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A thesis submitted in partial fulfillment of the requirements for the degree of Masters of Urban and Regional Planning at Virginia Commonwealth University.

by

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Acronyms

AA-LRT – Addis Ababa Light Rail Transit
ADLI – Agricultural Development Led Industrialization
AFDP – African Development Bank
BRICS – Brazil; Russia; India; China; and South Africa
EEPCO – Ethiopian Electric and Power Corporation
EPRDF – Ethiopian People’s Revolutionary Democratic Front
EPTP – Economic Policy for the Transitional Period
ERA – Ethiopian Road Authority
FDI – Foreign Direct Investment
FAO – Food and Agricultural Organization
FDRE – Federal Democratic Republic of Ethiopia
GNI – Gross National Income
GDP – Gross Domestic Product
GHI – Global Hunger Index
GRD – The Grand Renascence Dam of Ethiopia
GTP – Growth and Transformation Plan
HIPC – Heavily Indebted Poor Countries Initiative
HRW – Human Rights Watch
IAB – Investing Across Borders
IDA – International Development Association
IMF – International Monetary Fund
IFPRI – International Food Policy and Research Institute
LDC – Less Developed Country
MDG – Millennium Development Goals
MDGI – Millennium Development Goals Indicators
MIGA – Multilateral Investment Guarantee Agency
MOFED – Ministry of Finance and Economic Development
NGOs – Non-Governmental Organizations
NRNE – National Railway Network of Ethiopia
ODA – Official Development Assistance
PASDEP – Plan for Accelerated and Sustained Development to End Poverty
PNAS – Proceedings of the National Academy of Sciences
PRSP – Poverty Reduction Strategy Papers
SDPRP – Sustainable Development and Poverty Reduction Program
TPLF – Tigray People’s Liberation Front
UN – United Nations
UNECA – United Nations Economic Commission to Africa
UNESCO – United nations Educational, Scientific and Cultural Organization
UNMP – United Nations Millennium Project
USAID – U.S. Agency for International Development
WHO – World Health Organization
WBG – The World Bank Group
Abstract

Observing the current wave of large scale land acquisitions in Sub-Saharan Africa, many have found it easy to call the situation *land grab*, the new form of neo colonialism in Africa. In Ethiopia, few underlining socio-economic and political currents have shaped the leasing of its arable land to both national and international investors in recent years. The Agricultural Development Led Industrialization strategy the country adopted in the early 1990s, followed with consecutive short-term strategic plans focused primarily on agriculture as the driver for the nation’s economic growth and structural transformation, have acted as the main underpinnings in the commercialization of its agricultural sector. These plans, though national in their making, have also been constructed in the context of the United Nations Millennium Development Goals, which put the deadline of 2015 to cut poverty in half of signee countries, of which Ethiopia is one. The Food Crisis of 2007/08, coupled with the global financial crisis of 2008, has meant that foreign direct investment in farmland has become the new phenomenon for long-term investment with speculation of substantial returns in the current uncertainty of food security and financial climate. There is a new food world order under way, one in which feeding one’s own population doesn’t necessarily mean it has to be cultivated at home. For a country like Ethiopia, one of the most food insecure and poorest country on earth, gambling on development based on foreign use of its most needed natural assets, both land and water, should not be looked over so passively.
1. Introduction

“Land grab,” as it has been dubbed by the media, is the recent cross-border rush to acquire, through long-term lease or purchase of large-scale agricultural tracts of land in developing countries. Over the past several years, there have been an unprecedented foreign acquisitions of large tracts of arable land in some of the most underdeveloped and food insecure countries of Africa, Asia and Latin America. Particularly, following the global Food Crisis of 2007/08, when food commodity prices rose dramatically due to drought in food producing countries, a situation which was exasperated by a surge of oil prices, this phenomenon has accelerated (Figure 1.1). Land grab has been gaining global attention, not only from the media, but also from Non-Governmental Organizations (NGOs) and international organizations such as the United Nations (UN), World Bank, International Monetary Fund (IMF), OXFAM, and GRAIN. There are many causes that underpin the rising interest in farmland, including commodity price volatility and concerns about the environment, energy, growing population trends, and food security.

It is important to note that the idea of land grab is not new in the vernacular of historical epochs, such as those that underwrote both colonization and imperialism. Human rights activists, as well as many in the media, have likened the current land grab scenario to that of the 19th century European acquisition of territory in Africa, Asia and Latin America, theorizing that the current trend is just a new form, if not an extension, of what has been the unbalanced development history between the North and the South (Pearce, 2012). Whereas colonization in the 19th century for the most part took the form of the forceful removal of local indigenous population in foreign lands by European countries for the exploitation of natural resources, the
current trend differs. The current international land rush is operating in an ever globalized arena of the free open market economic context, often viewed as Foreign Direct Investment (FDI) to assist in the economic growth of developing countries.

![Food Crisis of 2007/08](image)

Figure: 1.1 (Source: World Bank)

The debate on the effectiveness of FDI inflows towards a developing country’s efforts towards its economic growth has been growing. In the land grab debate, the questions that have been raised seem to address the historical perspectives of developing countries, and economists’ views on the importance of FDI to stimulate economic growth and development. Some believe that FDI has a spillover effect in the form of technology and knowledge transfers (Romer, 1993). Poverty and its persistence in developing countries, Romer (1993) argues, is the result of ideas gaps (i.e. knowledge and technology) and objects gaps (i.e. factories and roads). Whereas an economic (object) gap is linked to saving and accumulation, including human capital, an idea gap is linked to the arrangements of interaction between a developing country and the rest of the
world. In the latter case, reduction in the ideas gap plays into the relevance, and supports the concept that FDI spillover has a positive effect on a developing country’s economic growth.

This notion, however, has been questioned by some, particularly concerning investment incentives focusing exclusively on FDI. There are economist that believe that FDI and the use of incentives (i.e. cheap land) to attract FDI are not, as one might expect, always an efficient way to raise national welfare. Their thesis is that FDI, particularly those which are subsidized by incentives; do not guarantee a positive spillover effect unless local firms have the capacity and impulse to invest in absorbing foreign technologies and skills (Blomstrom & Kokko, 2003). They put forward that FDI may provide a more positive spillover effect in some sectors of the economy (i.e. manufacturing, service and industry) than others (agriculture), referencing the contrast between the role of FDI directed towards natural resources as depicted by United Fruit Company-Chiquita in Central America and FDI directed towards labor intensive manufacturing sectors such as those in Singapore. Critics leveled a similar criticism of foreign firms, like Chiquita, operating in Latin America during the 1970s for using cross-national land acquisitions to exploit natural resources. Interestingly, representatives of Chiquita paid a visit to Ethiopia in 2010 to evaluate the potential the country may have for banana export to the Middle East market (Yewondwosen, 2010).

The subject of FDI and its effects on development has been more pervasive in recent discourse due to the controversial issues surrounding large-scale international investments of agricultural land in developing countries (land grab). It has been very difficult to comprehend the true extent of recent FDI trends and their impacts on the agricultural sector of developing

---

1 For more on this topic, please refer to “Foreign Direct Investment and Growth: Does the Sector Matter?” (Alfaro, 2003)
nations, mainly due to the lack of reliable and comprehensive statistical data. However, there have been several reports and case studies published recently that shed some light on the nature of cross border land deals. FAO published an in-depth case study it conducted in nine different countries in 2012. The report found the unprecedented surge began with the steep rise in commodity prices during the world Food Crises of 2007/08 (FAO, 2012). The spike in food prices led countries that depend on food imports to invest in other countries where land and water resources were more abundant. At the same time, international investment in farmland to grow crops for biofuels was increasing due to the rise and instability of energy cost and growing world population’s demand for energy supply (FoE, 2010).

The Global Financial Crisis of 2008, widely considered to be the worst since the Great Depression of 1929, has also played a big role in the spike of farmland deals. With the meltdown of the housing market, as well as the collapse of derivatives market, investment banks, hedge funds, equity firms and other Wall Street speculators began to look elsewhere to build their portfolio to produce significant returns for their investors. Fueled by both the food and financial crisis, this period saw the largest spike of investment in farmland by the financial sector in the last several decades.2

The FAO report found that, in terms of geographical origin, investment originates primarily from three groups of regions: emerging economies in East Asia and South America (i.e. Brazil, China, India, S. Korea and Malaysia); Gulf countries; and countries from North

---

2 A 2009 Oakland Institute report showed that Wall Street players from the US and Europe have been involved in land grabs, including a purchase by Morgan Stanley of 40,000 hectares in the Ukraine, and Goldman Sachs taking over the rights of China’s poultry and meat industries, which include the rights to their farmland. The report also shows that individual investors, such as U.S. investor Philippe Heilberg, have been directly signing questionable deals directly with African countries. Heilberg is said to have leased 4,000 square kilometers in South Sudan, a deal facilitated and signed with Sudanese warlord Paulino Matip, prior to its separation from North Sudan in 2011. For more on this topic refer to “The Great Land Grab” (Daniel & Mittal, 2009).
America and Europe. Moreover, investment in agriculture in Africa is primarily coming from North America and Europe, with 40% of all land acquired in Africa originating from Europe, while North American companies account for 13%. Europe and North America dominate investments for the production of biofuels in Africa. Gulf countries on the other hand, are primarily involved in the production of food commodities in Africa, in order to export product back to their own countries. China is mostly a key investor in Southeast Asia, with a marginal contribution to investment in agricultural land in Africa. A 2012 study by Proceedings of the National Academy of Sciences (PNAS) also shows that between 2002 and 2012, the United Kingdom and United States were the top two origins of land deals around the globe, with 10.9 and 9.14 million acres respectively, followed by China with 8.43 million acres (Figure 1.2).

Prior to the food crisis of 2007/08, the average annual expansion of global agricultural land was less than 4 million hectares, but by the end of 2009, 56 million hectares of large-scale arable farm land deals were reported to have taken place (Klaus Deininger, 2011). The main players in acquiring land come from both the private and public sectors, such as: agribusiness,
investment funds, state-owned companies and private-public partnerships, with most deals acquired for long-term rights over large areas of farm land (IFPRI, 2012) (Cotula, 2011). Although land grabs are occurring in Asia and Latin America, the main target has been Africa.³

It is estimated that over 70% of the demand has been in Sub-Saharan Africa in countries such as Ethiopia, Sudan, Tanzania and Mozambique, where millions of hectares of land have reportedly transferred in recent years (Table 1.1). Africa has been the main target of land acquisition due to under-utilized arable land and water sources available in the region. Cost for investment in land in Africa is also relatively cheaper compared to other world regions.⁴ For investors, emerging markets in Africa provide the most significant investment returns because the available land and agricultural production is currently underperforming (Savills, 2012).

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Projects</th>
<th>Area (000 ha)</th>
<th>Median size (ha)</th>
<th>Domestic Share of area (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>61</td>
<td>958</td>
<td>8,985</td>
<td>70</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>406</td>
<td>1,190</td>
<td>700</td>
<td>49</td>
</tr>
<tr>
<td>Liberia</td>
<td>17</td>
<td>1,602</td>
<td>59,734</td>
<td>7</td>
</tr>
<tr>
<td>Mozambique</td>
<td>405</td>
<td>2,670</td>
<td>2,225</td>
<td>53</td>
</tr>
<tr>
<td>Nigeria</td>
<td>115</td>
<td>793</td>
<td>1,500</td>
<td>97</td>
</tr>
<tr>
<td>Sudan</td>
<td>132</td>
<td>3,965</td>
<td>7,980</td>
<td>78</td>
</tr>
</tbody>
</table>

Source: World Bank, 2011

Most deals have been made behind closed doors and the contracts defining the terms on a project are rarely ever made public. For this reason, research has been difficult as there seems to be a lack of transparency in the deals that have transpired. Some contracts that have been

³ The reference in this paper to Africa, in terms of geography, is only being used for those countries that are in Sub-Saharan Africa.
⁴ For more on the trend of growth in global farmland values please refer to “International Farmland Focus 2012” (Savills, 2012). The report provides farmland value index which is derived from average values of crop/ARable land in domestic currency converted to US$ per hectare. It shows that farmland values have risen sharply globally since 2003, but the value index in Africa has stayed relatively low.
published have raised questions regarding their equitability, and in most cases for their sheer vagueness (Cotula, 2011). In fact, the world’s attention to the global trend of transnational land acquisitions was only truly awakened by the failed deal between Madagascar and Daewoo Logistics of South Korea. The deal would have leased 1.3 million hectares (3.2 million acres) of farm land, half of all farm land on the island country, for a period of 99 years. With the deal, Daewoo could export all produced goods and import all personnel as it saw fit, as there were few or no labor, tax and rental stipulations attached to the contract. The deal made international headlines and angered the poor nation’s citizens, leading to the ousting of President Marc Ravalomanna in 2009.

Host countries being targeted for agricultural investment tend to have a weak system of land tenure while also offering reasonably high levels of investor protection. Data from the Land Matrix reveals investors were found to be targeting countries that are the world’s poorest, less incorporated into the world economy, have a high rate of hunger and weak land institutions. FAO’s research observation was corroborated by recent findings of the International Food Policy and Research Institute’s (IFPRI) annual Global Hunger Index (GHI), which saw a correlation between land deals and those countries with high GHI values (IFPRI, 2012). Out of the 79 countries surveyed in 2012 with scores above 5 GHI, 33 were countries where land deals had been struck and their GHI were found to be “alarming” or “serious” (IFPRI, 2012). For instance, Ethiopia ranked at 76, while Mozambique and Sudan registered at 66 and 61 respectively (Figure 1.3 shows land grabs and hunger situation correlations around the globe).

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5 The Land Matrix is an online public database that tracks large scale land deals across the globe through a partnership of several organizations, which include: The International Land Coalition (ILC); The Centre for Development and Environment (CDE); and CIRAD. Their online community tracking land deals can be accessed via the portal http://landportal.info/landmatrix, and is a data collection source for many international organizations such as FAO.
Hence, the current trend of FDI in large scale land deals in Africa has serious implications for the food security of the poorest region in the world.

What has also emerged is that the final destinations of produced commodities from land deals seem to be difficult to account for, but for those cases with available data, they are predominantly for export rather than for local consumption. In a Land Matrix assessment of 1,217 agricultural projects, destination of production for 894 projects were missing, while for the 393 cases where information was available, 266 were for export only, while 36 and 91 were for domestic use only or both, respectively. These statistics make the current trend once more very troubling, especially for countries in Africa with existing food security, hunger and environmental distress.

Overlapping the current trend in FDI in agriculture in Africa has been the United Nations Millennium Development Goals (MDGs) project, which have been adopted by all 193 UN
member states since their inception in 2000. The current land grab trend is ominously taking place at the same time as the world is trying to eradicate poverty in half by 2015, the main target for MDGs. On the one hand, the majority of the population living below the world’s poverty line of under US$1.25 a day lives in rural areas of Africa and are pastoral small-scale farmers. On the other hand, the Land Matrix shows, of the 1,217 publicly reported deals, 62% of the land grabs are in Africa, covering a land size equal to 4.8% of the continent’s entire agricultural areas (Anseeuw, et al., 2012).

For developing countries, the land is central to the livelihoods and survival of local populations, as it provides their food, employment, culture and identity. Although some host countries have welcomed this trend as providing positive opportunities for the livelihood of their poor rural population, as well as for economic development, many rights activists argue that land grabs raise concerns about issues such as: food security of host countries, local rights to land, grabs of water and other natural resources, environmental degradation and the marginalization of small-scale farmers (Franco & Borras, 2010) (Cotula, 2011).

With abundant land available for cultivation, Africa has the potential to use its resources not to only feed its growing population and grasp its own food security, but also to export food commodities on the global market. There are many different motives behind why governments of developing countries are opening up large tracts of lands to FDI. For Ethiopia, it has been led by the foundation of its long-term Agricultural Development Led Industrialization (ADLI) strategy that it began in the early 1990s. Along with its ADLI approach to development, subsequent short-term aggressive strategic growth plans the government has adopted in the past two decades have played a key role in the government’s position in appropriating a substantial amount of its land to FDI.
International organizations have not been so forth-coming with their position on the topic, making the trend all the more inexplicit. For example, the World Bank’s *Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?*, an ambitious study published in 2010, received contradictory assessment from the media and activists alike. The report was cited by the Financial Times with a headline “World Bank backs Farmland Investment,” while “Large Land Deals Threaten Farmers” was the headline with which Bloomberg News led (Borras, 2011). GRAIN, was more castigatory in regard to the World Bank on its report, calling it a “disappointment and a failure,” citing that the report acknowledged the fact that large scale land acquisitions are happening in unprecedented rate while not providing concrete data that has been lacking, pointing out that the institution has a better access to governments and corporations involved than do the media and NGOs (GRAIN, 2010).

