at any point of time.

From the survey ,the coping mechanism to food shortage have been eating fewer meals, selling their own livestock, fire wood , kitchen ware, eating wild foods, migrate out to another places, forcing children to drop out from school, and borrow money from relatives. All these activities are the major practices of the people.

## **Economically active age population and Employment opportunity**

According to the report of CSA (2007) 176,331 people are economically active from the total population the rest 51,573 people are inactive and were above 10 years olds among the economically active population peoples 33,726 living in urban areas. and 132,605 are living in rural areas.

From the economically active individuals, 10 to 14 ages are 25,597 and 3,256 individuals are above 65 age.

From the above, economically active population the following are employed in different economic activities. Government 11,367 (Rural 2,625) , government parastatal 4,900 (Rural 4,354) , private 5,890 (Rural 2,730) , NGO 894 (Rural 368) , Domestic work 6,380 (Rural 4,726) , other employment 469 ( Rural 173), self employee 88,947 (Rural 73,670) , Unpaid family worker 35,224 (rural 28,687), apprentices 1,130 (rural 828) , cooperatives 230 (rural 107) employer 479 (rural 281) and others 21,997 (rural 13,298) (CSA, 2007).

With the above circumstance, all the economically active individuals have employed but their income is not enough to alleviate their own food security.

## **Social Service Development and Villagization Program**

As of the 2011 regional government report in the region there are 76 alternative basic education, 17 pre- primary schools, 215 primary schools, 22 secondary school have given service to the people.

In Gambella region, there are TVET, health and agricultural colleges are offering intensive training to the new and existing experts In the region. Therefore the provision such social services have a great contribution to the social and economic development of the region (BoFED, 2011).

In the region there are 35 primary health centres and one hospital in Gambella town. The health service coverage is around 85%. On the other hand, potable water is one of the major social service .Potable water coverage in urban areas is 71.9% and in the rural areas it is 70.7% .Therefore, the regional government, NGOs and private sectors should work jointly to attain 100 percent potable water coverage. Because most health problems linked directly or indirectly with the intake of impure water (BoFED 2011).

The financial institutions are important for social and economic development of the region. There is one branch of Commercial Bank of Ethiopia and one regional micro -finance that institution.

There is domestic airlines service 3 times a week and the road from Addis Ababa to Gambella is almost asphalted and all districts are connected with all weather gravel roads.

The settlement pattern of the people are dispersed and it has become difficult to provide social service. The regional government has planned to collectivise the

dispersed households near the existing villages and near accessible infrastructures through discussion with the people and with the comprehensive social service arrangement of the regional government. The numbers of house built in the different areas of the regions is indicated as follows:- In Abobo district 870 houses at 4 centres, Gambella 1,411 houses at 6 centres, Dimma at centres 285 houses , at Jore 4 centres 277 houses , Itang at 3 centres 3,024 houses, Godere at 5 centres 1,617 houses, Menegesh at 5 centres 892 houses , Wantao at 4 centres 4,402 houses, Jikao at 4 centres 7,480 houses , Lare at 5 centres 4,587 houses are constructed. The regional government has distributed tractors, flour-mill, oxen, poultry , modern hives, farm equipments, 2 to 4 hectares of land for each , seed and fertilizer for the newly household. Almost all the houses are constructed around and near the existing settlements. In 43 villages, 23,000 people are settled.

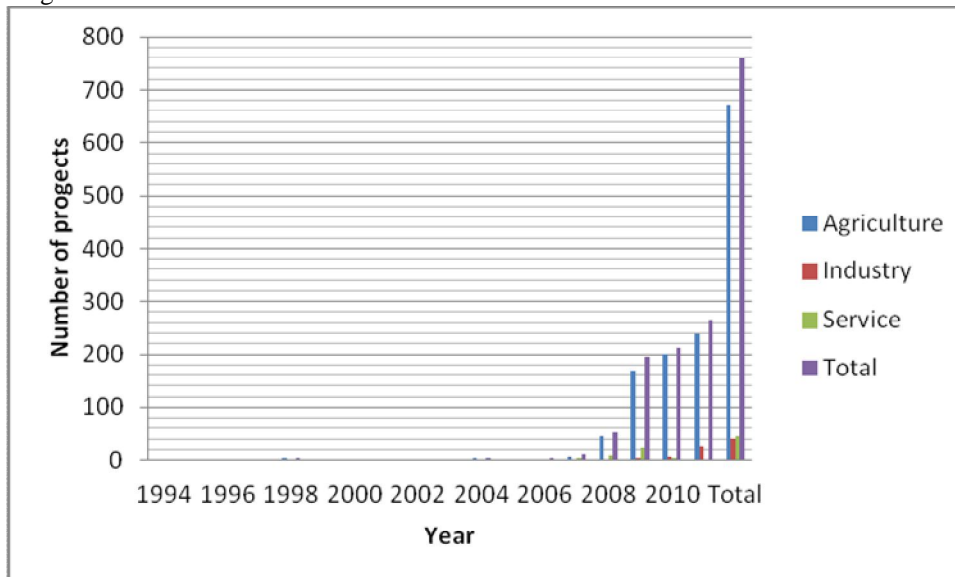
The regional government has developed 72 underground potable water pump stations, 43 Farmers Training Centres (FTC) and equipped by RCBP (Rural Capacity Building program) which is financed by World Bank, 19 primary schools, 14 livestock clinics, 22 primary health clinics or health posts, 50 modern flour-mill, 43 warehouses, 5,600 quintal improved seed and 60,000 farm equipments are distributed to individual farmers as well (BoA, 2011).

## **Gambella Region Investments**

In the region investment is coordinated & led by the Gambella regional government investment office. The office has 43 staff positions but 40% of the positions are vacant and it has logistic, budget and skill gap to support the overall investment activities in the region.

The office has given 759 investment licenses and , 88.53% of the licences are given to undertake agricultural investment, the rest, 11.47% is industry and service. Unfortunately, the office is not equipped with agricultural professionals and equipments to give support for the agricultural investor. From the total of 672 investors, only 224 have received agricultural land about 314,952.59 hectare. From these, 5 are foreign investors and are around 162,500 hectares. Most the investors who owned land could not start land development due to their own technical, financial and management capacity limitations. After receiving the land most of the investors left Gambella, a few have given delegation to their own relatives and friends, as such no more land is developed as per the agreement. From the total allotted land only 20,319 hectares have been developed .The rest licensed investors are waiting to receive the agricultural land for investment (Gambella RIO, 2011).

Figure 2-4 Gambella licensed investor



Source: Gambella region Investment office ,2011

The procedures or legal process to get land in Gambella regional government entails that application shall be submitted first to the regional investment office, after submitting relevant documents and business plan, the investment office provide investment license and then send to the regional government investment board.

As of the regional investment office discussion the Gambella regional government investment board is the responsible body to approve the agricultural investment and that is led by the regional government president and again the approved document should he returned back to the regional investment office for the allotment of agricultural investment land at the district level. After the approval of this apical body the land agreement made at the district level with the



district administrator through regional investment office and the investor received agricultural land at the relevant district.

The regional government investment office given 678 investment licenses and out of these, 298 agricultural investors have received land in 6 different districts. Out of the total 298 investors only 105 agricultural investors have lands through the legal process & the rest of the investors got land without the knowledge of the regional investment board. To get reliable information, the data is collected from farmers residing in 4 districts, especially from those who are living and working near to the agricultural companies or the land which is allotted for the investor.

## **Chapter Three**

### **3.0 Methodology of the Study**

#### **3.1 The study area**

Gambella peoples National Regional State situated in western part of Ethiopia. The region is composed of 11 districts and one city administration which had grouped into two zones and one special district (Gambella Government council, 2006) .The regional government capital city Gambella, is 777km away from Addis Ababa.

The region is strategically bordered with the Sudan in the west and south west and SNNPR in south east and Oromiya and Benishagul Gumuz regions in the

North east. Due to its proximity with Sudan, the Gambella region has access to markets across the international borders.

The regions was one of the smallest regions in terms of population, according to the reports of 1994 census, the total population of the region was currently estimated to be 262,042 of which 49% and 51% female and male ,respectively ( CSA ,2006).

The region had total land coverage of about 34,068 square kilometres (BoFED, 2006). The population settlement pattern of the region dispersed, with a population density of 7.7 individuals per square kilometre. There was variation in population density from district to district. The lowest were found in Gog, Jor and Gambella , with respective 1.44 and 4.22 people per sq.km. The highest density was in Jikao (19.08) and Godere (13.26) (BOFED, 2008).