The World Bank Group (WBG), through its five separate agencies, has been a technical and financial resource for developing countries since its inception. In view of FDIs and the current global land deals, the Multilateral Investment Guarantee Agency (MIGA), a for-profit arm of WBG, has acted indirectly and/or directly involved in global land deals. Established in 1988, MIGA promotes FDIs in developing countries to assist in economic growth and reduce poverty. One of its main businesses is providing political risk insurance guarantees to private sector investors and lenders to promote FDI, mainly of inflows to International Development Association (IDA) member nations. In the fiscal year 2012, the agency issued $2.7 and $10.6 billion in guarantees and MIGA-administered trust funds respectively, while FDI inflows to developing countries rose 23% to reach $625 billion (MIGA, 2012).

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6 IDA is one part of the World Bank that provides the world’s poorest countries with interest-free loans – called Credits and Grants. Eligibility depends on a country’s relative poverty, defined as GNI per capita below an established threshold.
Although MIGA is heavily invested in infrastructure and manufacturing through its businesses, its exposure in agribusiness has been growing in recent years. From 2010 to 2012 alone, MIGA’s exposure in the agribusiness sector rose 1.4%, from a total gross of US$80 to $224 million (Table 1.2). It is not these trends alone that have some questioning the degree of the World Bank’s involvement in the land grab phenomenon. Another division of WBG, the International Finance Corporation, has also been reported to be a major investor in various private equity firms that are involved in farmland investments in developing countries (GRAIN, 2010). There are implications that development agencies, such as the World Bank, which instill and promote free-market policies of land tenure to developing countries on the one hand, may be engaged in the exploitation of those polices on the other.

<table>
<thead>
<tr>
<th>Table: 1.2 MIGA Sector Distribution of Gross and Net Exposure (SM)</th>
<th>Gross FY10</th>
<th>Gross FY11</th>
<th>Gross FY12</th>
<th>% of Total Net Exposure FY10</th>
<th>% of Total Net Exposure FY11</th>
<th>% of Total Net Exposure FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness</td>
<td>80</td>
<td>246</td>
<td>224</td>
<td>1.7</td>
<td>3.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Financial</td>
<td>4,022</td>
<td>4,456</td>
<td>4,297</td>
<td>43.2</td>
<td>44.7</td>
<td>36.3</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2,302</td>
<td>2,961</td>
<td>3,920</td>
<td>34.3</td>
<td>32.3</td>
<td>38.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>587</td>
<td>790</td>
<td>774</td>
<td>7.9</td>
<td>9</td>
<td>7.3</td>
</tr>
<tr>
<td>Mining</td>
<td>105</td>
<td>243</td>
<td>241</td>
<td>0.9</td>
<td>3.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>468</td>
<td>234</td>
<td>336</td>
<td>8.6</td>
<td>3.7</td>
<td>4.2</td>
</tr>
<tr>
<td>Tourism</td>
<td>159</td>
<td>193</td>
<td>554</td>
<td>3.4</td>
<td>3.4</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,723</strong></td>
<td><strong>9,123</strong></td>
<td><strong>10,346</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: MIGA Annual Report 2012 (numbers may not add up due to rounding)

It is of interest that the dominance of the World Bank and IMF has recently been challenged. In late March 2013, an announcement of a new development bank was staged by BRICS leaders who met in South Africa. BRICS is the acronym that refers to the economies of countries comprising of: Brazil, Russia, India, China and South Africa. These five nations currently make up 40% of the world’s population, with a total of 2.8 billion people. BRICS also make up some of the fastest growing economies, accounting for over 20% of the world’s GDP.
China is expected to possibly become the world’s largest economy by 2020. It is too early to tell what the implications of this emerging economic and political block’s influence will mean for least developed countries, particularly those in Africa. China, India, and Brazil are heavily investing in farm land and other sectors in the region already, hence future research on this topic may be of great significance.  

The jury is still out as to what extent land grabs have economically and socially benefited or harmed developing countries and local populations, primarily because the phenomenon is quite new and there have been limited comprehensive research done on the subject. At both the economic and social level, the question remains: has it been, and will the long term leasing of fundamental and vital sovereign assets such as arable land and water resources through FDIs, be beneficial towards a nationwide equitable and sustainable development of developing countries? This is a crucial question and it is important that the trend be persistently researched and debated, as there are severe economic, environmental and social implications presented in regard to the livelihoods and food security of millions of people for generations yet to come.

It is with this in mind that the following paper hopes to add to the ongoing debate and growing research on this topic. Although the discourse on the trend has largely been focused on the negative implications of land deals on the populations of countries which are leasing or selling large tracts of arable land to foreign investors; this paper takes an approach that differs from others in that it will look at a specific country, Ethiopia, and it’s development planning strategy to understand the reasons behind the government’s economic policies and how it has led to its leasing of large tracts of agricultural land to foreign entities. It will also look at the

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7 This is an emerging case study that should be left for future research, but for further information, please refer to UNCTAD’s Global Investment Trends Monitor special report, “The Rise of BRICS FDI and Africa” (UNCTAD, 2013).
outcomes from these policies in terms of its agricultural and overall economic and social development since adopting ADLI planning policies.

The document will first conduct a review of significant literature that applies to the topic of land grab and Ethiopia’s ADLI policies. This will lead to the three questions that the thesis is looking to answer, and the methodology in which the research will be conducted. A brief overview of the questions include: (i) why ADLI in Ethiopia; (ii) Ethiopia’s land policy and their role in land grab; and (iii) what has been the role of MDGs in planning and the results achieved since their adaption in Ethiopia’s strategic planning policies. The paper will then lead through an analysis of the indicators chosen for measuring and analyzing outputs. For the three questions of the thesis, conclusions will be made at the end of each section, culminating with final remarks of the research findings at the end of the paper.

1.1 Literature Review

Since the 1960s, many have linked the successful economic development of countries such as Taiwan to their agricultural development in their early development towards industrialization. The idea is that “the faster agriculture grows, the faster its relative size declines,” suggesting that agriculture has the potential for accelerated growth, leading to the structural transformation and aggregate growth of an economy (Mellor, 1966). The main point of this theory is that agriculture is a large component of economies in their early stages of development because low-income countries are predominantly agrarian, where 80% or more of their populations are rural and subsistence farmers. It is therefore assumed to be necessary that to achieve structural transformation in such economies, it is necessary to increase agricultural
income and expenditure and rapidly increase labor productivity in agriculture. This growth in agricultural output will then further accelerate structural change in the employment distribution of the labor force, whereby agriculture will become less dominant while paving the way for development in other sectors (i.e. industry and services).

Lessons learned from the Industrial Revolution that began in England during the 18th-century have been the benchmark in agriculture-first paradigm to industrialization. The Agricultural Revolution that preceded the Industrial Revolution saw an increase in agricultural technological advances which had a direct impact in the growth of output, with less people involved in the processes of the production of food over time. Wealthy landowners began to buy and enclose large tracts of land once owned by poor village farmers and began experimentation with new agricultural methods. Some poor farmers became tenant farmers, while some moved to the cities, fueling urbanization. Mechanized farming and urban growth allowed for more people to be involved in the production of machine produced goods centered in cities. Britain had all the needed factors of mass production: land, labor force and capital. It is these processes that allowed for the Industrial Revolution of Britain.

Although this macro perspective of economic linkages between the agricultural sector and the rest of the economy is what also spurred industrialization in parts of Asia and Southeast Asia, it has not been the case in much of Africa and Latin America, leading some to question if agricultural growth alone is really crucial as an engine for growth and rural poverty reduction (Dercon, 2009). Acknowledging that poverty is highest in rural areas of Africa, Dercon asks if it is sufficient to focus on rural area and agriculture. The suggestion here is that successful poverty reduction is not simply equated with relatively high growth in agriculture. Dercon further notes that “during periods of rapid poverty reduction correlated with growth, rural growth is likely to
be important for poverty reduction, but successful growth is associated with growth in the non-agricultural sector fast outpacing agricultural growth” (Dercon, 2009). This implies that in order to understand poverty changes, analysis should be done in the context of overall growth and changes, taking into account rural-urban linkages.

In contemporary Africa, globalization driven by FDI in commercial agriculture has dramatically changed by means of recent market-based reforms towards liberalization. This has presented a new context for the question of whether agriculture should be the engine for growth and an engine for poverty reduction. Among the associated questions, no other topic has been more controversial in recent years than that of land grab. Globalization, and the interconnectedness of local economies within the contemporary global marketplace, has been linked as one of the main source of the new land grab phenomenon. The debate on globalization as a pro or con paradigm for Less Developed Countries (LDCs) has not been settled, but there is no doubt that the changes in the structure and organization of world food production has direct implications on the LDC’s agricultural, and overall economic and social development (Bigman, 2007).

The debate over land grab has had a polarizing effect, as some had likened it to neo-colonialism, while others are calling it the opportunity for a new green revolution. In 1965, Kwame Nkrumah warned that the “neo-colonialism of today represents imperialism in its final and perhaps its most dangerous stage” (Nkrumah, 1965). His argument was that the essence of colonialism, after independence was achieved in Africa, was never entirely abolished. Rather, in place of colonialism as the core mechanism of imperialism, we have advanced to neo-colonialism. Neo-colonialism, as coined by Nkrumah, relates to the State, which in theory had gained independence and has all the apparent accouterments of international sovereignty, while
in reality its economic system and hence its policy is directed from outside. What results, he states, “is that foreign capital is used for the exploitation rather than for the development of the less developed parts of the world” (Year Citation).

Nkrumah was not against foreign investment in developing countries. His view was that foreign investment should not be conducted in a way that results in the financial leverage of the developed countries being used in such a way that it impoverishes the less developed. He directly links the failure of aid programs, for example, to the contradiction inherent in neo-colonialism. He declares that:

“In order to make it attractive to those upon whom it is practiced it must be shown as capable of raising their living standards, but the economic object of neo-colonialism is to keep those standards depressed in the interest of the developed countries. It is only when this contradiction is understood that the failure of innumerable ‘aid’ programmes, many of them well intentioned, can be explained.”

(Nkrumah, 1965)

He goes on to conclude that it is only when Africa becomes economically free and politically united that imperialism will cease to exist in all its forms. His sentiments have had a lasting impression on critics of the system that address the decades old relationship of the developing world with the developed world. It is not surprising that some would refer to the current land grab phenomenon as neo-colonialism. It is important to note that when the African Union unveiled a statue in front of its new headquarters in Addis Ababa, Ethiopia early in 2012, the statue was that of Kwame Nkrumah.

There is probably no contemporary African leader who has been regarded as a greater thinker and wiser politician than Ethiopia’s late Prime Minister Meles Zenawi, who passed away in late 2012. His prominence as the voice of Africa has been roundly apparent, as he was among
the very few (if any) African leaders invited to attend both the G8 and G20 summits. As the leader of Ethiopia for two decades, his views in the field of economics and development have principally shaped Ethiopia’s political and development policies. His theory on the developmental state, which has become his legacy, was highly influenced by the process of industrial development in East Asia. Zenawi saw the neoliberal paradigm of development; that which suggests a non-activist and non-interventionist state, as having a flaw in the context of African development (Zenawi, 2012).

Prior to his death in 2012, a theoretical discourse essay Zenawi penned titled, “States and Markets: Neoliberal Limitations and the Case for a Developmental State” was published by the Oxford University Press. In his writing, he shuns the rational choice theory of market-driven export-oriented development strategies that neoliberal capitalism suggested. He argues that for developing countries of Africa, persistent market failures have plagued countries into a vicious cycle of poverty, and that only the rigorous and determined political action of the state can overcome the poverty traps. The developmental state, thus, is a far more ideologically sound venue that should be prescribed in the context of 21st century Africa.8

The developmental state has two mechanisms through which it functions: ideological and structural (Mkandawire, 2001). Accelerated development is the guiding component of the ideological mechanism. Meaning, the primary goal of the developmental state is for high rates of accumulation and industrialization. The structural mechanism of the developmental state consists of various political, institutional and technical factors which facilitate the implementation of

8 Malaysia’s developmental state model was proposed by the Economic Commission for Africa for African countries to emulate to speed up economic development and reduce poverty on the continent. The model has been defined by UNDP as a “state with the ability to prove consistent economic guidance and rational and efficient organization, and to back up its long-range economic policies. Standard descriptions also maintain that a developmental state is a state with instincts to resist external demands (e.g. Multinational corporations) and internal resistance (from groups bent on transient political gains or short-term profits, i.e., local political and business elites.” (UNDP, 2012)
accelerated development policies effectively. The developmental state exists on the precondition that the state has the ability to function autonomously in making and implementing policies, regardless of the views of what the private sector may be.

This is not to say that the state functions without attaining wide-ranging support for its development agenda, rather the state is dependent upon achieving national consensus. Yet, Zenawi points out that most if not all developmental states have not been democratic, an important attribute tied to define the developmental state. In a contradictory conclusion, he capitulates; “whether it state builds such a consensus in the context of a fully democratic order or not does not determine its characteristics as a developmental state” (Zenawi, 2012). In the context of Ethiopia’s current top-down approach of its developmental strategies, we can pronounce that this has been the foundation of its ideological and fundamental roots of its policies on development. With the theoretical basis defined, the government of Ethiopia, guided by Zenawi, set its commitment to ADLI as its developmental state strategy beginning in the early 1990s, and subsequently expanded phases of implementation in the 2000s.

It has been two decades since Ethiopia adopted ADLI as its model for development and there has been some interest in evaluating this policy over time. Analysis of agricultural policies in most developing countries is very difficult at the outset. First, there is a deficit inaccurate and significant data. Second, crucial on-the-ground research is necessary to gather qualitative data, particularly to quantify the implication of ADLI policies and/or land deals and their effects on hard to reach communities. This makes research also expensive and difficult.
1.2 Research Questions and Methodology

**Question 1 (Q1):** Why are Ethiopia’s developmental strategic plans the way they are today and what has been the influence of international development institutions on their design?

**Methodology Q1:** To address this question, historical analysis of international policies of NGOs and other international organizations will be used. Significant international institutions and policies to be analyzed are listed in Figure 3 below.

<table>
<thead>
<tr>
<th>International Institution</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The world Bank</td>
<td>• Conditionality in Development Policy Lending</td>
</tr>
<tr>
<td>International Monetary Fund (IMF)</td>
<td>• Enhanced Heavily Indebted Poor Countries (Enhanced HIPC).</td>
</tr>
<tr>
<td>United Nations</td>
<td>• Poverty Reduction Strategy Papers (PRSP)</td>
</tr>
<tr>
<td></td>
<td>• Millennium Development Goals (MDG)</td>
</tr>
<tr>
<td>Ethiopian Government</td>
<td>Policy</td>
</tr>
<tr>
<td>Ministry of Planning and Development</td>
<td>• The Economic Policy for the Transitional Period (EPTP)</td>
</tr>
<tr>
<td></td>
<td>• Economic Development Strategy for Ethiopia (1994)</td>
</tr>
<tr>
<td></td>
<td>• Agricultural Development Led Industrialization (ADLI)</td>
</tr>
</tbody>
</table>

In addition to the above policy items, data from reports, books and articles will also be referenced.
**Question 2 (Q2):** What role has Ethiopia’s agriculture and land policies in recent years played in land grab? This question looks at the purpose of the plans, why they are significantly focused on agriculture and why leasing of large tracts of farmland is occurring.

**Methodology Q2:** This paper will use a mixed-approach of qualitative and quantitative research methods to conduct an analysis of the government of Ethiopia’s economic development and growth strategy, considerably after adopting ADLI in 1992 as its strategic long-term policy. To do this, three specific planning documents, the first of which was published in 1994, will be used for analysis. Economic research by nature tends to be a quantitative discipline, but in the field of international development studies, more and more researchers have begun using both approaches. This method has been referred to as using “both eyes” rather than using “one eye” (Thompson, 2004).

At the qualitative level, this paper uses is an intrinsic case study, where the interest is only in the understanding of the particulars of one case. To achieve this end, data used will consist of the gathering of historical and contemporary documents that are directly involved to the case being studied. In this paper, the case is Ethiopia and its development policies. Since the 1950s, Ethiopia has gone through three dramatically different forms of government: monarchy/aristocracy, communist/dictatorship and a democratic republic, each with its own views on politic, policy and development strategy. The core documents that will be the primary source of analysis constitute of the three most recent development and growth strategy plans that have been adopted:

1. *Sustainable Development and Poverty Reduction Program (SDPRP) 2002-2005*
2. *Plan for Accelerated and Sustained Development to End Poverty (PASDEP) 2005-2010*
3. *Growth and Transformation Plan (GTC) 2010-2015*
To gain an understanding of the policies and their implications on land grab and development, a quantitative analysis will be used to measure economic performance and environmental change, particularly in land use, since the adoption of ADLI. Indicators have been selected that are appropriate to measure the agricultural sector specifically. Other economic indicators outside the agricultural sector have also been selected to measure if there have been major linkages between sectors. Data for the indicators are all sourced from the World Bank’s Open Data Portal, which allows for a greater measure of consistency and validity.