### **3.2 Sampling strategy and sample size**

The sampling strategy was based on direct selection, in this respect, local and foreign agricultural companies were directly selected based on their active engagement in the commercial farm development, the size of land holdings, and the different media coverage that had been given.

Moreover, in Gambella regional government there were 224 companies that had obtained agricultural investment land. Out of these only 105 investors secured land legally. Therefore, the researcher purposively took 30 large agricultural

companies for this study, which constitutes about 29% of those who took the land legally.

Initially for the formal interviewing, purposive and random sampling techniques used to select individual farmers who were living near and around the agricultural companies who had direct and/or interaction with them. Accordingly, 100 farmers were randomly selected from the vicinity of the large agricultural companies.

The researcher also collected data directly from 7 local administration at different levels mainly district and peasant association who were responsible and had direct contact with the companies.

Key informants such as village elders, teachers and extension agent who were living near to the agricultural companies were purposively selected for group discussions.

### **3.3 Data collection**

The data was collected using structured questionnaire and semi-structured checklists. The survey instruments were pilot tested and modified.

The preparatory phase of the study involved visits to the relevant federal, regional, zone, districts and peasant association offices, and discussions were held with relevant higher officials and staff in different sessions and at different level. The principal aim of this discussion was to exchange ideas on the features of different companies in the areas of agricultural investment. Therefore, the

primary and secondary data had collected from relevant institutions, started from federal to individual farmers' level.

#### **i. Primary data collection**

Primary data were obtained from first hand sources such as: direct observation, interviews, discussions, etc. On the other hand, to collect the primary data three different types of standard questionnaires were prepared and checked at the field level and were further improved. The questionnaires were prepared based on relevant target groups:

- for individual farmers, in the vicinity of investment farms
- to study the activities and role of investors and their relationship with the community,
- to be administered to the companies
- to study the contribution and relationship between investors and the community. To be administered at Regional and Kebele administration level.

The Gambella regional government investment office provided 678 investment licenses and from these, 224 agricultural investors were leased agricultural investment land in six different districts.

#### **ii. Methods of primary data collection**

Because of the exploratory nature of the study, it was envisaged that in addition to the structured questionnaires, the use of semi -structured interview and

different techniques could give better insight and understanding of the issue. To realize this the following interviewees were taken place:

- **Government officials and administrators interview and Discussion:** Data had directly collected from officials and administrators who were involved in leasing land to the investors and who were responsible and accountable for land leased.
- **Elite Informant Interview:** it involves identifying and discussing with people who had knowledge & experience in the area. Key informants were individuals well informed and who had sufficient information to provide relevant response to the question raised.
- **Communities' interview:** The study also incorporated individual farmers who were working within the companies and those who were not working in the companies. It assumed that these farmers have relevant information about the relationship of the companies with the local communities.
- **Group Interview and Discussion:** As of It believed that interviewing people together as a group provide access to knowledge, alternative views and opinions of several people and as well as promote cross checking the supplied information. Thus, group discussions were aimed to tap knowledge, collective views, opinions and attitudes certain common issues that emerges during elite/key informant interviews.

- **Company's managers and owners:** The company managers and owners have their own detail plan of actions and personal outlooks to investment strategies and leasing system, challenges & future prospects.
- **Focus group discussion:** The main emphasis here is dealing with specific issues, which is of particular interest to the group members and thereby to get deep insight to in the particular issues, mainly the conservation natural resources and wild life issues, resettlement issues and administering conflict that had been raised by different international and local Medias. Some specific issues addressed through the above techniques.

The researcher had made a group discussion with the extension agent, teachers, local elders, youths and women that were lived near to the agricultural investment or large commercial farms.

- **Observation Method-**This is a method of primary data collection in which researchers collected data based on their personal observation. As a matter of fact, the researcher collected data about the employee's job satisfaction in five selected organizations. In the case of commercial agriculture farms, the researcher used to indentify the job satisfaction of machine operators and different workers.

### 3.4 Secondary data collection

Secondary data which had information collected through other relevant sources.

Such data are cheaper and quickly obtainable than the primary data and

available when primary data could not be obtained. The researcher collected the secondary data from published and unpublished materials available at different governmental and non-governmental institutions. Accordingly, the secondary data was collected from the Federal, regional governments, different sectoral bureaus and other institutions.

### **3.5 Data organization and analysis**

The data entry exercise was carried out using personal computers (PC's). In order to check the quality of the entered data, a verification exercise was carried out. Data entered into the computer needs to be checked for completeness, consistency and validity. To ensure the quality of the manual edited and coded activities, verification of the completed questionnaires had been carried out on 100% basis.

Data presentation/organization was a practice in which unorganized or unfinished data is orderly arranged and organized so that information could be highlighted. Thus, the collected data had been organized by using graphs, tables and pie-charts. The collected quantitative data was analyzed using Statistical Package for Social Science (SPSS version 19) computer program and analyzed using simple descriptive statistics.

### **3.6 Significance of the study**

The study had generated valuable information regarding the existing agricultural investment condition in Gambella region.

The findings of the study were intended to contribute an input to the achievement of the existing growth and transformation plan of the regional government and the country as a whole.

The Ministry of Agriculture and the Gambella national regional government jointly identified and availed more than 1.2 million hectares of land for agricultural investment. The greatest interest has come from Indian and Saudi Arabian firms and from other Arab countries. China, Japan and the US have also expressed their respective high interest in leasing land in Gambella. However, there is no systematically studied and documented information on the implications of this insense agricultural investment for local and social development. This study will fill this information gap by generating valuable information for policy makers, development planners and implementers, donors, and other key stakeholders. It can also open up the door for further investigation in the field.

### **3.7 Scope of the study**

Geographically, the study is conducted in Gambella region in 5 districts, involving 30 companies, 5 foreign and 25 local companies. The study focused on both the positive or negative impacts of agricultural companies and on social development of local communities.

Agricultural investment taking place in different part of the country. But this study concentrates and data were collected only from Gambella regional state.



### **3.8 Limitation of the study**

The major problem encountered during sampling period was to obtain complete and comprehensive list of the farmers and peasant associations. This is due to the fact that the district administration and the peasant association had not satisfactory record.

Gambella regional government had sparsely populated to collect data from the farmers on the vicinity of the companies it was not easy to get 100 sample farmers and the researcher faced to went more than 20 kilo meter radius from the large commercial farm.

### **3.9 Organization of the study**

This study paper divided in to six chapters. The first chapter is the introduction part which includes the background information, statements of the problem, objectives of the study, significance and scope of the study. The third chapter deals with the review of related literatures. The third deals about the Study of methodology, chapter four is about results findings of the study and discussions. Finally, chapter five deals with conclusions and relevant recommendations.

## Chapter Four

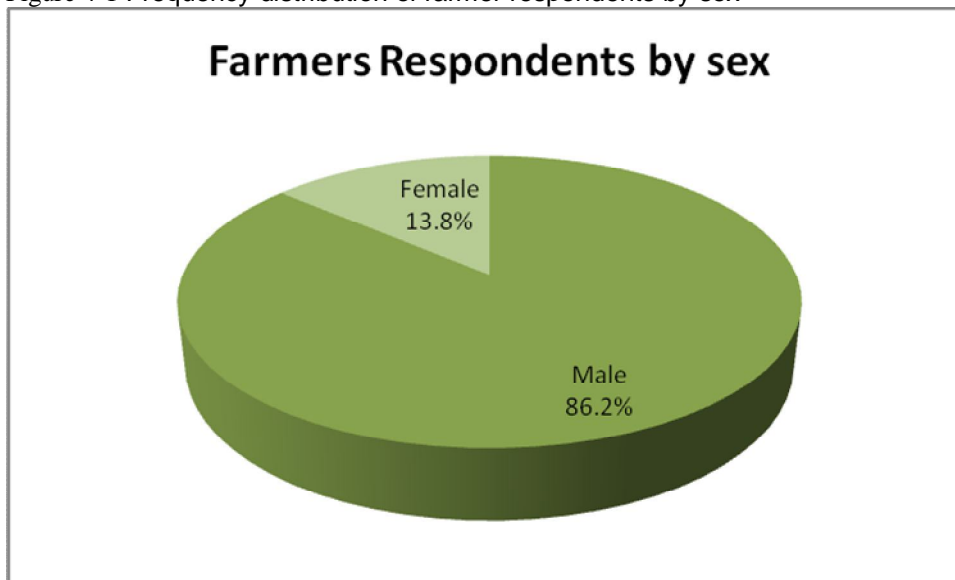
### 4.0 Result and Discussion

#### 4.1. Socio-Demography of the farmer respondents

##### 4.1.1 Sex

The data collected from the vicinity around the investor's farm indicates that the majority (86.2%) of the respondents were male farmers and the rest 13.8% of them were female headed households (Figure4.1).

Figure 4-1 Frequency distribution of farmer respondents by sex



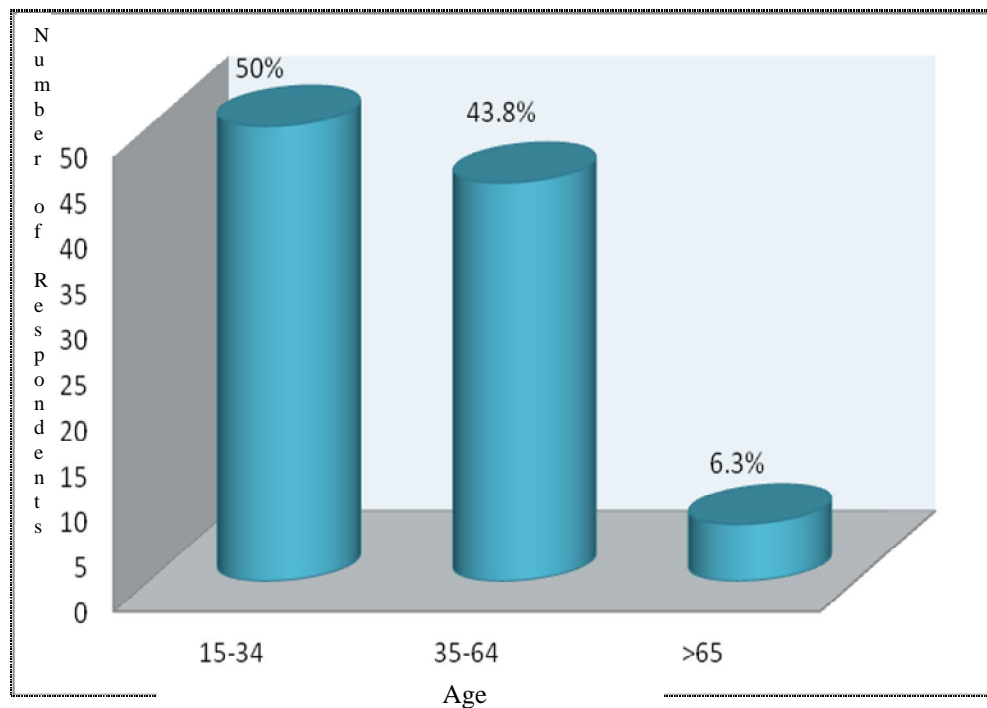
Source: Own field survey, 2011

### 4.1.2 Age

According to CSA the economically active population considered to be between the ages of 15 to 64; thereby, the collected information from the respondents revealed that 93.8% of the them fall under the category of economically active population.

The economically active respondents have knowledge about and have a good understanding to their a good own surrounding environment and current situation. They can express their views on agricultural investment and it merits around their kebele.

Figure 4-2 *Frequency distribution of respondents' age*



Source: Own field survey, 2011

### 4.1.3 Educational Back ground

The majorities of respondents (66.3%) did not attend any formal education, and out of these, only 33.8% were able to read and write and the rest 32.5% were illiterates. Only 28.8% and 5% of them attended primary and secondary education, respectively (Table 4.1).

**Table4. 1** Frequency distribution of respondents by educational background

Category	Frequency	Percent
Illiterate	26	32.5
Able to read and write	27	33.8
primary school	23	28.8
Secondary school	4	5.0
Total	80	100.0

*Source: Own field survey, 2011*

### 4.1.4 Family Size

With regard to family size, 50% of the respondents have 1-3 members in a family, while the remaining (50%) have a family size 4 or more. Thus, the average family size of the respondents were not far from the regional and national average family size (Table 4.2).

**Table 4.2:** Frequency distribution of farmer respondents by family size

Category		Frequency	Percent
	1-3	40	50.0
	4-6	32	40.0
	>6	8	10.0
	Total	80	100.0

*Source: Own field survey, 2011*

## 4. 2 Livelihood base of local community

### 4.2.1 Type of crop produced

Indicated on Table 4.3 82.5% of the respondents were directly depended on production of food and allied crops and the remaining 17.5% of the respondents were not crop producers. Out of the total 82.5 % of respondents ,27.5% were producing mainly cereal crops such as maize, sorghum and a few rice. The remaining 55% respondents also produced mixed cereal with other crops mainly vegetable, oil seed and pulse.

**Table4. 3:** Frequency distribution of respondents by cultivated crop type

Type of crop	Frequency	Percent
Cereal	22	27.5
Mixed e(Cereal and other crops)	44	55.0
No crop	14	17.5
Total	80	100.0

*Source: Own field survey, 2011*

During the survey, most of the crops produced in the area were not improved varieties and cultural practices of farmers were poor. Therefore, if a strong

linkage established with the commercial farm, it will be an opportunity for the farmers to get improved varieties and technical assistance from the agricultural investors.

Majorities of the farmers especially in developing countries are involved in growing food locally through a method of cropping in which two or more crops are planted in the same field at the same year. This system, is know as multiple or mixed cropping. It is a low-risk source of food and income for families whose farm-size is small. Moreover, the small-scale farmers lack capital to mechanize and expand their farm. With mixed cropping, the cultivators and their families are assured of their own food supply and have adequate employment opportunities.

#### **4.2.2 Livestock production**

Most of the respondents (56.3%) had own livestock holding. Among these 22.5% engaged in poultry production and 43.75% mixed types such as cattle, and goat and 33.8% did not have any livestock (Table 4.4).

Even though 66.30% of the respondents owned livestock, the productivity of livestock had not as such satisfactory and competitive. So that it needs comprehensive improvement. Thus in order to improve the livelihood of the rural community it is important to give special attention for the improvement of livestock transfer of technology, agro-processing activities and market linkage.

**Table 4.4** Frequency distribution of respondents with rearing livestock

Type of livestock	Frequency	Percent
Poultry	18	22.5
Mixed (Goat, sheep, others)	35	43.8
None	27	33.8
Total	80	100.0

Source: Own field survey, 2011

### 4.2.3 Farm Resources utilized by respondents

With regard to the resources utilized by the respondents, most of them (40%) were using hoe, and only few of them (8.8%) had two pair oxen (Table 4.5).

**Table 4.5** Frequency distribution of resources utilized by the respondents

Category	Frequency	Percent
Two pair of oxen	7	8.8
one pair of oxen	13	16.3
single ox	5	6.3
Using hoe	32	40.0
Others	5	6.3
Has not any	18	22.5

Source: Own field survey, 2011

### 4.2.4 Alternative off farm income sources

Most respondents (38.8%) could not had any alternatives sources of income and 35% of respondents get their additional income from employment, as daily labourer. Hunting and fishing were the other alternatives means of income for

6.3% and 7.5% respondents respectively and about 12.5% of the respondents got their additional income from different sources such as remittance from their relatives (Table 4.6). Therefore, agricultural investment creates job opportunities for the rural community and can increase their income.

**Table 4.6** Frequency distribution of respondents by alternative of farm activities

Alternatives	Frequency	Percent
Hunting	5	6.3
Fishing	6	7.5
Daily Laborer	28	35.0
Nothing	31	38.8
Others	10	12.5
Total	80	100.0

Source: Own field survey, 2011

### 4.3 Profile of Agricultural investors

The regional and federal government legally allotted land for only 105 local and foreign investors and from these the researcher took 30 investors. And the data were obtained as follows 76% from Ethiopians, 4 % from Saudi Arabians, 16% from Indians and 4% from Diaspora, from among the four woredas (Gambella, Itang, Abobo, Dima and Godere ) (Table 4.7)

The scale of land allotted varies based up on the land acquisition and capacity of the investor. Thus, 60% ,8%,12%,4%,16% of the data were collected from investors with the land size from 200 to 500hectares, 501 to 1000ha,1001 to 3000ha,3001 to 5000 and greater than 5000 ha, respectively (Table 4.7).