As it has been the case in attaining data for most developing countries, data for some indicators are not available for certain years. However, the majority of indicators have been measured either from 1992 or 93 to 2011. The list of indicators and time period for which they have been measured are listed below in Table 4.

Table 1.4: Question 2 indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Time Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural raw materials exports (% of merchandise exports)</td>
<td>1993-2011</td>
</tr>
<tr>
<td>Food exports and imports (% of merchandise exports)</td>
<td>1993-2011</td>
</tr>
<tr>
<td>Manufactures exports (% of merchandise exports)</td>
<td>1993-2011</td>
</tr>
<tr>
<td>Agriculture value added (annual % growth)</td>
<td>1993-2011</td>
</tr>
<tr>
<td>Agricultural land (% of land area)</td>
<td>1993-2011</td>
</tr>
<tr>
<td>Arable land (% of land area)</td>
<td>1993-2011</td>
</tr>
</tbody>
</table>
Question 3 (Q3): What results have been gained towards Ethiopia meeting MDGs since pursuing ADLI? This question deals specifically to MDG’s poverty reduction goals.

Methodology Q3: Empirical data will be used to do a quantitative analysis of the poverty reduction and socio-economic advancement made by Ethiopia’s policies in order to meet MDGs, and to what quantifiable extent the advancement has been achieved. Quantitative data will be collected from several sources, including: Ethiopian Government Agencies; the World Bank; United Nations Agencies and the International Monetary Fund. From the data collected, analysis will be done using indicators that have been selected from the official UN’s Millennium Development Goals Indicators (MDGI). MDGIs are the official international indicators that have been fixed by international and national statistical experts to measure progress toward more sustainable patterns of development, as well as to measure and assess progress towards the MDGs as set by the UN in three thematic categories: 1) Macroeconomic performance 2) Poverty indicators, and 3) Socio-economic performance (Perhaps not, but I feel like there is probably the need for a citation here). For this specific research, only selected indicators measuring poverty reduction will be used for analysis. MDGs will be discussed in more detail below, while the MDG indicators that will be used as measures for this research are listed in Table 5.
1.3 Millennium Development Goals

Considered as the largest gathering of world leaders in history, the UN Millennium Declaration was adopted by 147 heads of State and Government and 189 Member States in September 2000, with a commitment for a new global partnership to reduce poverty, improve health, and to promote peace, human rights, gender equality, and environmental sustainability (United Nations, 2000). Following the historical summit, eight Millennium Development Goals (MDGs) were crafted, with specific targets and dates for attaining those objectives. An independent advisory body to UN Secretary-General Kofi-Annan, the UN Millennium Project (UNMP), was formed. The UNMP was charged with forming 10 task forces to present findings, recommendations and implementation strategies aimed at halving global poverty by 2015. Through this process, an official list of indicators for each specified goal were constructed to monitor the progress of development towards reaching targeted goals at the national, regional and global level. This research will follow these specified indicators at the disaggregated level (rural/urban, gender, age, etc…) as applicable and in accordance with the availability of data.

MDG are interpreted by UNMP as “country goals” for two main reasons (Citation). First, most economic policy decisions and development assistance actions come to pass at the individual country level. Second, in order to make signee nations accountable, they need to be implemented at the country level. For this reason, one of the most important functions that will be expected from each signee nation, particularly those receiving international aid, was that they develop their own development plans (with assistance from international organizations, if
needed) to monitor and accomplish the target MDG. The Ethiopian government has done this, and its last report was published in 2011.  

This further led to the 2002 International Conference on Financing for Development in Monterrey, Mexico, establishing the framework for developed and developing countries to take joint actions for poverty reduction. The framework consisted of commitments for good governance and the rule of law, mobilization of domestic resources, attracting international flows, sustainable debt financing and external debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems (United Nations, 2003). Particularly important for countries like Ethiopia is the consensus amongst international organizations which identified several regions (i.e. many countries in Africa and landlocked developing countries) where Official Development Assistance (ODA) was necessary to meet the MDGs. This is not to say that poverty reduction is not the primary responsibility of developing countries themselves, as the Monterrey Consensus “affirmed that…. [and] also set forth a balanced approach to economic growth that recognizes the interwoven nature of individual economies and how some countries need more international support” (UN Millennium Project, 2005).

<table>
<thead>
<tr>
<th>Table 1.5: MDG indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Millennium Development Goals</strong></td>
</tr>
<tr>
<td>1. Eradicate extreme poverty and hunger</td>
</tr>
</tbody>
</table>

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9 The report by the Ethiopian Government uses primarily its internal and national statistics to analyze its development and monitoring MDGs. Although international agencies also use some data provided from the government to compile their data sets, they also do their own research and data gathering. This shows some inconsistency in data between the Ethiopian government reports and international organizations’ data sets available for development indicators. This paper will ameliorate this by primarily using indicator data from UN agencies as well as the World Bank and IMF.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day</td>
<td>1.1 Poverty headcount ratio disaggregated at national, rural and urban poverty line (% of population)</td>
</tr>
<tr>
<td></td>
<td>1.2 Poverty gap at national poverty line (%)</td>
</tr>
<tr>
<td>Achieve full and productive employment and decent work for all, including women and young people</td>
<td>1.4 Growth rate of GDP per Person Employed</td>
</tr>
<tr>
<td>Halve, between 1990 and 2015, the proportion of people who suffer from hunger</td>
<td>1.5 Malnutrition prevalence, weight for age (% of children under 5)</td>
</tr>
<tr>
<td></td>
<td>1.6 Prevalence of undernourishment (% of population)</td>
</tr>
<tr>
<td>2.  Achieve universal primary education</td>
<td>Indicator</td>
</tr>
<tr>
<td>Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</td>
<td>2.1 School enrollments, primary (% net) for total, female and male</td>
</tr>
<tr>
<td></td>
<td>2.2 Persistence to grade 5, total (% of cohort) for total, female and male</td>
</tr>
<tr>
<td></td>
<td>2.3 Literacy rate, youth total (% of people ages 15-24)</td>
</tr>
<tr>
<td>3.  Promote Gender Equality and Empower Women</td>
<td>Indicator</td>
</tr>
<tr>
<td>Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015</td>
<td>3.1 Ratio of girls to boys in primary, secondary, and tertiary education is the percentage of girls to boys enrolled at primary, secondary and tertiary levels in public and private schools</td>
</tr>
<tr>
<td></td>
<td>3.2 Share of women employed in the nonagricultural sector (% of total nonagricultural employment)</td>
</tr>
<tr>
<td></td>
<td>3.3 Proportion of seats held by women in national parliaments (%)</td>
</tr>
<tr>
<td>4.  Reduce Child Mortality Rate</td>
<td>Indicator</td>
</tr>
<tr>
<td>Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate</td>
<td>4.1 Mortality rate, under-5 (per 1,000 live births)</td>
</tr>
<tr>
<td></td>
<td>4.2 Mortality rate, infant (per 1,000 live births)</td>
</tr>
<tr>
<td>5.  Improve Maternal Health</td>
<td>Indicator</td>
</tr>
<tr>
<td>Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio</td>
<td>5.1 Maternal mortality ratio (national estimate, per 100,000 live births)</td>
</tr>
<tr>
<td></td>
<td>5.2 Births attended by skilled health staff</td>
</tr>
<tr>
<td>Achieve, by 2015, universal access to reproductive health Indicator</td>
<td>(% of total)</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>5.3 Contraceptive prevalence (% of women ages 15-49)</td>
<td></td>
</tr>
<tr>
<td>5.4 Adolescent fertility rate (births per 1,000 women ages 15-19)</td>
<td></td>
</tr>
</tbody>
</table>
2. Background

One of the oldest nations in the world, Ethiopia is a landlocked country located in the eastern part of the Horn of Africa. It is bordered by Sudan and South Sudan to the west, Kenya to the south, Somalia to the east, and Eritrea and Djibouti to the north. Slightly twice the size of Texas, it has a total land area of 1.104 million sq km, consisting of high plateaus with central mountain ranges divided by the Great Rift Valley. The country’s administrative arrangement is divided into nine autonomous regional states and two city-states (Addis Ababa and Dire Dawa), with a tiered government which consists of a federal government overseeing regions, zones (this has been abolished in most regions), Woredas (districts, city areas), and Kebeles (localities, neighborhoods, suburbs).

With a population of 84.7 million, the Federal Democratic Republic of Ethiopia (FDRE) is the second most populous nation in Africa, and the only country on the continent to have never been colonized. Going back to the Axumite Empire in 100 A.D., it has sustained a lustrous history, linking it not only to the history of Africa, but to that of Arabia and Asia. The people of Ethiopia are made up of numerous ethnic groups, with the largest being; Oromo (34.5%); Amhara 26.9%; and Tigray 6.1% (Fig 2.1). Although Amharic is the official language of the nation, the 1994 Ethiopian Census indicated there were 77 linguistic tongues spoken in the country.
Ethiopia’s capital Addis Ababa, with a population of close to 4 million, is situated in the heart of the country. Addis (as it is locally called), is also known as the political capital of Africa, hosting the headquarters of international organizations (UNECA, African Union) and over 95 embassies from all around the world, making it the fourth city with the highest concentration of embassies in the world after Washington D.C, New York and London. With all of these acclaims, Ethiopia is also one of the most poor and least developed countries in the world.

Ethiopia currently also happens to be one of the top countries in the land grab phenomenon, which is leasing and/or marketing to lease some of the largest amount of agricultural land to foreign investors. It’s important to note, Ethiopia is not the country where the most amount of land has been leased, but it’s not surprising that most attention to the land grab issue has been focused on the Sub-Saharan Africa region, particularly because it is one of the most food insecure regions and where most land grabs are occurring. In its 2010 report, the World Bank reported that the potential global supply of land suitable for rain-fed cultivation is...
primarily limited to a number of regions, with Sub-Saharan Africa leading all regions, almost with double the total area of the second region of Latin American and the Caribbean (Table 2.1).

<table>
<thead>
<tr>
<th>Region</th>
<th>Total area (1,000ha)</th>
<th>% of total area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>201,546</td>
<td>45.2%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>123,342</td>
<td>27.7%</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>52,387</td>
<td>11.8%</td>
</tr>
<tr>
<td>East and South Asia</td>
<td>14,341</td>
<td>3.2%</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>3,043</td>
<td>0.7%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>50,971</td>
<td>11.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>445,630</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: World Bank

Note: Data identify uncultivated land with high agro-ecological potential in areas with population density of less than 25 persons/km2.

Agriculture has always been the backbone of Ethiopia’s economy, making up close to 85% of all the country’s exports and employing more than 80% of its population. As the birthplace of the commodity, Ethiopia’s largest agricultural export is coffee. The country is known for producing some of the highest quality and is the largest producer of the commodity in Africa. Coffee grows wild in forests and semi-forests and cultivated largely by small scale peasant farmers.

In spite its dominance of the economy; the agricultural sector is based on subsistence farming, using centuries-old unchanged forms of labor intensive farming techniques. From the mid-1970s thru the early 1990s, agricultural growth was slothful, with World Bank data showing a -20.6% and 5.9% agricultural value added to GDP in 1985 and 1990, respectively. There were horrible

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10 The word coffee comes from the word “Kaffa”, one of the many regions where coffee is cultivated in Ethiopia. The country is known for producing some of the highest quality and is the largest producer of the commodity in Africa. Coffee grows wild in forests and semi-forests and cultivated largely by small scale peasant farmers.
11 Ethiopia has big potential as a world class producer of high quality leather and has been nurturing this sector with intentional attention.
droughts that led to extreme famines in the late 1970s and 1980s, coupled with political unrest throughout the period, which made the country dependent on food aid persistently.

So, it should not be any surprise ADLI has played a central role in the developmental planning strategy of the Ethiopian government in the attempt to achieve its ambitious recent set of goals for growth, economic transformation and development centered on agriculture. The primacy in development policy has been directed at increasing agricultural output through several platforms. One of the main components of ADLI is a new system of extension called Participatory Demonstration and Training Extension Systems (PADETES). PADETES is aimed at demonstrating to, and training of, farmers in proven techniques and technologies in a participatory manner, particularly in three different agro-ecologies: reliable moisture, moisture stress, and nomadic pastoralist areas.12

Alongside its efforts in scaling up the productivity of small farmers, moving towards more commercialized farming and the production of goods for exports was another aspect of the government’s agenda in invigorating growth in the agricultural sector, subsequently stimulating growth in all other sectors leading to economic development. To attract venture from the private sector of both local and foreign investment, Ethiopia began to strategize and assess its potentials by conducting studies of its land, soil structure and the impacts of commercial farming on the

---

12 Ethiopia has utilized agricultural extension programs since the 1950s. PADETES is the most recent National Extension Intervention Program strategy targeting agriculture. The main goals of PADETES are to increase productivity of small-scale farmers, ensure self-sufficiency in food production, establish farmer organizations, increase the output of export crops, conserve natural resources and increase women’s participation in development. It has been credited in extending assistance to over 9 million small-scale farmers since its adoption through the several of its programs which include: training in small-scale irrigation schemes; supporting cooperatives to connect farmers to markets; promote the use of modern farming technologies and techniques; and conservation and rehabilitation of derogated of land. For more information on the success and constraints of PADETES, please refer to “In-Depth Assessment of the Public Agricultural Extension System of Ethiopia and Recommendations for Improvement” (Davis, et al., 2010).
environment. The study allowed the government to begin allocating land according to what investors want to grow and matching the land to the crops to be cultivated (The Guardian, 2010).

By May 2012, Bloomberg News reported that Ethiopia had made more than 4 million hectares (9.9 million acres, the size of Switzerland) of “fertile and unutilized” land available for agriculture companies (Davison, 2012). It wasn’t breaking news, because the government had been aggressively marketing land to investors for several years. In fact, over 300,000 hectares had already been leased to Ethiopian, Indian, Saudi Arabian, Israeli, Pakistani and Turkish investors since as early as 2002, deals that have been listed on the country’s Ministry of Agriculture website, along with their corresponding contracts.

According to the government, investors from India make up the largest investors in agriculture in Ethiopia, with a total land area of 260,012 hectares (642,503 acres) leased since 2002 (Table 2). The majority of the land transfer deals EAP has made public range from 25 to 50 years, with option to renew. The land rent price per hectare also differs from contract to
contract, but they range from as low as US$1 to $36 per hectare (2.47 acres). The size of land that is being leased also differs amongst investors, with most somewhere between 3,000 and 5,000 hectare. What has been consistent amongst all land transfer deals is that they are predominantly concentrated in specific regions of the country: Gambella, Beshangul-Gumuz, Southern Nations and Nationalities Peoples (SNNP), Oromia, and Lower Omo Valley. These are regions predominantly populated by minority indigenous ethnic groups, and are where most reports of forcible resettlements linked to land grabs already have, or are, occurring (GRAIN, 2012) (Vidal, 2013) (George, 2013).

Table: 2.2 Ethiopian land leased by origin of nationality

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Land Area Ha</th>
<th>Land Rent per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>86,223</td>
<td>$807,730.59</td>
</tr>
<tr>
<td>Diaspora (Ethiopian)</td>
<td>22,568</td>
<td>$220,664.37</td>
</tr>
<tr>
<td>India</td>
<td>260,012</td>
<td>$1,375,795.55</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>10,000</td>
<td>$16,294.41</td>
</tr>
<tr>
<td>Turkey</td>
<td>10,000</td>
<td>$85,817.21</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1,000</td>
<td>$10,585.66</td>
</tr>
<tr>
<td>Israel</td>
<td>2,000</td>
<td>$18,082.72</td>
</tr>
<tr>
<td></td>
<td><strong>391,803</strong></td>
<td><strong>$2,534,970.51</strong></td>
</tr>
</tbody>
</table>

Source: Ethiopian Ministry of Agriculture (www.eap.gov.et)

Land rent is converted from Birr to U.S. Dollars at current 3/20/13 rate.

Conversely, deals that are available transparently on the Government’s website do not reflect the true number of land deals that have taken place in the country. In the 2010/11 fiscal year alone, credible sources have reported 70,000 hectares (approximately 173 thousand acres) of land was transferred to foreign and domestic investors (The Africa Report, 2012). This does not reflect the Government’s accounting of deals listed on their website. For example, a Malaysian plantation which has been farming in the Omo Valley, a region home to
approximately 200,000 indigenous agro-pastoralists, is absent from the Government’s website.\footnote{There have been reports of several land deals that have transpired and verified by have been accounted for by international agencies and media which the Ethiopian government doesn’t make public. In the case of the Malaysian plantation, it was a case study report published by the Oakland Institute and reported by The Guardian (Vidal, 2013).} Moreover, in 2011, research by the World Bank showed that investment authorities at the regional level can award land below 5,000 hectare without consulting other agencies at the central level, making it difficult to obtain the true data on land deals (Deininger, etc., 2011). The report also obtained data for 406 projects (by foreign and domestic entities) amounting to 1.19 million hectares in five regions of the country, dwarfing the numbers available on the Government’s website.