The investors were received land at different period of time, Accordingly, 68% of the investors got the land within the years 2000-2005 GC and the rest of 32% have got within the years 2006 -2011 .From the total allotted land the cultivated or developed land had not been according to the business plan and 92% of the investors have cultivated only 1 to 100 hector and 4 % of the investors have cultivated from 101 to 300hector and the remaining 4% have cultivated more than 300hectare. This companies are involved in cultivating cereals, oil crops, cotton and mixed crops (Table 4.7).

Some of the investors were employed professional and non professional personnel based on their scale of cultivation. In this respect 56% of the companies have recruited 1-50 employees, 20% of the companies from 51-100, 16% of the investors recruited 101-200 employees and the rest of 4% were recruited more than 201 employees on average (Table 4.7).

**Table4. 7: Frequency distribution of the agricultural investment profile**

Detail	Category	Frequency	Percentage
<b>Nationality</b>	Ethiopians	19	76.0
	Indians	4	16.0
	Saudi Arabia	1	4.0
	Diaspora	1	4.0
<b>Operation District</b>	Gambela	12	48.0
	Itang	3	12.0
	Abobo	7	28.0
	Dima	1	4.0
	Godere	2	8.0
<b>Received Land area in hectare</b>	200-500 ha	15	60.0
	501-1000 ha	2	8.0
	1001-3000 ha	3	12.0
	3001-5000 ha	1	4.0
	>5001 ha	4	16.0

Detail	Category	Frequency	Percentage
<b>Year of land received</b>	2000-2005 G.C	17	68.0
	2006-2011 G.C	8	32.0
<b>Area under cultivation</b>	1-100 ha	23	92.0
	101-200 ha	1	4.0
	>3001 ha	1	4.0
<b>type of crop produced by the company</b>	Cereal	1	4.0
	Oil crop	2	8.0
	Cotton	4	16.0
	Mixed I crop	18	72.0
<b>No. of employees in the company</b>	1-50	14	56.0
	51-100	5	20.0
	101-200	4	16.0
	501-1000	2	8.0

Source: Own field survey, 2011

#### 4.4 Environment Impact assessment document preparation and implementation

Preparation of the Environment Impact Assessment (EIA) document was mandatory by the Federal Ministry of Agriculture and Land transfer agreement had been done based on this agreement. However, Table 4.8 shows, only 24% of the agricultural companies were prepared the EIA document and the remaining 76% did not prepare (Table, 4.8).

Table 4.8 : Frequency distribution of EIA document preparation

Category	Frequency	Percent
Yes	6	24.0
No	19	76.0

Source: Own field survey, 2011

## 4.5 Social contribution of Agricultural Investors

Most of the respondents (70%) indicated that the agricultural investors had created wage employment opportunities for the local communities, 1.3% recognized that the investors transferred various technologies mainly through training, and improved paddy varieties from the Saudi star company.

**Table 4.9** Benefit of the community from large commercial farms

Category	Frequency	Percent
Employment	56	70.0
Technology transfer	1	1.3
Both	6	7.5
Nothing	16	20.0
Others	1	1.3
Total	80	100.0

Source: Own field survey, 2011

## 4.6 Employment Opportunity

Responses from large commercial farm companies indicated that 56% of the companies employed 1 - 50 employees, 20% 51 - 100 employees, 16% 101- 200 and 8% 501- 1000 employees in their farm (Table 4.10). Out of these, 92% of them had 1-10 permanent workers, 4% of them have 11-20 permanent workers and the rest 4% had more than 30 permanent workers including professionals and management staffs (Table,4.10)

Table 4.10 indicated 68% of them had 1- 50 daily labourers, while the rest employ ranging between 51-500 daily labours, depending up on the crop calendar. Some commercial farms were supported by the foreign expatriates, ranging from 1- 10 and above. However, 80% of them were only supported by Ethiopians. Also from the total daily labourer, only 2% were women and there was no permanent female worker in the commercial farm (Table 4.10). This indicates that the government and companies should jointly work to create job opportunities for the women.

**Table 4.10** Distribution of employment creation response from the investors

Detail	Category	Frequency	Percentage
<b>Total No. of employees in the company</b>	1-50	14	56.0
	51-100	5	20.0
	101-200	4	16.0
	501-1000	2	8.0
<b>No. of Permanent workers</b>	1-10 workers	23	92.0
	11-20 workers	1	4.0
	>30 workers	1	4.0
<b>No. of Daily Labourers</b>	1-50 daily labours	17	68.0
	51-100 daily labours	3	12.0
	101-500 daily labours	4	16.0
	>501 daily labours	1	4.0
<b>Foreign Expatriate</b>	No expatriate	20	80.0
	1-5 expatriate	2	8.0
	6-10 expatriate	1	4.0
	>10 expatriate	2	8.0

Source: Own field survey, 2011

#### **4.7 Community response related to contribution of investors**

As indicated on Table 4.11, 91.3 % of the respondents had positive view about what expected before. Among the respondents, 51.2% of their families were directly recruited and worked in the companies' farm, working as a daily labourer, guards, cleaners and tractor operators.

The respondent's justification for employment opportunity and its wage is as follows; 3.8% were attracted by their wage earned, and 32.5% justified that the wage rate was fair .However; a large majority (i.e., 42.5%) had not been attracted by the wage rate (Table 4.11). The regional and federal government expected agricultural companies are contributed self and wage employment opportunity for local community. There fore if the local communities are participated and benefited directly and indirectly on the development of agricultural companies agricultural investment become sustainable.

**Table 4.11** Frequency distribution of community respondents

Detail	Category	Frequency	Percentage
<b>Job creation by Investors</b>	Yes	73	91.3
	No	7	8.8
<b>family members working at investors farm</b>	Yes	41	51.3
	No	39	48.8
<b>Job type working on Investors field</b>	Not working on Investors farm	43	53.8
	Daily labour	31	38.8
	Guard	4	5.0
	Cleaner	1	1.3
	Tractor operator	1	1.3
<b>Wage paid by investors</b>	Attractive	3	3.8
	Fair	26	32.5
	Low	34	42.5
	I do not know	17	21.3

Source: Own field survey, 2011

#### **4.8 Local social service and infrastructure development**

Regarding the development of social services and infrastructures for local communities, three investors developed potable water; two investors contributed towards maintenance of social services mainly the already existing clinic and schools. One investor provided one generator for the youth club and most of them did not contribute any visible social services to the local communities.

The Table 4.12 indicated that, only three of them have a plan to develop potable water system to the community. One of them have already promised to help in the area of school and clinic development.

The reason for the majority of the company's failure to participate was lack of capacity at this stage, lack of awareness on priorities areas, and too early to be engaged in such offers.

**Table 4.12** Investors' response on social service development

Detail	Category	Frequency	Percentage
<b>Infrastructure development by the investors</b>	Potable water	3	12.0
	Nothing	19	76.0
	repairing infrastructures	2	8.0
	Supply Generator for rural youths	1	4.0
<b>Plan to community</b>	Pure water	3	12.0
	School, clinic and other	1	4.0
	No plan	21	84.0
<b>Reason for not contributing</b>	Lack of capacity	8	32.0
	Lack of awareness	3	12.0
	too early to do	14	56.0
<b>Development of micro business to workers</b>	Yes	1	4.0
	No	23	92.0
	Don't know	1	4.0
<b>Development of Private business centres</b>	Shop	1	4.0
	Others	1	4.0
	Nothing	23	92.0

Source: Own field survey, 2011

## 4.9 Technology transfer

Six companies were distributing improved seed to local farmers, and these companies showed modern farming system, and one offered training to develop skill to local community (Table 4.13).

Table 4.13: Frequency distribution of investor response on technology transfer

Category	Frequency	Percent
Improved seed	6	24.0
Farming system	3	12.0
Training to transfer skill	1	4.0
Nothing	15	60.0

Source: Own field survey, 2011

#### 4.10 Opinion of local community towards Investors

The perception of the respondents towards investors was assessed and a large majority (68.8% ) witnessed that the investors were beneficial to the local community , while few (12.5%) had the view that investors were advantageous to the community and the remaining (18% ) of the respondents did not understand about the advantages and disadvantages of the large commercial agriculture farm.

With regard to awareness about an investors who had operation in the locality, 93.8% were aware or had knowledge and only 6.3% were not aware or had not knowledge that investors those are working in the area (Table 4.14). When it comes to proximity of the residence of respondents from the large commercial farm, 57.5% live 1-5 kilo meter away from the commercial farm and the remaining one live up to 11kilo meter away from the farm (Table 4.14). Moreover, some of large commercial farm companies collected wage labourers from different village using small vehicles, Isuzu car and mini buses.



**Table 4.14:** Frequency distribution of the respondents opinion

Detail	Category	Frequency	Percentage
<b>perception about investors around</b>	Good/Beneficial	55	68.8
	Not good/disadvantage/	10	12.5
	Don't know	15	18.7
<b>Has Information investors working around</b>	Yes	75	93.8
	No	5	6.3
<b>Respondents distance from investors farm</b>	1-5 KM	46	57.5
	6-10Km	25	31.3
	Greater than 11 Km	9	11.3

Source: Own field survey, 2011

#### **4.11 Attitude towards Investors**

The attitudes of respondents towards investors' were varied; out of 80 respondents interviewed 30 of them had a favourable attitude and did not observed drawbacks. 30% of them emphasis underpayment by the investors for employees, and few of them complained on deforestation, shortage of grazing land for their cattle, creation of conflicts, and lack of community assistance (Table 4.15).

Table4. 15 : Frequency distribution of attitudes of the respondents

Category	Frequency	Percent
No drawback of investors	30	37.5
Under payment by investors	24	30.0
Deforestation by investors	7	8.8
Created shortage of land	9	11.3
Created conflict with local people	3	3.8
Not helping local communities	7	8.8

Source: Own field survey, 2011

#### 4.12 Investors relation ship with local communities

With regards to the relationship of investors with the local community,68% of the respondents believe it was excellent (Table 4.16).

Table4.16 Investors response in relation with the local communities.

Detail	Category	Frequency	Percentage
<b>Relation to the community</b>	Excellent	17	68.0
	Very good	5	20.0
	Good	2	8.0
	Not good	1	4.0
<b>How many times</b>	No any meeting	18	72.0
	once in a year	1	4.0
	Some times meeting	6	24.0

Source: Own field survey, 2011

### 4.13 Challenges of the investors

After the acquisition of land, investors had not been on equal positions in the establishment of the investment and not developed the land as per the agreement and /or business plan. The reason given were financial problem (48%), road and infrastructures problem (12%), and input supply and conflict with some local individuals (8%).Some of them,5 interviewee, do not seem to had explain and preferred to be abstained (Table 4.17).

Table 4.17 : Frequency distribution of challenges faced by investors

Category	Frequency	Percentage
Finance	12	48.0
Nothing	5	20.0
Other problems	1	4.0
Conflict with local individuals	2	8.0
Input supply	2	8.0
Road & other infrastructure	3	12.0

Source: Own field survey, 2011

### 4.14 View and Role of government Organs with respect to investors

#### 4.14.1 Local Administrators response

The data were collected from major investment districts mainly from Gambella, Abobo, Itang, Dima and Godere districts peasant association and kebele head of administration.

The Table4.18 indicated that, 75% of the peasant association and district administration were made discussion with agricultural companies, the rest 25% did not. In addition 87.5% of peasant and district administration could not observed and faced conflict of agricultural investors and the local communities thus it seems that the administration has created peaceful co-existence which had its own impact on investment.

Table 4.18: Response of local administration in relation to investors

Detail	Category	Frequency	Percentage
<b>Discussion made with investors</b>	Yes	6	75.0
	No	2	25.0
<b>Observing conflict of investor with the local community</b>	No	7	87.5
	some times	1	12.5
<b>Investors impact to the local community</b>	Positively	7	87.5
	Negatively	1	12.5
<b>Source of employment to investors</b>	Nothing	1	12.5
	Health centre	1	12.5
	Job opportunity	4	50.0
	Job opportunity, clinic and other	2	25.0
<b>Attitude of local administration towards investor</b>	Taking off land of the farmers	1	12.5
	Deforestation	5	62.5
	no use at all	1	12.5
	Other reason	1	12.5
<b>Transferring technology from investors to local farmers</b>	Farming system in provide tractor	2	25.0
	Nothing done	6	75.0
	Totally from the local community	1	12.5
	some from the other area/ out of the local area	3	37.5
	could not have information	4	50.0
<b>Farming system held by investors</b>	Modern but only tractor	7	87.5
	No better than local farmers	1	12.5
<b>Effect of investor on the local community</b>	They live peacefully with local community	7	87.5
	could not have information	1	12.5
<b>Knowledge of administration on land agreement made</b>	with the knowledge of kebele and district	3	37.5
	Done by regional and federal government	5	62.5
<b>The trend of wage in the area</b>	Increasing	7	87.5

Detail	Category	Frequency	Percentage
	I do not know	1	12.5
Annual wage increment in %age	Increase 50% annually	4	50.0
	Increase 25% annually	3	37.5
	I do not know	1	12.5

Source: Own field survey, 2011

Table 4.18 showed that, about half of the local administrators (50%) interviewed did reflect the view that investors have created job for local dwellers, and have been contributing on health centre development.

On the contrary, 62.5% of the local administrators observed the investors were complete clearing land and deforestation, and some of them feared that investors have taken away the land of the local community (Table 4.18).

As per the local administration, 75% of the investor's farms had been cultivated with tractors and other modern technologies, while the remaining 25% of the investors have been using traditional farming practices similar with the local poor farmers.

With regard to technology transfer 75% of the local administrators did not observe any transfer of technology to the local community. But only 25% of them recognized that investors had been improving the farming system by cultivating the with tractors and the provision of improved varieties.

On the basis of information provided by local administrators, 37.5% of the investment agreement was made by the local administration and the rest 62.5% of reached by the regional and federal government. But the land was transferred with the knowledge of the local administration and all land rent was paid directly

to the local administration revenue office. When it comes to wage of employees, 87.5% has increased through time at the rate of 50% (Table4.18).

#### **4.14.2 Response of regional and federal government**

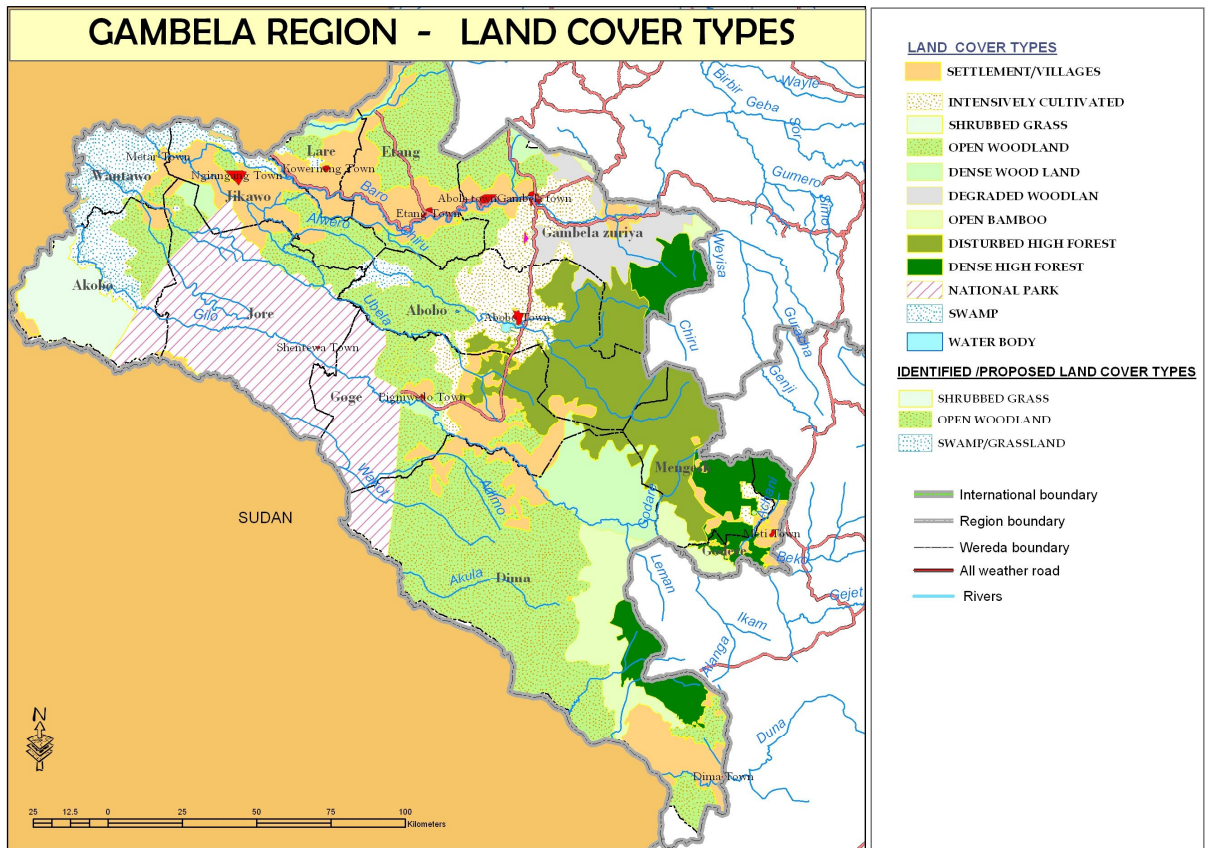
One of the objectives of this study is to explore the role of regional and federal government bodies to oversee agricultural investors to meet the expected development out come. To obtain the data interviews were made with concerned Gambela National Regional Agriculture and Rural Development Bureau officials and Federal Ministry of Agriculture.