There have been a few studies that have been conducted in some of the above mentioned regions by groups such as: Human Rights Watch (HRW), GRAIN and the Oakland Institute, most indicating their concern that land deals have been performed in areas populated by Ethiopia’s indigenous populations. Largely, what has been reported is the forced displacement of thousands of people in Gambella region. In a study it published in 2012, HRW reported that the “Ethiopian government is forcibly moving tens of thousands of indigenous people in the western Gambella region from their homes to new villages under its villagization program,” a program in which the government plans on resettling 1.5 million people in four regions of the country (HRW, 2012).

The report further found that the villagization program is directly connected to areas where significant land investment is planned and/or occurring. In the Gambella region, it said, 42% of the total land area is either being marketed for lease to investors or has already been transferred to investors, pointing out that the indigenous peoples of the region have never had
formal title to the land they have lived on and used for generations. It also stated that the people that are being affected by villagization had not been properly consulted about resettlement.

The HRW report, which criticized foreign donors to Ethiopia as playing a role directly or indirectly in the villagization program, has gained attention from international organizations recently. In 2013, a World Bank independent accountability inspection panel called for an investigation into a World Bank funded project, Protection of Basic Services’ (PBS), links to Ethiopia’s villagization program (George, 2013). The PBS program was founded in 2006 as a decentralized financing mechanism to promote basic service delivery to five targeted sectors which include agriculture, education and health. A complaint filed by the Anuak (an indigenous group from Gambella) claims that PBS’s pretext of providing better services and improving the livelihood of the communities is assisting the relocation of the local people without proper compensation and consultation, and that new sites lack adequate facilities. The complaint also claims of human rights abuses on the communities that have refused their removal, citing targeted arrests, beatings, torture and killings. The World Bank has denied any link to human rights abuses and its funded PBS program, but the fact that it has called for an investigation shows that land acquisition situation in Ethiopia is increasingly becoming a contentious issue.

Other concerns in regards to large scale agriculture commercialization through land acquisitions are environmental degradation and water shortage. There is no farming without a reliable source of water. In Sub-Saharan Africa, only 61% of people have access to clean water supply sources, making up over 40% of all people globally which lack access to drinking water.
(WHO, 2012). The inadequate access to safe drinking water in the region has been further exacerbated by climate change and the encroachment of commercial farming. It is believed that most countries of the world have sufficient land to be food secure. What they lack is enough water resources to make them food self-sufficient (Tony Allan, 2013). For example, investors from the Middle-East have targeted countries such as Sudan and Ethiopia for the production of food to be shipped back home, as counties such as Saudi Arabia lack sufficient water for farming and feeding their own population. India is also water insecure, as it has depleted its aquifers by unsustainable irrigation during its Green Revolution. India is now sourcing food production elsewhere, where water and land are available (GRAIN, 2012).

Agricultural investors are also aware of the need to have access to water for irrigation as a requirement to any land acquisition deal made. Neil Crowder, CEO of Chayton Capital, an equity firm doing agricultural investment in Africa, gave a presentation at an investment forum in 2011 in which he said, “The value is not in the land….we believe, the real value is in water” speaking on commercial farming investment in Africa (Crowder, 2012). The idea that Africa is the best place to find water and cheap land has been echoed at agri-business investor conferences around the world, professing that Africa’s underutilized supply of land and water make for the next big thing in the global investment market. Indeed, most of the land that is being offered for investment in Africa lay near rivers, allowing access for irrigation (GRAIN, 2012). The implication land deals have on water in the region is a study and research topic of its own, but they are highly interlinked. A glance through one land deal contract found on the Ethiopian Ministry of Agriculture’s website, for example, gives the right to the lessee to build dams, water boreholes, irrigation system, and downstream processing plants. Land deals are comprehensively also water deals.
Ethiopia has been defiant against the criticisms and ridicules of its land leasing policy. The government went as far as to respond to a BBC report on land grab and displacement of people by penning “Land leasing and BBC cynicism” in which it claimed:

Hypocrisy comes in many forms. For many detractors of Ethiopia, it is often demonstrated in the form of crocodile tears over what they allege to be the destructive policies followed by the incumbent government. Anything the government does is made the subject of ridicule and all-too-often a deafening media cacophony verging on hysteria. One recent story carried by the BBC, epitomizes this pattern of paternalistic concern from western commentators with questionable motives. The central element of the BBC report is that lives and livelihoods of millions of people in Ethiopia are being threatened by external investments and that Ethiopia is doing its people a disservice, even an injustice, by leasing millions of hectares of land to foreign investors.

Ethiopia Ministry of Foreign Affairs (2010)\textsuperscript{14}

The response went on to state that no land that’s been allocated to foreign investment has displaced a single individual, smallholder farmer or otherwise, and all allocated land for FDI purpose are previously uncultivated and inaccessible lands in areas where there are virtually no farmers. More recently, in January 2012, a spokesperson for the government acknowledged that relocation of people has taken place, but it has been only on consensual basis, and that no forcible relocation of people off their land has taken place to make way for foreign investors (BBC, 2012).

This was followed in April 2012 by the government’s announcement that it would be halting its land leasing policy until it had assessed the performance of existing companies and their expected infrastructure development (roads, phone lines, electricity) values have been evaluated (Maasho, Ethiopia to Charge More on Commercial Farm Leases, 2012). It also said

\textsuperscript{14} For the full response from the Ethiopian Ministry of Foreign Affairs, please visit (http://farmlandgrab.org/17844)
that it will begin to charge premium price for land leased to investors. The break from leasing land didn’t last long; in fact, Ethiopia has accelerated its marketing of land to foreign investors.

2.1 Why Plans Are the Way they are now

Following WWII, economic development strategies for less developed countries, particularly for those that had just gained independence from colonization, began to gain wide attention amongst economists. To some extent, the trend towards planned development was an extension of the Marshall Plan that had been of great success in the recovery of war devastated European countries. Theories and models on economic development and the alleviation of poverty for “third world” countries were emerging, some calling for a synchronized application of capital to a wide range of industries, while others for a “big push” unbalanced growth with a targeted sector as the main driver for development (Bekele, 1995). What was being widely accepted was that some kind of economic planning was necessary in order to promote economic growth.

Building on the success of the Marshall Plan, Harry Truman introduced the 1950 Point Four Program focused on two goals: 1) creating markets for the United States by reducing poverty and increasing production in developing countries; and 2) diminishing the threat of communism by helping countries prosper under capitalism, while a decade later, President Kennedy signed the Foreign Assistance Act, which created the U.S. Agency for International

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15 Officially titled the European Recovery Program, the Marshall Plan was established by the United States for rebuilding the allied countries of Europe. It was the initiative of Secretary of State George Marshall, and over four years (1947-51), it allocated USD $13 billion in economic and technical assistance to help in the recovery of countries that had joined in the organization for European Economic Co-Operation.
Development (USAID) in 1961. At around the same period, numerous international organizations were being created to assist war ravaged Europe, institutions like the United Nations, the World Bank, and the International Monetary Fund (IMF), amongst others.

Once the focus on Europe’s reconstruction was waning off, attention of the aforementioned institutions shifted towards the development of the newly sovereign countries that were gaining independence from colonization. Working independently, or in unison, development organizations began to provide food and financial aid toward the development of what were then called “Third World Countries.” It is important to make the distinction between the term ‘development,’ as the Western concept of development was a reflection of its own (European) accomplishments in industrialization, and not necessarily what new independent countries saw as their developmental priorities for themselves (McMichael, 2012).

As new sovereign countries tried to build their own industries and the local production of goods as substitutions of imports, conditions were being attached to the World Bank and IMF assistance loans they received, conditions that were pro-U.S. neoliberal economic policies. In order to receive a loan, a project planned by recipient country had to first be approved by the lending institution, then it would be required that the country must execute economic and political structural changes in order to receive the loan. Structural policies imposed as conditions were directed to promote and achieve an open domestic market, export-oriented economy, substantial privatization and nominal role of the state (Shah, 2013). These imposed neoliberal

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16 USAID’s early history reflects the United States strategic planning for the containment of Soviet Communism influence in developing countries, and it has been playing a major role since, by providing technical and financial aid for development, while promoting market-based principle to restructure developing countries’ policies and institutions, through a revitalization of agriculture and expansion of domestic markets. Although USAID is involved in programs that aid in the development of developing countries, its primary goal today is the national security of the United States. In their “Joint Strategic Plan: Fiscal Years 2007-20012”, USAID and U.S. Department of State defined seven strategic goals, of which Goal One was Achieving Peace and Security, dealing with homeland security, counterrorism, and security cooperation. Promoting Economic Growth and Prosperity, and Providing Humanitarian Assistance were Goals Four and Five, respectively (Department of State; USAID, 2007).
policies on loan receiving poor countries have been credited to contributing with the persistence of poverty in developing countries. For example, while the elimination of food subsidies are conditions for a loan, countries had to open their local markets for the same commodities that come from subsidized farms of donor countries, making it difficult for local farmers to compete within their own markets.17

The neoliberal aspect of international development planning and lending of the time can be seen in the fact that a country’s Gross Domestic Product (GDP) was used as the primary indicator of its socio-economic progress. GDP was born from the 1945 United Nations’ institutionalized System of National Accounts, a universal quantifiable measure of development which was created for expanding membership to nations that were gaining independence (McMichael, 2012). A macroeconomic indicator, GDP measures the sum of gross market value of all formally recognized final goods and services produced within a country at a given period of time.

Throughout the 1950s and 60s, international institutions used GDP to determine which global development projects merited funding. In the context of international development planning, this creates a quagmire. GDP measures only output and does not measure the quality of that output. It can obscure almost any growing inequality and persistence of poverty in developing countries to an extent that it perpetuates the idea of growth without any social, health, educational or environmental accountability of growth. For international institutions sitting in their offices on the other side of the world dictating what project, and to which country, funding

17 A great documentary titled “Life & Debt” documents exactly what happens when developing countries are made to open their markets while not allowed to subsidize their farmers. It is the case of the banana industry in Jamaica, and how local citizens find it much cheaper to buy the bananas that are imported by a subsidized U.S. company, than to buy locally grown bananas. For more information on the documentary and subject, visit http://www.lifeanddebt.org/.
is merited based solely on GDP as an indicator has, by in large, failed. Moreover, GDP has been criticized for measuring welfare when as an indicator it includes money spent on military expenditures, dam building, cost for cleaning up oil-spills as part of GDP, while meaningful part of the economy, such as household work are excluded. This shows that GDP overestimates what it is thought to measure, development of social welfare.

First, most successful projects in developing countries originate through funding received by loans with conditions of export-oriented production of goods, in most cases resulting from FDI, which may reflect growth in GDP while not necessarily adding to national revenue. Second, growth in GDP does not always equate to development in a country’s living standard, as GDP focuses on quantity – rather than – quality of output. One need only to look at the recent single and double digit GDP growth of Sub-Saharan African countries (as Figure 2.4 shows), the region has been outpacing most other regions GDP growth and is projected to do so through 2015), yet global extreme poverty is highest in the region.

![Figure: 2.4 Selected Regions: Real GDP Growth, 2008-13](image)

Source: IMF, World Economic Outlook. Note: Excludes South Sudan.
It was within this historical background that Ethiopia first began to develop comprehensive plans, the first of which was The First Five-Year Plan 1958-62, prepared under the Imperial and Monarchial era of Haile Selassie I. Prior to the mid-1960s, developing countries viewed industrialization as the key element for economic development. This started to phase out as developing countries began to realize that their small domestic markets couldn’t support industry output, because they began to have to compete in international markets. With lack of industry experience and efficiency, competing on the international markets put a financial toll on governments and enterprises as they had to greatly subsidized industries in order to compete. Industrialization-first strategy eventually led to a widening gap of equity between the rural and urban population, putting a strain on most countries’ economic developmental aspirations (Monke, etc., 1989). Another problem with the industry-first strategy was that it lured large rural to urban migration, which meant that there was less productivity of output in the agricultural sector. This led to the need for countries to have to imports of food rather than imports necessities for industrial development.

2.2 The Role of International Organizations

The conditions that the World Bank and IMF attach to their development lending to the world’s poorest countries have been a double-edge sword for most countries in Africa. While impoverished countries in the region need the monetary assistance, the overwhelming conditions that are attached to them have been undermining their economic development. Over the years, highly controversial economic development policy reforms have been imposed on poor countries, most notably, trade liberalization and privatization of essential services. A European
Network on Debt and Development report in 2006, for example, found that a staggering 197 conditions were attached to a single World Bank development finance grant on Uganda in 2005 (Eurodad, 2006). Moreover, 18 out of the 20 poor countries that the research assessed had privatization related conditions attached to development finance originating from the World Bank or IMF (Figure 2.5 presents World Bank conditional loans in 2006 across developing nations). Conditional impositions had also risen since 2002.

![Diagram: Privatization-Related Conditions in World Bank Loans - 2006](image)

**Figure: 2.5 Source (Eurodad, 2006)**

Some of the attached conditions related to anti-corruption, civil service reform, decentralization, environment protection, urban development and social protection are intended to monitor proper use of funds by finance receiving governments. Conditions that are attached to hold recipient governments accountable and aid more effective are not the problem. It is those conditions that undermine poor countries own developmental interests that should be questioned. Conditions related to the privatization of agriculture appear to be minor compared to
other sectors, like banking, energy and water; however, recent experiences in the privatization of basic utilities in Africa have shown that they did not decrease but rather increase poverty and inequality (Bayliss & McKinley, 2007).

2.3 Modern Development Planning in Ethiopia

The relationship between agricultural development and industrialization has seen two very different forms in the recent history of Ethiopia. Ethiopia was ruled by the Derg—a Lenin-Marxist military junta from 1974 until 1991, when the current ruling party, the Ethiopian People’s Revolutionary Democratic Front (EPRDF) took grasp of the country after decades of a bitter armed uprising. The Derg had itself been formed after managing a successful coup against the Imperial and monarchial administration of Haile Selassie I in 1974, ending the feudal system of governance that had dominated the nation’s long history. From 1974 until 1991, the Derg followed a strict socialist development planning strategy, dominated by a centralized economic system.

In 1975, an agrarian reform program was established through The Rural Land Proclamation, which nationalized and made all rural land the collective property of the Ethiopian people, ending the feudal system of land tenure. The proclamation allotted a maximum of ten hectares for each farming family, and also nationalized all urban land and extra houses, whereby every urban dweller was allowed to own only one house. Collectivization of agriculture was also achieved through a system of co-operatives. The Ten-Year Perspective Plan the Derg adopted in 1984 proclaimed that agriculture policy should transform agriculture to socialist modes of production (Hannson, 1995). The co-operatives were projected to produce 50% of cultivated land
by the end of the 10 year plan. The outcome of the program was never realized, as the Derg was toppled and its plan ended in 1991.

The Economic Policy for the Transitional Period (EPTP) was adopted in 1992 by the Interim Government, with substantial shift toward a more market oriented economy. Restrictions on private sector activities were lifted, and liberalization and reforms were enacted in sectors, investment, and public enterprise laws through cutting of tariffs, easement of foreign exchange controls, privatization of state-owned enterprises, authorization of private banks, and the introduction of an inter-bank money market (Hannson, 1995). While these changes brought about a major shift in economic policy, the majority of the top-down and centralized agricultural development policies of the Derg regime were maintained, including the state ownership of rural agricultural land. This had not come as a surprise, as the Tigray People’s Liberation Front (TPLF), the backbone of the current government, held the same Marxist ideological view when it came to land tenure and policy (Wibke Crewett, 2008).

This was further cemented in the 1993 Ministry of Planning and Development’s report which reflected heavily on the historical model of Europe’s industrialization through agriculture. The report will become the most important theoretical framework for several consecutive development strategy plans, centered on ADLI, a development strategy which aims to achieve initial industrialization through rapid agricultural growth and close linkage between the agricultural and industrial sector. In its Economic Development Strategy for Ethiopia (1994), the government evoked the Green Revolution as the empirical justification for its new development strategy, a period in which agriculture production increased around the world, driven through research, development and technology transfer. Ethiopia was also recognizing that it is an agrarian country, of which 83% of its current population is rural and depend on the land for their
livelihood and employment. The belief was that as a land-locked agrarian society, peasants and pastoralists should be the growth engine of development and that maximum use of abundant resources (labor and land) should be accelerated in the rural agricultural sector.