Responses of the regional and federal government bodies regarding agricultural investment in Gambela region summarized as follows;

##### **A. Land usage**

Most of the investors could not develop the land according o their frame of agreement and business plan. Some of the investors even entered in to investment without any business plan. Among these investors, only 8% were under developed from the total acquired land and most of it covered with local varieties crops. (AISD 2010), still some investor did not start any development of the land. As per FAO mid -term review report of the TCP/ETH/3302 project in Gambella region, Karuturi Agro Products PLC, Saudi star agro industry , Agrimec Ethiopia and Illia agro business received 111,300 hectares of land, out of which only 12,935 hectare (11.6%) underdeveloped.

Figure 4.3: Map of potential investment land in Gambella



Source: AISD 2011

As of the MoA-AISD Gambella regional government transferred 1,226,893 hectare of investment potential land for the Federal Ministry of Agriculture. From these only 231,012 hectare of investment land were transferred to the local and foreign investors (AISD 2011).

## **B. Introduction of Technology**

The Regional and Federal governments were expected investors to use modern technologies in order to improve production, productivity and quality of market oriented agricultural produces. On the other hand/on their own part, the investors are expected to transfer modern technology to local farmers and serve as local and international market for their produce.

Whereas, most investors have been cultivating the land with locally available technologies and using local crop varieties. Only some of foreign investment companies mainly Saudi star, Karuturi, Ruchi and Bazen have introduced and used modern agricultural technologies. Even if the above foreign investors have adequate modern technologies such as tractor, combiner harvester, dozer, excavator, chemical spray machineries etc, they are not in a position to developing the acquired land according to their plan and agreement. Even though these investors own modern agricultural technologies, local communities were not benefiting from them.

## **C. Employment Opportunity**

The data obtained from federal and regional concerned bodies indicated that, agricultural investments created job opportunity to the local community and other professionals. The wage rate of daily labourers increased on average from 10 - 26 Ethiopian Birr per/day from 2009 - 2011.



The data obtained from the Ministry of agriculture indicated that about 1486 number of employees were working on 42 agricultural investment companies. From these only 18.7 % were permanent and the rest were daily labourers. Among these most permanent labourers and professional employees were from other areas of the country. This shows that investors and the government bodies had not working towards improvement of the local community by developing their skill.

As Table 4.19 indicated, the investor who had taken land ranging from 200-500 hectare recruited small number of employees while large investment need large number of permanent and the temporary employee on the contrary the efficiency and effectiveness of performance of the large scale investment is lower than the large scales.

Table 4.19: Investor land received with employment opportunity

Descriptions		No. of employees in the company			
		1-50	51-100	101-200	501-1000
Received Land area in hectare	200-500 ha	9	4	2	0
	501-1000 ha	1	0	1	0
	1001-3000 ha	3	0	0	0
	3001-5000 ha	0	1	0	0
	>5001 ha	1	0	1	2
Total		14	5	4	2

#### **D. Social service and infrastructure development**

As it is known, Gambela Regional State does not have sufficient social services and basic infrastructure to the community to attract agricultural investment. The response of the government indicated that investors were expected to develop their own infrastructure for their works and possibly to the local community around their farm. However, the reality showed that most of the investors were using facilities developed by the government intended to local community.

On the other hand, few of the foreign investors developed potable water, and had repaired existing facilities like clinic, school, entertainment centres and roads.

#### **E. Environment protection and responsibility**

A sustainable agriculture is an environmental friendly agricultural practice that involves the use of limited natural resources to satisfy the present generation without compromising the interest of the future generation. Water, soil and the biodiversity are the major elements of production that should be wisely utilized for sustained agricultural practices. Unless these basic natural resources are conserved production and productivity of agricultural lands practically ceases to feed the population of the world.

Agricultural investment needs a large area of land. Response of the regional and federal government bodies indicated that on the some area of investment the problem with respect to the environment witnessed the complete and continuous clearance of forests, even along the river banks, clearing of reserved or conserved trees. Moreover, during the survey period of investment areas, charcoal production have found in some investors land (FAO\_AISD, 2011).

To resolve the above problem the federal government have developed environment and social code of conduct which is important for each and every investor about how to develop its respective environment impact assessment document Based on the that environment impact assessment document the Ministry, of Agriculture and other stakeholders, should monitor and evaluate the progress of the investment against the EIA document. Based on this 90% of the foreign investors prepared the EIA document and none of the local investor were ready to prepare (AISD, 2011)

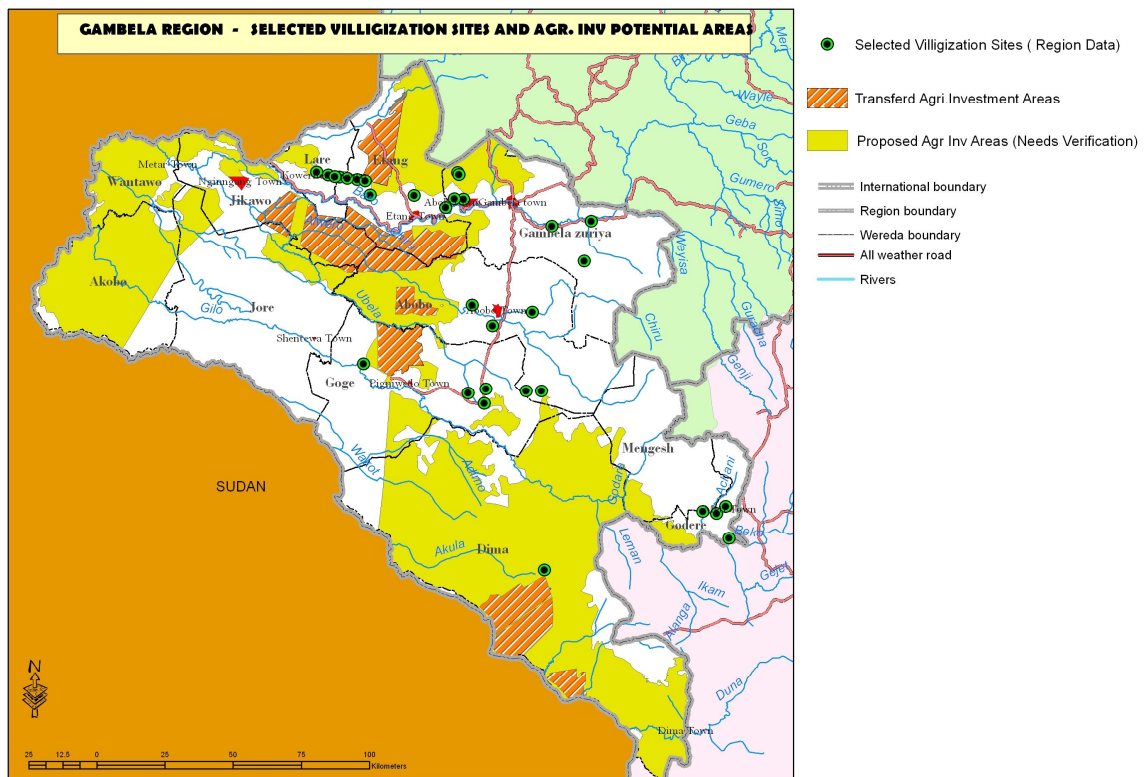
An investment activities of foreign investors could not be evaluated against the EIA document due to lack of professional and logistic arrangement by the Federal and Region bodies (AISD, 2011).

## **F. Villagization verses agricultural investment**

Some national and international agencies were commented on the agricultural investment land through giving name of **land grabbing** and accusing the government villagization program as it intends to make free the land for FDIs. But the fact obtained from Ministry of Agriculture, ministry of federal affairs and Gambela National Regional State showed that the total land coverage of the region is around 34,063 Square Kilometres. Where as the total population of the region is 306,916. Based on this data, 9.01 individuals per Squire Kilometre are living. The investment land delineation and transfer of the land have started before 10 years. Where as implementation of villagization program started from 2011on ward (Gambella RIO 2011).

Ethiopian land registration and certification program implemented in a relatively short time and the low cost, necessitating simple implementation procedures inadequate training also was a problem in many areas including Gambella. Nonetheless, most observers judge the program to have been successful in achieving the key objectives reducing tenure insecurity with out harming vulnerable group (World Bank, 2011).

Figure 4.4 Map of villagization and investment land



Source MoA-AISD 2011

The resettlement program have not been intended to make the land avail for FDIs rather to deliver the community with improved social service and basic infrastructures which is impossible or needs high cost for the fragmented settlements (Gambella RIO, 2011)

## **Chapter Five**

### **5.0 Conclusion and Recommendation**

#### **5.1 Conclusions**

This study was conducted with the general objective of assessing the major roles and contributions of agricultural investment to the local communities' socio-economic development in Gambella regional state. In order to meet its general objective and specific objectives, both primary and secondary data are used. Primary data collected from 7 local administration bodies, 30 agricultural companies and 100 farmers who were living around large commercial farms or agricultural investment companies.

Secondary data were collected from regional, federal government and non governmental offices that had published and unpublished materials. Thus, based on these data the study inferred the following findings or conclusions.

1. Sustainable agriculture is an environmentally friendly agricultural practice that involves the use of the limited natural resources to satisfy the present generation without compromising the interest of the future generation. To this end, preparation of the Environment Impact Assessment (EIA) document was mandatory by the Federal Ministry of Agriculture and land transfer agreement done based on this agreement. However, the fact that,

only 24% of the agricultural companies had prepared the EIA document, however the majorities (76%) had not prepared the EIA document. Only foreign companies were developed EIA document and none of the local investors who took large investment land.

2. Most of the respondents (70%) were gave information that the agricultural investors had been created wage employment opportunities for the local communities, on the other hand, only 1.3% respondents were recognized that the investors had given or transferred technologies mainly through training and improved paddy varieties from the Saudi star company. None of the investors had contributed school building, health centres, road construction and development of potable water.
3. Large Commercial farms created wage and self-employment for the country and the region of Gambella as well, however most of the companies, which created jobs for the local communities, were on wage employment mainly guards, daily laborer and tractor operators. Response from large commercial farm companies had indicated that 56% of the companies had employed 1 to 50 employees, 20% were 51 to 100 employees, 16% companies were had 101 to 200 and 8% companies were 501to 1000 employees had in their farm. Out of these, 92% of them had 1-10 permanent workers, 4% of them had 11-20 permanent workers

and the rest of 4% have more than 30 permanent workers including professionals and management bodies.

In addition for that agricultural investments sustainable development, the communities have significant roll in terms of labor, security and other social influenced factors of the investment. There fore the investor should prepare and have an employment procedure and labor administration to have good working environment other wise the above factors have directly or indirect impact on the agricultural investment sector.

4. The local communities had different perception and attitudes on the local and foreign investment, some of the local communities, local administration, regional government and federal government have had their own different intention about the betterment of the large commercial farms on the development of social service infrastructures, job opportunities, technologies transfer and other issues. On the contrary, some of the local communities, local administration, regional government and federal government could not had good intention or perception and they were suspected the practices of deforestation, displacement and other uncertain issues that might happen.



Some of the investors were contributing for deforestation through improper land clearing and charcoal preparation, and had been conflict with the local communities, and some of the problems were examined and with out applying proper system to solve the problem. However, to resolve these problem the Federal Ministry of Agriculture prepared environment and social code of practice and based on this nationally 12 companies were prepared and submitted their document for the Ministry of Agriculture even though the internal audit were not held.

As of FAO this Social and Environmental Code of Practice had developed with reference to best practices of international codes in consultation with other government departments, NGOs, EHDA and individuals (FAO, 2011).

5. Few of the investors were made their own contribution on social service infrastructures development and the local communities were expected the investors to fulfill the social services infrastructures. On the other hand, most of the investors did not have enough knowledge about the social and corporate responsibility of their companies even they could not had standard staff and laborer residences on their farm.
6. In developing countries especially in Africa, land were vital for poverty reduction; most rural households rely on it for the survival of present and

future generations. Recent food security crises in Africa revived the debate on whether current land tenure systems constrain farmer innovation and investment in agriculture. Both direct and indirect linkages between land tenure and food security were suggested. There fore to give response for these issues the Government of Ethiopia started providing individual farmers first and second grade land certificates to ensure land security. There fore the farmers could not displaced from their own land unless the land was needed for public use and for which the Government made compensation. Informal settlements also referred to as squatter settlements or shantytowns were dense settlements built and occupied illegally in other people or state lands. While all land in Ethiopia had owned by the government and the people there fore farmland user rights recognized and in many cases protected by land certification and registration.

7. Some of the investors were given skill training (tractor operators), repairing social service infrastructures (health clinic, water pump, school) and were assisting the local farmers by plowing their field with tractors and also provide them with improved seeds such support had its own positive impact on the relation of the investors and the local community. More over the Regional and Federal Government should develop the strategy to strengthen the linkage of the investment and the local community by giving technical skill training for the local youths and women to benefit and

participate on the large commercial farm development other wise the large commercial farms could not become sustainable and friendly with the community.

8. The total land area identified and transferred to the federal land bank from four regions were 3,636,415 hectare from these, AISD were transferred for only 26 investors, of these, 10 are local investors and 16 are foreign. The total land transferred is about 378,099 ha, of which 54,519 hectare allocated to local investors and 323,580 hectare to foreign investors. This can be analyzed as an average farm size for local investors of almost 5,500 hectare, and about 20,000 hectare for foreign investors. In addition, from the total land transferred only around 43,000hectare of land was under cultivation that had performed under their business plan and agreement.

In addition, one of the main findings was the extent to which regional administrations were involved through the investment process. The initial estimates indicated that more than 5,200 local investors had a total area of 2.1 million hectares through the regional administrations.

And most of the local investors were not performed as of their business plan and agreement due to lack of infrastructure, such as roads, bridges, electricity, telephones and credit facilities, in addition to some of the local

investor did not have better and modern mind set for agricultural land development. On the other hand, the federal and regional governments had planned ambitious development programme with high expectation from these large commercial farm development.

In addition to these, the regional investment office and the district administration provided land for 224 investors, from these only 105 investors took legally the rest of the investors were took land with out the knowledge of the regional investment board, and it is important to take series measures with out undo delay.

9. In the country, there were no consistent and equal land rent and lease period through out regional administrations, and were often many hundred times lower than federal land rents. The land rent developed by MOA range from 111 to 2,946 Birr per hectare per annum for rain fed and 158 to 3,077 Birr per annum for irrigable land. Where as, the regional land rents were range from 20 Birr in Gambella to 70 Birr in Benishangul Gumuz per hectare per annum and 100birr in Tigray, 97 to 137 birr range in Oromiya region.

On the other hand Informal land rent were held between individuals in different areas for example in SNNPR from 800 to 3,000 birr per hectare per annum, and in Zeway area Oromiya region were around 2500 to 5000 birr per hectare per annum more over a recent market bid for land were

held by a commercial bank achieved a rent of 637 Birr per hectare per annum. (FAO-AISD, 2010).