In 2000, the World Bank and the IMF approved the Poverty Reduction Strategy Papers (PRSP) as the foundation and condition for their debt relief, lending and donor programs to developing countries, particularly Enhanced Heavily Indebted Poor Countries (Enhanced HIPC).18 Countries, such as Ethiopia, were expected to articulate planned strategies for reducing poverty in accordance to the Millennium Development Goals (MDGs) that were established and adopted amongst nations at the United Nations Millennium Declaration in 2000. The MDGs are to be a new global partnership to reduce extreme poverty, with a set of time-bound targets, with a deadline of 2015. Along with the precondition for articulated strategies, another important condition under PRSP was that citizen’s participation in the planning process was mandated.

To meet these pre-conditions and receive debt relief and concessional lending under the Enhanced HIPC, the government of Ethiopia conducted a consultation process, the first of its kind in the country, to construct its first planning document under the PRSP guidelines in 2001. Although to what extent the consultants were steering the planning process has been criticized for not being considerable enough to call the process a change from the usual top-down approach of the government, it was still a change in the planning process history of the country (Teshome, 2006). Communicative planning or not, what has resulted are three planning programs that have been adopted within the last decade.

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18 Started in 1996, then enhanced in 1999, the Enhanced HIPC is an initiative that the World Bank and the IMF follow in providing debt relief and low-interest loans to cancel or reduce debt burden for predominantly Sub-Saharan African countries.
2.4 PRSP/Sustainable Development and Poverty Reduction Program (SDPRP) 2002-2005

In 2002, Ethiopia’s Ministry of Finance and Economic Development (MOFED) adopted for the nation the Sustainable Development and Poverty Reduction Program 2002-2005 (SDPRP). The program was put together in the light of the world’s countries and leading development institutions agreeing upon blueprint for the eight MDGs mainstays, which range from halving extreme poverty to halting the spread of HIV/AIDS, all by the target date of 2015. The government of Ethiopia made ending poverty its primary development goal, as the SDPRP’s executive statement opens by stating:

“For some countries, economic growth is the primary policy goal, and poverty reduction is to be achieved through measures complementary to growth. This is not the approach of the Ethiopian government. Poverty reduction is the core objective of the Ethiopian government. Economic growth is the principal, but not the only, means to this objective.” (SDPRP)

It also recognized that to reach the MDGs 2015 framework, the real growth of GDP of 5.7% per annum would have to be met to reduce poverty in half from the level at which it was in 2002.

Four pillars (building blocks) were set by the SDPRP in accordance to meeting the MDGs (Figure 2.6). First, ADLI and food security were the leading pillars necessary to achieve faster growth and economic development. The program’s overriding focus was on agriculture, not only because it is the source for the livelihood for 85% of the population, but also as it has because the potential to generate enough surplus to fuel the growth of other sectors of the economy. Agriculture was also to be the main growth in export through production of high value products. The document underlines that the country is endowed with a large number of working age population and a potentially cultivable land, and that faster growth could be
achieved through the employability of the labor resources to enhance productivity of land aimed at capital accumulation. The use of technologies that are labor using was important in the first stage of ADLI, but for agriculture to serve as the engine of growth, the SDPRP insisted that there needs to be progress in commercial and intensive farming, increased proportion of marketable output and a decreased ratio of production for own consumption.

Figure: 2.6 Four Pillars of SDPRP (Source: UNDP)

The government does credence to the importance of a pastoral economy, and gives emphasis on cooperatives in facilitating input and output marketing, as well as to extension of credit to the small farmers in order to move towards commercialization of agriculture and away from subsistence farming. For industry and service sectors to grow; there needs to be linkages with the primary driving agricultural sector. For this reason, agriculture must not only be directed and dependent on the rural farmer, as SDPRP believes that there must be a role for the “non-peasant” private sector (domestic and foreign) to play in order to achieve accelerated agricultural growth. The program was set for the federal government, in collaboration with
regions, to allocate land for commercial farming, including safeguarding the interest of all parties concerned in cases where farmers want to rent land for agricultural activities. This framework set the government’s undertakings today in courting foreign players to invest in the agricultural sector.

Food security was an important part of agricultural growth. One of the basic objectives with regard to economic development for the federal government has been the elimination on food aid dependency, along with building a market economy and rapid economic growth (MOFED, 2003). Persistent droughts have always marked the food security of the country for decades. Agricultural development was expected to contribute in achieving that end, and towards that endeavor, irrigation was to be introduced in a significant way for the attainment of a sustainable food security of the nation. The target set with the SDPRP was to reduce the absolute size of the food insecure rural population substantially and lay them off food aid. Further, for the government, eradicating the food-deficit households in the short-term will be the most effective and direct way towards poverty reduction. The other three pillars; (a) Justice System and Civil Service Reform, (b) Decentralization and Empowerment and (c) Capacity Building in Public and Private Sectors, were regarded and designed to enhance the effectiveness of ADLI in reducing poverty and ensuring food security (MOFED, 2005).

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19 The Ministry of Finance and Economic Development of Ethiopia’s Rural Development Policy and Strategies was published in April, 2003. It is one of the most comprehensive rural development policy plans the government has made available to the public. The objectives mentioned were the opening statement of the document.
2.5 Plan for Accelerated and Sustained Development to End Poverty (PASDEP) 2005-2010

Developed as the second phase of the Poverty Reduction Strategy Program (PRSP), the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) was adopted as Ethiopia’s guiding strategic framework for the five-year period 2005-2010. The plan carried forward the strategic directions that the SDPRP had carried forth for the previous three years. As the name of the program implies, PASDEP was to accelerate the programs that had been adopted to meet 2015 MDGs goals that had been set. It is important to note, that although previous plans set under the PRSP were primarily programs that were developed between the Ethiopian government and donors (i.e. United Nations, IMF and The World Bank) the PASDEP was a more of a national based plan that took on a more aggressive internal sets of goals and directions.

One of the major new policies the government adopted in the second phase was to push for a greater emphasis on commercialization of agriculture. Other important sectors PASDEP looked to accelerate were: the enhancement of the private sector; industry; and urban development, but the overarching goal was the ultimate eradication of poverty “in all its dimensions” (MOFED, 2006). As a bold and challenging goal, the government’s overarching objective was to reach the level of middle-income country in 20 to 30 years; along to attain the goals and targets set in the MDGs.\textsuperscript{20} Presented in Table 2.3 is the cost requirements by area for the implementation of the planned programs of PADSEP in local currency based on the MDGs Needs Assessment.

\textsuperscript{20} The vision statement under Chapter IV of the PASDEP is indeed bold, but the objectives and targets set in the MDGs is not the only hope that the government had, but that it needs to aspire beyond what is required by the MDGs.
Table: 2.3 Projected PASDEP program cost requirements based on the MDGs Needs Assessment (in million birr)

<table>
<thead>
<tr>
<th>Program Area</th>
<th>Cost (in million birr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; rural development and Food security</td>
<td>22,058</td>
</tr>
<tr>
<td>Irrigation</td>
<td>20,755</td>
</tr>
<tr>
<td>Health</td>
<td>53,742</td>
</tr>
<tr>
<td>Water &amp; sanitation</td>
<td>34,880</td>
</tr>
<tr>
<td>Roads</td>
<td>15,590</td>
</tr>
<tr>
<td>Power</td>
<td>43,160</td>
</tr>
<tr>
<td>HIV/AIDS</td>
<td>50,622</td>
</tr>
<tr>
<td>Population &amp; Development</td>
<td>6,200</td>
</tr>
<tr>
<td>Private sector development</td>
<td>1,313</td>
</tr>
<tr>
<td>Urban housing development</td>
<td>15,353</td>
</tr>
<tr>
<td>Gender &amp; development</td>
<td>30,702</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>641</td>
</tr>
<tr>
<td>Grand Total</td>
<td>332,566</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and Economic Development (MoFED) - Ethiopia

Reflecting and assessing the previous three years in which development strategies were applied under SDPRP, the new government strategy set eight pillars. The first looked to design programs and policies that could strengthen the country’s implementation capacity as its number one pillar. Under this pillar, the goal consisted of: strengthening of democratic institutions; implementing civil service and justice system reform; development of information communication system and development of the construction sector. It’s hard to quantify if some of these goals were attained. Perhaps the aftermath following the 15th May 2005 election, where accusations of election fraud led to protests, opposition leaders imprisoned and many dead on the
streets of the capital can speak to the reform attainment of the strengthening of democratic institutions.21

The second pillar was for a push for accelerated growth. In that endeavor, the commercialization of agriculture and private sector development would play a major role. Strategies in this effort were to include a major effort to support the intensification of marketable farm products, with a shift to higher-valued crops—for both domestic and export markets—by both small and large farmers. Other instruments to aid in the acceleration of market based agricultural development were to be policies that promote niche non-staple market-oriented export crops (i.e. pulses, non-cereal, oil crops, etc…), a focus on selected high-potential areas, better integration of farmers with markets at the local and global scale and the facilitation and support for large-scale commercial agriculture.

The ADLI policies and strategies outlined in the PASDEP do acknowledge the imbalance that the government finds in looking out for the welfare of millions of small-scale farmers while pushing for a shift to commercialization of agriculture. To that end, providing assistance to farmers through reforms that improve the availability of fertilizer and seeds, intensified extension support at the local rural level, establishment of a network of demonstration centers, support for small-scale irrigation and links to off-farm income generating initiatives were developed within the PASDEP framework. Both the commercialization and “pro-poor”

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21 It is estimated that more than 200 people were killed in June and November 2005, and more than 30,000 arrested by the ruling EPRDF government post the May 2005 elections (HRW, 2010). Ethiopia has consistently ranked on the bottom of the list on many human rights and journalistic freedom rankings since the 2005 election. Although it is not the premise of this research, it is important to acknowledge these facts since the framework of Ethiopia’s SDPRP’s main pillars is to advance democracy and justice in the country. Further, it is also a mandate as per PRSP that countries who receive aid from donors shall promote democratic governance. For more please refer to: “One Hundred Ways of Putting Pressure”: Violations of Freedom of Expression and Association in Ethiopia (HRW, 2010), as well as (BTI, 2012) (Lefort, 2012).
subsistence farming strategies were also to be applied with consideration to the management of natural resources and the protection of the environment.

Outside of the agricultural sector, the push to strengthen the private sector through initiatives that include: the simplification of business processes and licensing requirements, reforms to establish land tenure security for investment and trade purposes, intensification of infrastructure development, maintaining macroeconomic stability, a stable exchange rate and low inflation were targeted. Another private sector development was to accelerate with a major push to the increase of exports, with targeted export earnings from goods and services to reach 15% to 20% of GDP by the end of the plan period of 2010. All of the aforementioned strategies were directly linked to the government’s vision that for Ethiopia, ADLI policies were the guiding principal to reach industrialization and get off food aid and end prevailing poverty, and the emphasis on agriculture development was heightened to its utmost form yet.

The third and fourth pillars focused on addressing the population challenge and unleashing the potentials of Ethiopian women. As population growth rate affects economic growth, goals to implement national population policy and strategy were to be established. There were also fundamental targets set to improve women’s health through extensive programs of female outreach health workers, up to village and family level. At the rural level, efforts on liberating girls and women from the unproductive hours spent fetching water were to be implemented. MDG play a very important role in coordinating and developing strategies for the betterment of women’s opportunities in the country’s economic development efforts. It has been proven that women wield an undeniable force in economic development if given the chance to equally participate (Wamala, 2012).
As its fifth pillar, PASDEP focused on strengthening the infrastructure backbone of the country. Focus was on the expansion of road network, clean water supply, irrigation development, urban development, and electricity supply and telecommunication services. Ethiopia is a land-locked and predominantly rural country, with its largest urban center, the capital Addis Ababa situated in the center of the country. Since the founding of Addis Ababa in 1886, the infrastructure backbone development of the country has spread outward from the capital. Until recently, both population and agricultural activities have concentrated in the central and northern areas of the country. Traditional agricultural activity concentrations, however, are changing as most agricultural lands being leased through FDI have been in the south.

Connectivity and accessibility within the different regions of the country, to neighboring regional countries, and particularly to the Port of Djibouti is essential for Ethiopia’s economic growth potential. The government during this planning phase has tackled this challenge by launching several large scale road rehabilitation and construction programs. At regional level, it launched the Mombasa-Nairobi-Addis Ababa Road Corridor Project, a multinational effort with Kenya to promote trade and regional integration between the two countries, and will eventually be a section of the larger Trans-African Highway Cairo–Cape Town corridor. The Ethiopia-Kenya project cost is estimated to be $328.76 million USD, and is co-financed by the African Development Bank Group (64%), the European Union (23%) and the Governments of Ethiopia and Kenya (13%) (AFDP, 2009).

Ethiopia achieved significant economic growth during PASDEP implementation period 2005-2010, registering an average annual GDP growth of 11%, besting the plans high case scenario of achieving a 10% annual GDP growth rate (MOFED, 2010). As shown in Table 2.4,
industry and services sectors outperformed the agricultural sector within the PASDEP period, registering a 10% and 14.6%, respectively. This indicates that although ADLI was the basis for the creation and implementation of PASDEP, the agricultural sector had not materialized as the engine of GDP growth during the plan’s implementation. At the social development level, there were also great advances made. For instance, investment in education resulted in increases in primary school enrollment, from 61.9% in 1991 to 81.3% by 2010 (World Bank).

**Table: 2.4 GDP growths by sector under PASDEP**

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<tr>
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<tbody>
<tr>
<td></td>
<td>Base Case</td>
<td>High Case</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>7.0</td>
<td>10.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6.0</td>
<td>6.4</td>
<td>8.4</td>
</tr>
<tr>
<td>Industry</td>
<td>11.0</td>
<td>18.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Services</td>
<td>7.0</td>
<td>10.3</td>
<td>14.6</td>
</tr>
</tbody>
</table>

Source: MOFED (2010)

Infrastructure was also gaining advances, as the number of Ethiopian’s with fixed line and cellular telephones was raised considerably (Figure 2.7). Other significant infrastructure advances that were made include: electricity generation capacity; percent of the population connected to an urban agglomeration; and road network expansion. It is interesting to note that the financial crisis of 2008 may have hampered development, particularly in the economy, as it may have slowed the growth rate that the country was achieving during the early period of PASDEP implementation.
2.6 Growth and Transformation Plan (GTP) 2010-2015

Reflecting on the PASDEP of the previous five years, and the lessons learned from the implementation and outcomes of the plan, Ethiopia put forth Growth and Transformation Plan (GTP) as the country’s current guiding strategy to attain its bold vision of becoming a middle-income country by 2025. GTP is probably the most ambitious plan yet. Developed to accelerate economic transformation, reduce poverty by doubling the country’s GDP and wean its people off food aid within five years, the government has faced challenges in meeting its high goals, chiefly in financing the $75-79 billion USD the plan is estimated to cost over five years (MOFED, 2010). The plan set strategic pillars to meet its objectives to sustain rapid, broad-based and equitable economic growth, which include:

- Sustaining rapid and equitable economic growth.
- Maintain agriculture as major source of economic growth.
• Creating conditions for the industry to play key role in the economy.
• Enhancing Expansion and quality of infrastructure development.
• Enhancing expansion and quality of social development.
• Building capacity and deepen good governance.
• Promote gender and youth empowerment and equity.

An aggressive push in commercial agriculture was the mainstay for achieving the growth projected. Offering over 8 million acres of land to investors, expansion of the agriculture sector is expected to open opportunities for advanced farming technology, high value crops, progressive irrigation techniques, improved seed, increased fertilizer use, and strategies to yield multiple harvests a year. GTP also focused on massive industrial and infrastructure projects to develop four industrial cluster zones. To attract investment, the government promoted industrial sectors for tax holidays and duty-free imported capital goods. The textiles and garments, leather, sugar, cement, metals and engineering, chemicals, pharmaceuticals, and agro processing all were eligible for the incentives. Extractive industries such as gold, oil, gas potash, and gemstones were also given renewed focus.

To meet the objectives of the pillars, a Base Case and High Case Scenario’s targets were set for each goal to be achieved. Under the Base Case Scenario (BCS), the country’s economy is projected to grow annually at an average real growth rate of 11.2%. With the continuation of PASDEP policies and strategies, BCS is expected to permit for all MDG targets to be met by 2015. Across the broad economy at the micro level, growth was expected to average at a rate of 8.6% (agriculture), 20% (industry) and 10.6% (services). Under the High Case Scenario (HCS), the plan focuses on doubling agricultural output, primarily by allocating and leasing out more land for large-scale farm investors, as well as helping small-scale rural farmer’s access to
commercial markets. The trajectory under HCS will have GDP grow at 14.9% annually, with broad sectors growing at 14.9% (agriculture), 21.3% industry and 12.8% (services).

Currently in its third year of implementation, GTP has not met some of its primary objectives as it had hoped to do: GDP growth of 7.3% for 2010/11 fiscal year according to World Bank data; however, Ethiopia’s performance progress report originally said the country saw an 11.4% real GDP growth rate during 2010/11. Dogged by questions on the credibility of its data, MOFED later announced that it had adjusted the base year for calculating GDP and bringing its number closer to that of the World Bank at 8.5%. Falling short of the BCS target of at least 11.2% annual growth in GDP, MOFED Acknowledging the sluggish numbers and, still insisted that MDG targets will still be met despite the growth rates (Capital, 2013).

Perhaps GTP is the country’s first real comprehensive plan tackling the economy at a macro level, as there have been major developments in industry. In 2013, the Ministry of Mines reported that it had granted 72 industrial minerals exploration licenses, with 61 going to foreign companies (Dyson, 2013). Minerals such as potash, limestone, marble, pumice, clay, gypsum, basalt, silica sand and gemstone are industrial minerals currently being explored or mined. Companies engaged in potash exploration are mainly in the Danakil Depression, an inhospitable region north-east of the country. It is believed that this region alone contains 1.3bn tones of potash deposit. As one of the shallowest potash reserves in the world, at 100 meters, it potentially can become the lowest-cost potash extractions as well. The main markets will be counties in Asia (China, India, Indonesia, and Malaysia) as it will be the closest producer of potash to the region.
Infrastructure development was also seeing large investments through GTP, which had allotted for an increase of the road network by 10,000 miles throughout the country. The plan also targeted the building of 1,500 mile-long standard gauge rail network. Infrastructure plays a major role in any country’s aspiration to industrialization, and the government made a key decision to raise and allocate large funds to its infrastructure system. Since becoming a landlocked country after the separation of Eritrea, Ethiopia lost its access to the sea, transportation had become a challenge and hamper on its economic growth. The only train line that connected Ethiopia to Djibouti, Ethiopia’s only port source, was a century old French-built line that closed in 2010 because of bad conditions. The two lane road to Djibouti was also becoming increasingly insufficient, and riddled with tragic accidents and traffic jams. It had become an expensive and dangerous means of transport.

To counter this deficit, in June 2012, Ethiopia signed a $3.3 billion deal with Chinese and Turkish companies to construct a new railway link to Djibouti’s Tadjourah port (Maasho A., 2012). Turkish companies are constructing the north-east part while China Communication Construction Company is building the line connecting the capital to Tadjourah. These lines are part of the larger National Railway Network of Ethiopia (NRNE), which will have eight railway corridors of an estimated length of 3,500 miles aimed to be completed by 2020 (ERC, 2011). In addition to NRNE, Ethiopia also launched the Addis Ababa Light Rail Transit (AA-LRT) project in 2012. Designed to ease congestion in the capital and reduce carbon dioxide emission, making it environmentally friendly, the new urban mass transport system will have a capacity of moving 80,000 PPH (Passenger/hr).

Road projects have been advanced as per GTP’s mandate. One significant road project, not only Ethiopia, but to the region, is a $130 million road currently being built that will connect
Ethiopia to neighboring Sudan, South Sudan and Kenya. Contracts were signed between Ethiopian Roads Authority (ERA) and firms from India and China who will be building the roads beginning in 2013 (Tekle, 2013). This demonstrates that Ethiopia is looking more and more to the East for partners for achieving its development goals. Branching out from the Oromia, Gambella and South Ethiopia Peoples State regions, where most agricultural land is being leased, will allow investors to have access to regional markets as well as to ports in Kenya for export. Most importantly, the road will boost economic ties between the countries in the region, something that has lacked in Africa as a whole. South Sudan is also building roads and a pipeline into Ethiopia to export oil via Djibouti. A Chinese firm also began the construction of Ethiopia’s first six-lane toll highway connecting Addis Ababa to Ethiopia’s third largest city, Adama City. At a cost of $612 million, the Chinese government loaned $350 million for the project, while Ethiopia will cover the rest, – it is one of several road projects underway contracted to Chinese firms (Moody, etc…, 2013).

Electricity in the country has been weighing down economic growth, and starting with PASDEP, several projects for hydro and wind power have been under consideration. GTP is planning to see those considerations realized in a grand way as it has set a goal of producing 10,000 MWs of power (five times its current electric power) by 2015. The goal is not only to produce enough power for its own consumption, but to also export electricity to neighboring countries (Sudan, Egypt, Djibouti and Kenya). Along with the ongoing Gibe III dam construction the controversial Grand Millennium Dam of Ethiopia (GMD) commenced construction in March of 2011. Contracted to an Italian firm at a cost of $4.76 billion, GMD will damn the Blue Nile (the river that feeds 80 percent of the Nile’s water) near the border with
Sudan. It is expected to generate 5,250 MW, and will be the largest artificial lake and biggest dam on the continent (ERTA, 2011).

<table>
<thead>
<tr>
<th>Table: 2.5 Electricity production by sources (% of total) - Ethiopia</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Hydroelectric sources</td>
</tr>
<tr>
<td>88.4  93.5  98.3  99.6  99.0</td>
</tr>
<tr>
<td>Oil, gas and coal sources</td>
</tr>
<tr>
<td>11.6  6.5  1.4  0.4  0.6</td>
</tr>
<tr>
<td>Alternative and nuclear energy</td>
</tr>
<tr>
<td>0.6  0.7  0.8  1.1  1.3</td>
</tr>
</tbody>
</table>

Source: World Bank

Although hydro power will stay as the main source for production of power, the country has also ventured into wind and thermal power to diversify its electricity production since adopting GTP (Table 2.4 shows Ethiopia’s energy production by source). As part of meeting GTP targets, seven wind, and one thermal power, projects are being constructed across the country. The inauguration of the Adama I Wind Farm in December 2012 put the country another step closer to meeting its set goal. Built at a cost of US $117, Adama I with 34 turbines has the generating capacity of 51 MWs. It was constructed in 12 months and has already been connected to the main national power grid. In addition, GCOC and Hydro China, the Chinese companies that worked on the Adama I project, have signed an agreement amounting to US $340 million with the Ethiopian Electric Power Corporation (EEPCO) for the construction of Adama II wind farm (Yewondwossen, 2012). Adama II will have 102 turbines with an output of 1.5 MW each and expected to be completed within 18 months.
3. Agricultural and Economic Analysis

3.1 GDP per capita (constant 2000 US$)

GDP per capita is gross domestic product divided by midyear population.

GDP per capita has been gradually growing, showing a growth change of 12.7% from $101 to $229 over the period from 1992 to 2011, respectively. Although any growth in this indicator is good, it is still very low. In comparison for example, 2011 World Bank data of GDP per capita in neighboring Kenya was $478, while it was $1,976, $2,939, and $786 in Egypt, China, and Iraq, respectively. As discussed earlier, GDP alone is not the most sufficient way to measure the welfare development of a country mainly because it calculated only output, and not the quality of that output on social and environmental conditions. To balance this, indicators

Figure: 3.1 (Source: World Bank)
which measure social development, particularly on poverty, will be done in the next section dealing with MDG goals.

3.2 Agricultural raw materials exports (% of merchandise exports)

Agricultural raw materials comprise SITC section 2 (crude materials except fuels) excluding divisions 22, 27 (crude fertilizers and minerals excluding coal, petroleum, and precious stones), and 28 (metalliferous ores and scrap).

![Agricultural raw materials exports (% of merchandise exports) - Ethiopia](image)

Figure: 3.2 (Source: World Bank)

Agricultural raw materials are all crude materials that are cultivated or extracted, except fuels. These include: cotton; hides and skins raw; wood; fuel wood; oil seeds used for extraction of ‘soft’ fixed oils; and silk, to name a few. As seen in Figure 3.2, Ethiopia’s agricultural raw materials exports as percent of merchandise exports has fallen considerably since 1993 (26%), making up only 8.6% of exports in 2011, its lowest for the measured period. During the same period, food exports have risen, as shown in the next indicator discussed below. It is important
to note that the fall in agricultural raw materials export has been gradual, even with some positive numbers registered in 2001 and 2003, when they were 23.2% and 25.9%, respectively.

3.3 Food exports and imports (% of merchandise exports and imports)

![Figure: Food Exports and Imports (% of merchandise exports and imports) - Ethiopia](source)

Food exports are the bread and butter of Ethiopia’s economy, making up 78% of its total merchandise exports in 2011. It has always been the agricultural sector that dominated the country’s economy, and although it has not changed dramatically, it has seen a 9.3% change from 1993 to 2011. Agricultural output fluctuates in Ethiopia, and this is mainly due to recurring droughts the country experiences consistently over time. For instance, the dip to 62% of food exports, and the increase of food imports to 21.5% in 2003, reflects the below-average rainy season in 2002. The majority of farmers depend on the meher, or main rains (July-September).

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22 U.S. Department of State has an extensive documentation on the drought and both the international and Ethiopian Government’s response on the 2002-03 to the situation. The site can be accessed at [http://2001-2009.state.gov/p/af/rls/fs/15210.htm](http://2001-2009.state.gov/p/af/rls/fs/15210.htm).
and belg, or secondary rains (March-May) to cultivate their land. According to the World Bank Data, less than 1%(0.51%) of Ethiopia’s total agricultural land was irrigated in 2011. One of the reasons the country has been moving towards more commercialized farming, through FDI and dam building, is to increase irrigation (MOFED, 2010).

Food imports have been sturdy throughout the study period, and have declined from 16% to 14.8% from 1993 to 2011. Food imports are primarily for the consumption of urban dwellers, as most of the population is rural and are subsistence farmers. A growth in the middle class will have indicated an increase in food imports, and as the data shows, it has not changed over time. Although extensive land grab would have been measured by food export increase, this indicator might not reflect that because food exported for the consumption of the investor’s country is not calculated as food export (Economist, 2009). This makes it more difficult to truly assess the extent land grab, not only in Ethiopia, but all across developing countries where land grab is occurring.

3.4 Manufactures exports (% of merchandise exports)

![Chart showing manufactures exports (% of merchandise exports) for Ethiopia from 1993 to 2011.](chart.png)

*Figure: 3.4 (Source: World Bank)*
Ethiopia’s focus for a big push in the agricultural sector has been in the belief that it will eventually lead to linkages in other sectors’ growth, primarily in manufacture and industry. So far, this has not been the case. The country’s manufacturing sector saw its peak in the share of merchandise exports in 2002, when it saw a 14.3% share of exports. With the agricultural sector not growing expansively at current rates, Ethiopia has begun to look at other ways to spur growth in the manufacturing sector. In 2013, the Government announced that it is building the nation’s first Industrial Zone in Addis Ababa. A $49 million 385 acres, the complex will facilitate and support foreign and domestic private-sector companies to increase exports, with plans to build five more across the country (Bloomberg, 2013). Taking a cue from China’s use of industrial zones to rapidly expand its economic growth, Ethiopia hopes to achieve similar results by traveling a similar road.

3.5 Agriculture, value added (annual % growth)

Annual growth rate for agricultural value added based on constant local currency. Aggregates are based on constant 2000 U.S. dollars.

![Agriculture, value added (annual % growth) - Ethiopia](image)

*Figure: 3.5 (Source: World Bank)*
Agriculture output annual growth has fluctuated from 1993 to 2011, with several years registering negative annual growth. For the two years in 2002 and 2003, the negative growth was directly related to the drought in the country as discussed in the previous indicator. There were also significant droughts in 1994 and 1997, which explain the other two negative growth years of 1994 and 1998. Food security of the country is extremely dependent on the rains coming year to year, as they determine whether millions of people will face starvation. Since 2004, growth has been declining as well, dipping from 16.9% to 5.2% in 2004 and 2011, respectively. Investment in irrigation techniques is highly needed in the country, but not necessarily for large-scale farming, as most of the population farms on small plots and are distributed across a vast landscape. FDI in commercial farming may bring in new technologies, but they are not designed by nature to address small-scale farmers in irrigation techniques.

### 3.6 Agricultural land (% of land area)

Agricultural land refers to the share of land area that is arable, under permanent crops, and under permanent pastures.

**Figure: 3.6 (Source: World Bank)**
This indicator should reflect any major shift in the utilization of arable land for agriculture. As noted on Figure 3.6, we see a sudden gradual growth of agricultural land beginning in 2005, whereas prior to that, the percent of agricultural land barely every changed, hovering between 30% and 31.6% from 1993 to 2004. Since 2005, it has been increasing, reaching 35.7% in 2011. According to World Bank data, agricultural land increased in size from 305,400 (sq. km) to 356,830 (sq. km), from 1993 to 2011, a 17% change which equates to an increase of 5,143,000 (ha).

While we cannot directly equate this only to land grab, the sudden spur in growth seen from 2005 forward does suggest that land deals may have some influence in the change. It is very unlikely that small-scale farming can produce such a result; rather it must be large-scale commercial farming that can create such a major change in size of this magnitude. Furthermore, while percent growth of agricultural value added has been declining since 2004, as seen in the previous indicator, the growth in agricultural land during the same period is a puzzling trend.

3.7 Arable land (% of land area)

Arable land includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded.
While the previous indicator deals with all agricultural land including those for cultivation of permanent crops that do not need to be replanted after each harvest, arable land as percent of land area refers only to land under temporary crops and temporary meadows. For this reason, change in arable land will give us a more precise change in land value that may be linked to land deals. As Figure 3.7 shows, the increase in arable land also began to observe a sudden increase beginning in 2004/05. Although there was almost no change from 1993 to 2004, between 2004 and 2011, there was an increase of 3.7% in arable land. In actual size change, World Bank data shows it was an increase of 4.5 million hectares from 1993 to 2011. As commented in the analysis of the previous agricultural indicator, the sudden growth rate in arable land also suggests large-scale agricultural activity. It would be unlikely that this large-scale change in land size could result from small-scale rural farming. It has been estimated that on average, 83% of households in rural areas cultivate less than 2 hectare of land per household (FAOSTAT, 2005).
3.8 Employment by sector- agriculture, industry, and services (% of total employment)

Employees are people who work for a public or private employer and receive remuneration in wages, salary, commission, tips, piece rates, or pay in kind.

One way of measuring Ethiopia’s agricultural led development industrialization will be the shift of employment population from the agricultural sector to industry and services sectors. In regards to land grab, data needed to do an analysis of this shift is not available since no data from 2005 onwards has been disseminated. However, the data that is available for 1994 and 2005 by the World Bank, suggests there has been a gradual shift. As Figure 3.8 shows, from 1994 to 2005, employment in the agricultural sector had fallen by 10%, while employment in industry and services had risen by 4.3% and 5.4%, respectively. It will be more interesting to see if land deals have affected employment in the agricultural sector, as one of the purposes of land deals for commercial farming is that they provide opportunity for employment. As mentioned several times throughout this document, the majority of land deals in Ethiopia began to occur starting in

![Figure: 3.8 (Source: World Bank)](image-url)
2005. With the lack of data for periods past 2005, it is difficult to know how land deals may have affected employment in the agricultural sector.

3.9 **Foreign direct investment, net inflows (BoP, current US$)**

Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor.

![Graph of Foreign direct investment, net inflows (BoP, current US$) - Ethiopia](image)

**Figure: 3.9 (Source: World Bank)**

FDI is important to Ethiopia’s development. In 1993, FDI inflow to the country was $3 million dollars. By 2004, it had increased to US $545 million. Previously, in most parts of Africa, political instabilities in the region had kept many investors away. Things have changed in Ethiopia, as it has been slowly developing a more investor-friendly environment in the past decade. This is reflected in the growth of FDI inflows to the country (Figure 3.9). Although it is difficult to account for which sector most inflows have been directed from the World Bank data used for this indicator, studies using the Federal Investment Bureau of Ethiopia have indicated
that 32% of the total FDI inflows in the country have been in the agricultural sector since 2005 (Weissleder, 2009). The report cites a significantly more relaxed regulation on investment in the agricultural sector have spurred FDI inflows.

While the global financial crisis did affect FDI flows, reflected in the dip in 2008, when it fell to US $108 million, it has recovered. In fact, FDI hit its all-time high for the study period, when it stood at US $627 in 2011. The spike in FDI since 2005 also corresponds with the sudden growth of agricultural and arable land that took place beginning in 2005. The picture that we are beginning to see is that there has been an increase in foreign investment in Ethiopia, particularly since 2005, while millions of hectares of agricultural land had been registered for the same period, suggesting that there has been a substantial foreign investment being made in agriculture in the country.

3.10 Foreign direct investment, net inflows (% of GDP)

This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP.