10. Large commercial agricultural farms offer significant potential to complement public resources. Many countries with reasonably functioning markets had derived significant benefits from it in terms of better access to capital, technology and skills, generation of employment, and productivity increments. Moreover, new technology, the emergence of value chains, demands for traceability, the need to adhere to rigorous standards, and consumer demands arguably favor greater scale and integration. Some large investments had managed to achieve broad-based benefits via contract farming, other out grower arrangements, and joint ventures with local communities, by leasing rather than acquiring the land or by formulating innovative schemes for sharing both risks and rewards. On the contrary, the countries should take care for risks include displacement of local populations, undermining or negating of existing rights, increased corruption, reduced food security, environmental damage in the project area and beyond, loss of livelihoods or opportunity for land access by the vulnerable, nutritional deprivation, social polarization and political instability. In addition, many studies and the strategy of the Ethiopian government showed that investment to increase productivity of smallholder agriculture has a very large impact on growth and poverty reduction.

## 5.2 Recommendation

Based on the findings of the study, the researcher recommended the following:

1. The Government should enforce the investors, both the local and foreign, to submit environmental and social impact assessment to the respective government offices. In addition, it is important to establish the internal and external audit of large commercial farms that can start from the largest and down to the medium and small-scale commercial farm through time so as to make them environmentally friendly.
2. More over the Regional and Federal Government should develop the strategy to strengthen the linkage of the investment and the local community by giving technical skill training for the local youths and women to benefit and participate on the large commercial farm development otherwise the large commercial farms could not become sustainable and friendly with the community.
3. The Investors, Regional and Federal Government should design to transfer modern technology from large commercial farm to small holder and it should design to integrates for quality production and market access for the small scale farmers.

4. For sustainable agricultural investment, creation of win-win situation is important therefore the investors and local communities should prepare their own social and development common plan on social service development and on the participation and benefit of the local community from the investment.
5. To improve the performance of the local investors the federal and regional government should develop a special policy, strategy and programmes to maximize the benefit and competitiveness of the local investors otherwise these investors could produce and compete on the market and it will become the overall losses of the country.
6. The Federal, Regional and jointly with the investor shall work to realize the local communities shall have adequate social service that are living around the large commercial farms.

The large commercial farm companies shall develop their own social and administration procedures to accomplish or fully fill the social and corporate responsibility of the company.

7. The Regional and Federal Government should develop consistent land value for the existing and future agricultural land, and the government shall make a revision adjustment equally for all investors

other wise the investors might have different value of land rent at the same belt and place.

8. AISD played the role of executing agricultural investment land administration, investment land promotion, recruitment of the investor, business plan evaluation, preparation of land agreement, transfer of investment land for the investor, evaluating EIA document, supporting, monitoring and evaluation of the existing and the newly large commercial farm. Land is critical and scarce resources for the globe and the nation as well; and AISD shoulder these huge responsibilities at the department/directorate level, more over the experience of most countries shows that the strong institution holds land administration.
  
9. The federal and Regional Government should strengthen the monitoring and evaluation systems of the large commercial farms through strengthen their own organ-structures by work force, modern equipment and logistics. Moreover, the system can give regular and timely support, monitoring and evaluation of the companies for their effectiveness and for the development of the country as well.

Indeed, increasing agricultural production through the commercialization of agricultural land in order to meet core Millennium



Development Goals of reducing poverty and achieving economic and social development have been reconfirmed in the five-year Growth and Transformation Plan 2010/11 to 2014/15. Therefore it is important to visualize, review and strengthen the monitoring and evaluation system of federal and regional bodies.

10. Cadastral index map using an ortho-photomap base (using either aerial photography or high resolution satellite imagery) should be agreed as spatial framework cadastral index maps un-ambiguity identifying the geographic location of and relationship between the different investors and local farmers.

11. In addition, many studies and the strategy of the Ethiopian government show that investment to increase productivity of smallholder agriculture has a very large impact on growth and poverty reduction. Therefore, it is important to become responsive for the social, economic and cultural linkage of the large commercial farm and small-scale farms.

## Chapter Six

### 6.0 References

- Adisu Legese (2008), Ethiopia moving forward. Federal Ministry of Agriculture and Rural Development, Addis Ababa, Ethiopia
- Africa union commission (2009), Agricultural Development, 13th African union summit press release No 15/2009 Addis Ababa, Ethiopia
- Agricultural Training, vocation and Education College (2011), Working Group from MOA, GTZ-SLM, Research Institute, Plant Protection Society of Ethiopia, College of Agriculture, (CIP) and Horticulture Association Ministry of Education March. Addis Ababa, Ethiopia
- Alemayehu Geda and Birhanu Nega (2001), The Ethiopian Economy Performance and evaluation Proceeding o f the eight Annual conference on the Ethiopian economy Oct 30-nov 1 1999 Nazreth, Ethiopia
- Ashok K.Singh (2010), Extension strategies for agriculture and rural development. Delhi
- Birhanu Nega (2001), Country Case study Presenters. Addis Ababa Ethiopia
- Central Statistics Authority (2009), Large and medium scale commercial farms sample survey of 2008/09, Addis Ababa ,
- Central Statistics Authority (2009), Statistical survey on Urban employment survey 2009 Addis Ababa, Ethiopia
- Dambisa Moyoo (2009), Dead Aid. Why Aid is not working and how there is better was for Africa, New York,
- Stephen Davis and Jon L. (2011), The New capitalists. Harvard Business school. USA
- Dessalegn Rahmato (2011), Land to Investors Large-Scale Land Transfers in Ethiopia, Addis Ababa, Ethiopia

Esayas Kebede (2009), The prospect of Agricultural commercialization in Ethiopia. Agricultural Investment supporting Directorate, Director (MoARD) Presentation for SG Africa ECA. Addis Ababa, Ethiopia

Export Import Bank of India (2011), 28<sup>th</sup> annual report 2009/10 India premier export finance institution, New Delhi

Federal Democratic Republic of Ethiopia (2001), Rural Development policies and strategies. Addis Ababa. Ethiopia

Federal Democratic Republic of Ethiopia (2002), Investment proclamation Number 280/2002. Addis Ababa, Ethiopia

Federal Democratic Republic of Ethiopia, MOFED (2011), Growth and Transformation Plan, Volume I and II, Addis Ababa, Ethiopia

Felix Horne (2011), Understanding Land investment in Africa. Country Report of Ethiopia, Oakland Institutes, CA 94619, USA

Food and Agriculture Organization (2010), FAO DOC No Policy review series SFE-PRS-IO/01/03 Private sector Agricultural investment In Eastern Africa. 13-14 May 2010. Addis Ababa-Ethiopia

Food and Agriculture Organization (2008), The state of Food insecurity ill the world Addis Ababa, Ethiopia

Kalus Deniger and Derek Byerlee (2011), Rising Global Interest in Farm land, world Bank .Washington DC

Katar Singh (2010), Rural Development Principles. Policies and management. UK

Kevin A. Hassett (2008), Investment, [www. Wikimedia.org](http://www.Wikimedia.org)

Klaus Deninger, Songqing Jin, Berhanu Adenew and Samuel G/selasse (2001), Mechanism for land transfer in Ethiopia. Addis Ababa, Ethiopia.

- Solomon S.Mukmuba (2010), 2010 Eastern Africa's worsening cereal deficits and growing hindrance on food aid and commercial import. FAO, Addis Ababa, Ethiopia
- Thomas P. Ofcansky and LaVerle Berry (1991), Ethiopia: A Country Study. GPO for the Library of Congress, Washington DC.
- Thomas Philippon (2006), Theory of Investment, Stern School of Business, New York University, New York, USA
- United Nation Conference on Trade and Development (2009), World Investment Report Transitional Corporations Agricultural Production and Development. UN, New York and Geneva
- United Nation Conference on Trade and Development (2009), World Investment Report Transitional Corporations Agricultural Production and Development UN, New York and Geneva,
- United Nation Conference on Trade and Development (2011), World Investment Report Non equity modes of international production and development. New York and Geneva.
- United Nations Conference on Trade and Development (2006), [www.Science](http://www.Science) and Development Network (SciDev.Net).
- World Food Program (2010), Annual Report Addis Ababa Ethiopia
- World Food Program (2011), Food Aid and Rural Development WFP Ethiopia Volume 1 Issue 3. Addis Ababa, Ethiopia
- World Food Program (2010), Annual Report 2010 Ethiopia, Addis Ababa
- World Bank (2011), FDR Ethiopia, option for strengthening land administration, Sustainable Development Department Africa Region, The world Bank , Washington DC .
- Yohannis Zelalem (2001), Foreign direct investment as an instrument to economic integration an assessment of the Ethiopia situation since 1991. Addis Ababa, Ethiopia