![Foreign direct investment, net inflows (% of GDP)](image)

Figure: 3.10 (Source: World Bank)
The expansion of FDI inflows, as proportion of GDP, indicates a recipient country’s increased integration into the global economy. It does not, however, mean that is always the case, as most of this expansion may be due to privatization of state enterprises, for instance the sale or lease of state owned land to foreign investment. Furthermore, as discussed previously, it does not mean FDI expansion translates to positive social change. Although FDI has been expanding in Ethiopia’s economy, especially since 2005, its role in the country’s GDP has been declining. Figure 3.10 shows, FDI as percent of GDP peaked in 2003, when it was 5.45% of GDP during the measured period from 1993 to 2011. It also fell drastically during 2008 in the height of the global financial crisis, when it was a mere .42% of GDP. In 2011, net inflows of FDI was the highest it has ever been for the measured period, bringing in US $627 million of inflows, but it only accounted for 2.07% of GDP.

3.11 Roads, total network (km)

Total road network includes motorways, highways, and main or national roads, secondary or regional roads, and all other roads in a country.
The leasing of land for commercial farming is partly justified as it will not only bring in much needed revenue, but it will also advance the building infrastructure in Ethiopia. The building and rehabilitation of the roads network in the country has been one of the main agendas in all of the three development plans discussed earlier this document. First, as a land locked country, transportation of goods is dependent on ground transportation. Second, in order to attract foreign investment, the infrastructure of the country plays a major role. The Ethiopian Government has been constructing roads linking the country’s different regions and zones, as well as expanding the quality of roads in major cities, particularly in the capital. As discussed in detail about several projects during the analysis of the current GTP plan, most of the road building is being carried out by the government through substantial amount of loans from international development institutions as well as foreign governments.23

Road network in the country was expanded from 28,200 to 44,359 km from 1993 to 2007, respectively (Figure 3.11). This equates to an extension of 16,159 km of road, however, this is only during half of the set study period of 1992-2011. The World Bank does not have any data on the expansion of roads from 2007 forward, a period most important for analysis because it is the period from 2005 to current that most land deals seem to have occurred.

Conclusion

Based on the selected indicators to analyze the role of land grabs in Ethiopia, it is difficult to come to a conclusion that they have neither helped nor harmed the economic growth of the country. The significant expansion of agricultural land, particularly of arable land, since

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23 There is substantial statistical research on road development in Ethiopia done by the Ethiopian Development Research Institute, but the research is on data up until 2009 and does not add to enough information to be added for analysis for this research (Worku, 2011). However, expanding infrastructure is a big part of the leasing farmland through FDI, so further research on the relationship between land deals and their linkage to infrastructure building is suggested.
2005 indicates land deals are occurring in Ethiopia at a large scale. Indicators measuring agricultural land have shown an expansion of more than 5 million (ha) during the study period 1993 to 2011; more so, most of this expansion took place after 2005. In addition to agricultural expansion, FDI has also dramatically increased since 1993.

The role of FDI in land grab is substantial, as our research has shown that the majority of land deals have involved foreign actors. FDI has been increasing in Ethiopia, beginning in 1997. Although the amount of inflows has fluctuated over the last decade, particularly at its lowest in 2008 following the global financial crisis, it has remained consistently high. Although World Bank data does not distinguish in which sectors FDI inflows have been directed, other research sources have found that 35% of FDI has been in the agricultural sector. Furthermore, FDI as percent of GDP has not been consistent with increase in the amount of inflows for given years, indicating FDI’s relationship to GDP may mean that GDP is not able to measure the real effects of FDI on the country’s economic performance.

Some of the justifications of land deals for commercial farming have been that it will contribute to growth in employment and infrastructure building. Although this may be true, data necessary to measure these claims are lacking, particularly for the period from 2005 onward, when most land deals have been made. Infrastructure building has been intensified in all areas, particularly in dam building and enhancement of rail and road networks, but as discussed earlier, they are being done through the Government’s own efforts using its own resources, as well as international financing. There has been no indication that land deals have materialized in substantial infrastructure building as there is no data that reflects that. Employment in the agricultural sector has been decreasing, but again, data is not available after 2005 for this indicator.
4. Millennium Development Goals Analysis

4.1 Eradicate Extreme Poverty and Hunger

Poverty and hunger are interlinked. Despite an abundant of world food supply, 870 million people around the globe do not have enough to eat (undernourished in terms of dietary energy supply) during the period 2010-2012, with over 98% of those being in developing countries (FAO, 2012). This number shows that the overall global goal of MDG target to

- Target: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day
- Target: Achieve full and productive employment and decent work for all including women and young people
- Target: Halve, between 1990 and 2015, the proportion of people who suffer from hunger

4.1.1 Poverty headcount ratio disaggregated at national, rural and urban poverty line (% of population): National poverty rate is the percentage of the population living below the national poverty line. National estimates are based on population-weighted subgroup estimates from household surveys. Rural and urban poverty rates are the percentage of the rural and urban population living below the national rural and urban poverty line. Ethiopia’s population is 85% rural, so the 17% decline in the poverty headcount ratio for that rural region from 1995-2011 is a great advance, but what’s surprising is the rise in the urban sector during 1995-1999, and a slow decline after that period, for a mere total of a 7.5% decline in urban poverty line for the same period (Table 4.1). At the National level, the poverty line has seen a drop from 45.5% to 29.6%. This indicates that Ethiopia is looking more towards a 20% cut in the national poverty headcount.
ratio line, but this is only one of many indicators that will play a role in the country meeting the MDGs cutting poverty in half 2015 target.

### Table: 4.1 Poverty Headcount Ratio at the Rural, Urban and National Level - Ethiopia

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<tr>
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<th>1995</th>
<th>1999</th>
<th>2004</th>
<th>2011</th>
<th>Reduction Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural poverty line</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of rural population)</td>
<td>47.5</td>
<td>45.4</td>
<td>39.3</td>
<td>30.4</td>
<td>17.1</td>
</tr>
<tr>
<td>Urban poverty line</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of urban population)</td>
<td>33.2</td>
<td>36.9</td>
<td>35.1</td>
<td>25.7</td>
<td>7.5</td>
</tr>
<tr>
<td>National poverty line</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of population)</td>
<td>45.5</td>
<td>44.2</td>
<td>38.9</td>
<td>29.6</td>
<td>15.9</td>
</tr>
</tbody>
</table>


#### 4.1.2 Poverty gap at national poverty line (%):  
Poverty gap at national, rural and urban poverty line are the mean shortfall from the poverty line (counting the non-poor as having zero shortfall) as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence. This indicator has its limits as countries set their poverty lines at different thresholds, making it very difficult to make comparisons of poverty between countries and regions. For this reason, it is more appropriate to look at the disaggregated data for comparison between the rural and urban regions of the country. The depth of poverty in the nation has declined by 5.1%, with the majority of the decline credited to the rural region. We also see that the poverty gap at the urban level, although lower than the rural areas, is lagging in its decline. The imbalance between rural and urban poverty gap decline may have to do with the government’s high urgencies in alleviating poverty at the rural level, with less developmental planning strategies and investments applied to the urban regions. This can be a short window to the slow, but apparent success of Ethiopia’s ADLI strategy in curbing rural poverty.

---

24 Figure 4.2 further shows that the poverty headcount ratio at $1.25 a day has also been declining significantly since 1995 when it stood at 60.52 %, while by 2005, it had dropped to 38.96%.
Table 4.2 Poverty Gap at Rural, Urban and National Line - Ethiopia

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty gap at rural poverty line (%)</td>
<td>13.4</td>
<td>12.2</td>
<td>8.5</td>
<td>8</td>
<td>5.4</td>
</tr>
<tr>
<td>Poverty gap at urban poverty line (%)</td>
<td>9.9</td>
<td>10.1</td>
<td>7.7</td>
<td>6.9</td>
<td>3</td>
</tr>
<tr>
<td>Poverty gap at national poverty line (%)</td>
<td>12.9</td>
<td>11.9</td>
<td>8.3</td>
<td>7.8</td>
<td>5.1</td>
</tr>
</tbody>
</table>


The lag in urban poverty reduction, as compared to the rural region is troubling. Ethiopia’s population was growing at a 2.13% annually in 2011, a decline from its 3.34% population growth in 1990, but still a significant growth rate at any level (Table 4.2). As most other developing countries around the world, Ethiopia is also seeing a major growth in urbanization. The urban population in 1990 was 12.62%, while the rural population was 87.38% of the total population respectively. By 2011, the urban population had grown to 17.02%, while the rural population dipped to 82.98%. There is no question that Ethiopia as a country is still a majority agrarian and rural nation; however, as the country develops and continues to modernize, the urbanization trend will proliferate.²⁵

Historically, demographic transition from rural to urban is associated with shifts from an agriculture based economy to mass industry, technology and service. For developed countries, this shift peaked in the 1950s. It is projected that almost all urban population growth in the next 30 years will take place in cities of developing countries, with a growth from 2.5 billion in 2009, to almost 5.2 billion urban population in these countries (WHO, 2013). As yet still an agrarian country, it is important that there is a focus on developing the agricultural sector, but there must

²⁵ Figure 4.1 shows the population growth of Ethiopia at the national, rural and urban level. Although the population growth shows a slow trend at all levels since 1990, urban population has begun to increase since 2009.
be corresponding industry, technology and service development planning strategy at the urban segment. This is not to say that the Ethiopian Government doesn’t have planning strategies addressing other sectors outside of agriculture, but that they must be simultaneously implemented. Particularly, if commercial farming is pursued at a large scale (as per ADLI), the rural to urban shift will further mitigate the poverty that already exists in urban areas.

4.1.3 Growth rate of GDP per Person Employed: GDP per person employed is gross domestic product (GDP) divided by total employment in the economy. Purchasing power parity
(PPP) GDP is GDP converted to 1990 constant international dollars using PPP rates. An international dollar has the same purchasing power over GDP that a U.S. dollar has in the United States. The data used for this indicator is the aggregate economy which was derived from the World Development Indicators (WDI) Database of the World Bank.

Increase in labor productivity may provide an assessment of the likelihood that Ethiopia’s economic environment has the ability to create and sustain decent employment opportunities with fair and equitable wages. It does not guarantee progress. It is, however, indicative that the progress in the employment environment is less likely to occur without productivity improvements. With this in mind, according to the World Bank data, Ethiopia’s GDP per person employed during 1991-2010 was predominantly flat in the first half of that period, registering at $1,171 in 1991 and peaking around $1,321 in 1997; however, the second half of the same period saw a progressive growth. In 2001, it was still floating at $1,340, but by 2011 it had risen to $2,087. This progress does show that in the past decade, there has been an upward climb in the country’s ability to grow its employment opportunities.

As mentioned earlier, it is still not easily equated to sustainable and equitable jobs, as there needs to be more disaggregated data needed to determine those links. There is one window into which kinds of jobs are being created, and that is to look at the different sectors in the economy. As Table 4.3 shows, there has been a 5.4% and 4.3% increase in employment in the services and industry sectors of the economy from 1994-2005, while there has been a 10% decrease in employment in the agricultural sector. Most jobs in services and industry tend to be better paying than that in agriculture, additionally, they are typically found in urban centers. If we assume that growth in these sectors has occurred while agricultural employment has declined, than we need to look at other factors to see why poverty is decreasing at a higher rate in rural
than urban areas. Higher living costs, recent economic downturn, inflation, as well as other factors may be at play.

<table>
<thead>
<tr>
<th>Table: 4.3 Employment by sector (% of total employment) – Ethiopia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment in services</td>
</tr>
<tr>
<td>Employment in services</td>
</tr>
<tr>
<td>Employment in industry</td>
</tr>
<tr>
<td>Employment in agriculture</td>
</tr>
</tbody>
</table>

Source: International Labour Organization, Key Indicators of the Labour Market database.

4.1.4 Malnutrition prevalence, weight for age (% of children under 5): Prevalence of child malnutrition is the percentage of children under age 5 whose weight for age is more than two standard deviations below the median for the international reference population ages 0-59 months. The data are based on the WHO's new child growth standards released in 2006.

The history of famine and drought in Ethiopia has been long and is still pervasive. Hunger has been classified to occur in three different forms: acute, chronic, and hidden (UN Millennium Project, 2005). Acute hunger, those suffering by famine and disasters affects only a small fraction of the global hunger population (around 10%). It is estimated that 90% who are hungry are chronically undernourished, due to lack of access to food of adequate quality and quantity, good healthcare, and necessary caring practices. Lack of essential vitamins and minerals afflicts another 2 billion people who fall under the hidden form of hunger. In this regard, Ethiopia has suffered all three forms and still continues to suffer. Droughts and floods have been the main culprit in some regions of the country, but for the most part it is the access to food during these periods that have done most of the damage. Thus, food security has been a major government endeavor since it put together SDPRP in 2002. Some of the main criticisms
of the government’s leasing of land to investors have been the fact that the country is still suffering from droughts and hunger.

Hunger is also more prevalent in children under the age of 5. Ethiopia has decreased its malnutrition prevalence for the most vulnerable group over the past decade, but it is still not satisfactory. In 2000, the percent of children that fell under this category was 42%, but this number had declined to 29.2% by 2011 (Table 4.4). It is a stride towards the right direction, as some other countries in the region; which are also often hit by droughts and floods; have hovered around the same rate over the same period of time. For example, neighboring Kenya has not seen as large of a decrease although its numbers have traditionally been lower than that of Ethiopia.

| Table 4.4 Malnutrition prevalence, weight for age (% of children under 5) - Ethiopia |
|---------------------------------|---|---|---|---|---|---|
| Ethiopia                       | 42   | 34.6 |      |      |      | 29.2 |
| Kenya                          | 17.5 | 16.5 | 18.4 | 16.4 |      |      |


4.1.5 Prevalence of undernourishment (% of population): Population below minimum level of dietary energy consumption (also referred to as prevalence of undernourishment) shows the percentage of the population whose food intake is insufficient to meet dietary energy requirements continuously.

The dramatic change in lowering the prevalence of undernourished population in Ethiopia is commendable. In 1991, the new government was just coming into power and the number of undernourished was high as 68% of the population (Table 4.5). By 2000, it had decreased to 55.3%, and by 2011 it stood at 40.2%. This is a 28% change over twenty years, and
it has been one of the government’s most accomplished achievements in the development of the country. There is no doubt the country has a long way to go in addressing the high undernourished population number of 40.2%, but it has gradually come towards the same ranges as some of its neighboring and similar type countries. As the numbers show, the region as a whole has prevailing food security and health issues. For instance, in 2011, some of the fastest growing economies like China and India’s populations that were undernourished stood at 11.5% and 17.5% respectively, while the more developed nations like Japan and the United States have maintained 5% continually since 1991.

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>68</td>
<td>55.3</td>
<td>47.7</td>
<td>43.8</td>
<td>40.2</td>
</tr>
<tr>
<td>Kenya</td>
<td>35.6</td>
<td>32.8</td>
<td>32.9</td>
<td>32.4</td>
<td>30.4</td>
</tr>
<tr>
<td>Tanzania</td>
<td>29.4</td>
<td>40.4</td>
<td>35.1</td>
<td>36.1</td>
<td>38.8</td>
</tr>
<tr>
<td>Uganda</td>
<td>26.6</td>
<td>26.5</td>
<td>27.9</td>
<td>31</td>
<td>34.6</td>
</tr>
<tr>
<td>Sudan</td>
<td>42.1</td>
<td>31.7</td>
<td>32</td>
<td>36.6</td>
<td>39.4</td>
</tr>
</tbody>
</table>


4.2 Achieve universal primary education

- Target: Ensure that, by 2015, Children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

4.2.1 School enrollments, primary (% net) for total, female and male: Net enrollment ratio is the ratio of children of official school age based on the International Standard Classification of Education 1997 who are enrolled in school to the population of the corresponding official school age. Primary education provides children with basic reading, writing and mathematics skills.
along with an elementary understanding of such subjects as history, geography, natural science, social science, art and music.

It is estimated that, of the three billion school-age children which are distributed among various regions, 15% reside in Sub-Saharan Africa, with another 56% in Asia (UNESCO, 2012). In addition; although projected growth in school-age population by region varies across regions (from as low as -14.2% for Central and Eastern Europe to 8.9% for Arab States), Sub-Saharan Africa’s projected growth is the highest at 24.2% (Figure 4.3). This expected growth has exasperated the existing conditions that countries in Africa face in meeting MDG’s goals of reaching universal primary education by 2015.

![Figure 4.3 (Source: UNESCO, 2012)](image)

Education and school enrollment in most agrarian countries is most unbalanced when viewed at both the gender and rural/urban levels. At the level of primary school, other factors also influence enrollment levels, such as social and economic dynamics. At the social level, education is seen as a right for all, thus providing free and quality education to children is an
extension of every child’s fundamental human rights. Primary education is the means through which children acquire life skills that will enable them to thrive later on in life. Educated adults are productive, socially active, and make cultural and political contributions to their community; and most importantly, an educated adult population is key for robust economic development. Investing in education therefore is vital for any developing country such as Ethiopia.

Ethiopia has seen a dramatic and positive change in its primary school enrollment rate, from 20% in 1994 to 86% in 2011 (Table 4.6). The change has been positive across gender lines as well, although the 6% gap between female and male enrollment does present an inequality along gender line. While data along the difference between urban and rural regions are not available, the 86% for total primary school enrolment suggests it most likely it may be somewhat balanced.

**Table: 4.6 School enrollment, primary (% net) - Ethiopia**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>School enrollment, primary, total</td>
<td>20.25</td>
<td>34.51</td>
<td>45.79</td>
<td>67.93</td>
<td>86.49</td>
</tr>
<tr>
<td>School enrollment, primary, female</td>
<td>16.27</td>
<td>27.22</td>
<td>40.48</td>
<td>64.91</td>
<td>83.47</td>
</tr>
<tr>
<td>School enrollment, primary, male</td>
<td>24.24</td>
<td>41.77</td>
<td>51.07</td>
<td>70.94</td>
<td>89.49</td>
</tr>
</tbody>
</table>


**4.2.2 Persistence to grade 5, total (% of cohort) for total, female and male:** Persistence to grade 5 (percentage of cohort reaching grade 5) is the share of children enrolled in the first grade of primary school who eventually reach grade 5. The estimate is based on the reconstructed cohort method (United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics).
One of the most challenging problems that Ethiopia is facing is keeping the growth in the enrollment of children in primary education in pace with the persistence of those children finishing grade 5 of primary school. Despite the government and donor’s efforts in meeting the challenge of reaching universal primary education in Ethiopia, those that actually complete primary school has been irregular and low over the past decade. In 2010, 59% of girls and 58% of boys were reported to have completed grade 5, a downward spike from a high of 69% and 68% respectively in 2004 (Figure 4.4). The recent low figures have been reported to be much higher for rural areas, and continue to persist primarily driven by natural disasters, such as droughts and flooding (IRIN, 2013). The report underscores the susceptibility of certain pastoral regions of Ethiopia (i.e. Gambella and Afar) in maintaining primary school children in school, as children often seasonally migrate with their families due to adverse weather or insecurity.

![Persistence to grade 5 (% of cohort) - Ethiopia](image)

Figure: 4.4 (Source: World Bank)

4.2.3 Literacy rate, youth total (% of people ages 15-24) for total, female and male: Youth literacy rate is the percentage of people ages 15-24 who can, with understanding, read and write
a short, simple statement on their everyday life. The literacy rate among youths (15-24) is difficult to analyze, primarily because the data available is not sufficient. The data for this indicator is only available for the years 2005 and 2007, but the indications are that the literacy rate among youths is slowly getting better. In the period between 2005 to 2007, literacy among all youths rose by 10%, with the highest change seen in female (13.7%) youth compared to their male (7%) counterparts (Table 4.7).

| Table: 4.7 Literacy rate, youth total (% of people ages 15-24) - Ethiopia |
|-----------------------------|-----|-----|-----|
|                             | 2005 | 2007 | % Change |
| Youth female                | 33.30 | 47.04 | 13.74 |
| Youth male                  | 55.88 | 62.97 | 7.09  |
| Youth total                 | 44.61 | 54.98 | 10.38 |


4.3 Promote Gender Equality and Empower Women

- Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

4.3.1 Ratio of girls to boys in primary and secondary education (%): Ratio of girls to boys in primary, secondary, and tertiary education is the percentage of girls to boys enrolled at primary and secondary levels in public and private schools.

| Table: 4.8 Ratio of female to male primary, secondary and tertiary enrollment (%) – Ethiopia |
|-----------------------------------------------|-----|-----|-----|-----|-----|
|                                              | 1999 | 2004 | 2008 | 2011 | % Change |
| Primary enrollment                            | 60.6 | 77.4 | 89.1 | 90.9 | 30.3 |
| Secondary enrollment                          | 67.1 | 57.2 | 72.3 | 86.7 | 19.6 |
| Tertiary enrollment                           | 23.0 | 33.3 | 37.0 | 43.3 | 20.3 |

Source: UNESCO
Gender equality in most parts of the developing world has been a long challenge due to cultural views on the role of women in societies. As in most part of Africa, poor families, particularly those living in rural areas, have to choose which children they will send to school. More likely, it will be a boy who will attend school, while the girl is likely to be chosen to stay home and do house work, fetch water and take care of aging family members. These early choices that families make have dire consequences in the gender inequality that persists in the region. By having to stay at home and not go to school from an early age, a girl is already beginning her life with fewer opportunities compared to her male counterpart.

As presented on Table 4.8, Ethiopia has gradually increased the ratio of girls to boys in primary education enrollment by 30% from 1999 to 2011, while for secondary and tertiary they increased by 19.6% and 20.3% respectively. These are great indicators at the enrollment level, but as the previous indicator has also shown, less than 60% of both boys and girls who enroll in primary education persist to grade 5. One of the main factors for this trend, mainly at the rural level, has been the need to keep children at home for economic survival. Female children and women are typically the individuals who are tasked with the time and energy consuming chores of fetching water and fire wood. Fetching water can take girls several hours a day, transporting heavy loads over long distances. Poverty and gender inequality are linked to many other factors, such as access to clean drinking water. Until Ethiopia can address the high margin of its population’s access to clean water, gender inequality will persist.
4.3.2 Share of women employed in the nonagricultural sector (% of total nonagricultural employment): Share of women employed in the nonagricultural sector is the share of female workers in the nonagricultural sector (industry and services), expressed as a percentage of total employment in the nonagricultural sector.

Table: 4.9 Share of women employed in the non-agricultural sector (Percent of total non-agricultural employment) - Ethiopia

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2006</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>40.9</td>
<td>47.3</td>
<td>41.6</td>
</tr>
<tr>
<td>India</td>
<td>16</td>
<td>18</td>
<td>ND</td>
</tr>
<tr>
<td>Egypt</td>
<td>20</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>United States</td>
<td>48</td>
<td>47</td>
<td>48</td>
</tr>
<tr>
<td>Sweden</td>
<td>51</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: International Labour Organization, Key Indicators of the Labour Market database. Note- ND = no data

Women in Ethiopia play a significant role in the agricultural sector. The allocation of agricultural activities between men and women differs across different regions, as each has its own customs and norms on the distribution of chores along gender lines. In most cases, female farmers traditionally are involved in cultivating, managing and marketing of vegetable and fruit crops, using income garnered to purchase household needs. Men are more involved in the production of large scale crops (i.e. coffee and cereals) and are almost always in charge of income gained from these commodities. These discrepancies are mitigated further by the fact that women have less access to owning and using land than men, although the Ethiopian constitution grants land rights equally to men and women (Mogues, et al., 2009). This inequality in land tenure makes employment opportunities women have outside the agricultural sector important.
The share of women employed in the non-agricultural sector since 1999 has not changed significantly, rising less than 1% from 40.9% in 1999 to 41.6% in 2010 (Table 4.9). The substantial positive change in 2006, when it rose to 47.3%, would have been a lot closer to numbers most developed countries have in this indicator. For example, the United States and Sweden in 2010 had 48% and 50% of women employed in the non-agricultural sector. These numbers can also be achieved in Ethiopia, but this does not mean the jobs that women are active in outside the agricultural sector are equitable as those in the developed countries. To get a true picture of this indicator, more disaggregated indicators are needed.

4.3.2 Proportion of seats held by women in national parliaments (%): Women in parliaments are the percentage of parliamentary seats in a single or lower chamber held by women.

![Figure 4.5 (Source: World Bank)](image)

Women in Ethiopia have seen a significant period of empowerment since 1999. As Figure 4.5 shows, women holding parliamentary seats have increased during each parliamentary session. In the early 2000s, women held fewer than 10% of parliamentary seats. By the 2005 elections, women gained 116 seats, and by the 2010 election, women held over 174 seats in the national parliament. According to the World Bank data, this puts Ethiopia ahead of Australia,
Canada, United Kingdom and Israel for having more women in National Parliaments. These numbers are encouraging, but by no means do they suggest that women are equally represented in all aspects of Ethiopian life.

4.4 Reduce Child Mortality Rate

- Target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

4.4.1 Mortality rate, under-5 (per 1,000 live births): Mortality rate, under-5 (per 1,000 live births) (Source: Level & Trends in Child Mortality. Estimates Developed by the UN Inter-agency Group for Child Mortality Estimation.

As presented in Figure 4.6, the mortality rate for infant and under children under 5 years old has been declining markedly since 1990 in Ethiopia. This has been attributed to an increase in spending by the Government of Ethiopia, as well as international organizations in addressing the issue since the implementation of MDGs in the national planning strategies. With a decrease
from 118 to 51.5 (per 1,000) in infant mortality rate, and a decrease from 198 to 77 (per 1,000) in children under 5 mortality rate, Ethiopia has already met its MDGs for these indicators ahead of its 2015 obligation.

4.5 Improve Maternal Health

- Target: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
- Target: Achieve, by 2015, universal access to reproductive health

4.5.1 Maternal mortality ratio (national estimate, per 100,000 live births): Maternal mortality ratio is the number of women who die during pregnancy and childbirth, per 100,000 live births.

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</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>950</td>
<td>880</td>
<td>700</td>
<td>510</td>
<td>350</td>
<td>-63.2%</td>
</tr>
<tr>
<td>Congo</td>
<td>420</td>
<td>480</td>
<td>540</td>
<td>550</td>
<td>560</td>
<td>33.3%</td>
</tr>
<tr>
<td>Eritrea</td>
<td>880</td>
<td>550</td>
<td>390</td>
<td>300</td>
<td>240</td>
<td>-72.7%</td>
</tr>
<tr>
<td>Kenya</td>
<td>400</td>
<td>460</td>
<td>490</td>
<td>450</td>
<td>360</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Malawi</td>
<td>1100</td>
<td>1000</td>
<td>840</td>
<td>630</td>
<td>460</td>
<td>-58.2%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>910</td>
<td>1000</td>
<td>840</td>
<td>550</td>
<td>340</td>
<td>-62.6%</td>
</tr>
<tr>
<td>Sudan</td>
<td>1000</td>
<td>930</td>
<td>870</td>
<td>800</td>
<td>730</td>
<td>-27.0%</td>
</tr>
<tr>
<td>Uganda</td>
<td>600</td>
<td>590</td>
<td>530</td>
<td>420</td>
<td>310</td>
<td>-48.3%</td>
</tr>
</tbody>
</table>

Source: http://mdgs.un.org/unsd/mdg/
countries lacking complete registration but where registration and/or other types of data available

Following the trend in decreasing its infant and children under-5 mortality rate, Ethiopia appears to be on its way in meeting its MDG goal of decreasing maternal mortality rate by three quarters. From 1990 to 2010, the country has managed to shed 63% off its maternal mortality rate (Table 4.10). Within the region, it has performed better than some of neighboring countries, like Kenya, Uganda and Malawi. Ethiopia is expected to meet this MDG goal in time by 2015. What has been a challenge to meeting this
goal in the country is mainly related to the dispersion of a large population and the deficit of access to life
saving medical care in rural, hard to reach areas. There are improvements being targeted in order to
overcome this deficiency, but meeting the MDG goals is not enough. Most women, who die during
giving birth, do so for reasons that are in most cases preventable. Maternal mortality is a poverty issue. It
is also mainly a rural issue in Ethiopia. Although the data for this indicator is not disaggregated, the
following indicator which looks at births attended by skilled health staff is, giving us a clear picture that
where a women giving birth lives in Ethiopia (rural or urban), can be a life or death issue.

4.5.2 Births attended by skilled health staff (% of total): Births attended by skilled health
staff are the percentage of deliveries attended by personnel trained to give the necessary
supervision, care, and advice to women during pregnancy, labor and the postpartum period; to
conduct deliveries on their own; and to care for newborns.

| Table : 4.11 Table: Births attended by skilled health staff % of total population and % of urban and rural regions – Ethiopia |
|---|---|---|
|  | 2000 | 2005 | 2010 |
| Total (% of total) | 5.6 | 5.7 | 10 |
| Urban (% of urban) | 34.5 | 44.6 | 50.8 |
| Rural (% of rural) | 2.3 | 2.6 | 4 |

Source: Demographic and Health Survey (DHS) 2000, 2005, 2010
Includes only the most recent birth in the 5 years preceding the survey

The difficulty that most developing countries face in achieving MDGs is highly dependent on the
ability to overcome the imbalance of access to health care between their urban and rural population. For
some countries, it is more of a challenge than others, mainly because of population size living in rural and
inaccessible areas and lack of capacity building. For Ethiopia, it is all of the above. Table 4.11 clearly
shows the magnitude of the disparity between the urban and rural population of women who give birth by
attended skilled health staff, an astounding 50.4% deficit between the two. It is even more concerning
when considering that close to 85% of the population is rural. Maternal mortality rates can be greatly reduced if women have access to skilled health staff. Traditionally, most women in Ethiopian giving birth do so from a communal assistance of a midwife. But not all births are managed by a midwife. Women in rural areas begin giving birth at a very young age, when their bodies are not ready for pregnancy. Fistula, for example, is a medical condition that is prevalent in young mothers in Ethiopia, a condition that is treatable after giving birth with proper skilled medical care. Fistulas, left untreated, can result in serious medical complications, death or permanent ostracizing of the woman in the community.

4.5.3 Contraceptive prevalence (% of women ages 15-49): Contraceptive prevalence rate is the percentage of women who are practicing, or whose sexual partners are practicing, any form of contraception. It is usually measured for married women ages 15-49 only. Contraceptive prevalence not only protects both women and men from venereal diseases, but it plays a more important role in avoiding an unwanted and undesirable condition of a pregnancy for a woman. According to WHO findings, it is estimated that one in 26 women of reproductive age dies from a maternal cause, as opposed to one in 9400 in Europe (Creanga, Gillespie, & Harklins, 2011).

![Contraceptive prevalence (% of women ages 15-49) - Ethiopia](image)

Figure: 4.7 (Source: World Bank)
Ethiopia has increased the use of contraceptive among its women of reproductive age considerably from 1990 (4.8%) to 2011 (28.6%). The country has not met the universal access to contraceptives target of MDGs as of 2011, and it may be very difficult that it will meet it by 2015. With most of the population living in rural areas, access to modern contraceptives will be difficult to meet. It is also very critical that women of very young age have access to contraceptives, because early pregnancies tend to keep a young girl from getting an education, which has indications in the overall success of her future in life. Although early results have been positive, the country has a long way to go to achieve universal access to contraceptives.

4.5.4 Adolescent fertility rate (births per 1,000 women ages 15-19): Adolescent fertility rate is the number of births per 1,000 women ages 15-19. Fertility rates amongst adolescent women are an important indicator because it is connected to population growth and demographic transitions from high to low age dependency ratios. These in turn have important consequences for economic growth and poverty reduction. Ethiopia has one of the highest adolescent fertility rates in the world. In 2011, the country’s rate was 53.1 per 1,000 women ages 15-19 (Figure 4.8). This number puts Ethiopia above the 50.1 rate designated for medium human development index as per the UNDP’s 2011 Human development Indicators. Moreover, studies have shown that the fertility rates in rural areas (at an average 6 children in a woman’s lifetime) of the country are much greater than those for urban areas (2.4 children in her lifetime) (Tadesse & Headey, 2012). Although there has been progress made for this indicator since 1997, when the rate was 111.5, there is more to be done, especially as the country’s population is primarily rural.
Figure: 4.8 (Source: World Bank)
5. Justification for future research

The issue of land grabbing in its current form is unprecedented. Leaving the proverbial term of land grab behind, it is a hyper global rush for speculative investment for the production of one of the most important human right, the access to ancestral land and food. Under the guise of alleviating poverty, traditional lands of millions of indigenous people in Africa is up for grabs, but development in the form of land deals to international players does not justify the purported reasons of the phenomenon. Yet, with such limited access to the true nature of deals that have transpired – or are in the process of being finalized – it has become an allusive topic to assess. Contradicting statistics on amount of land leased by countries, as well as the contractual conditions in which they have been made, is not an easy problem to overcome for research. However, it is these contradictions in the context of data availability of land grabs that makes it that much more important to be examined with further research, particularly on the ground where it is occurring. As the father of “Barefoot Economics” Chilean economist Max-Neef puts it:

No matter how hostile the environment in which we are working is, we must never cease to insist that development is about people and not about objects. That the aim of development must be neither producerism nor consumerism, but the satisfaction of fundamental human needs, which are not only needs of humanity, but needs of being as well. We will never deny that subsistence is a fundamental human need which must be satisfied through adequate income, nutrition, housing and work for all.

Manfred Max-Neef

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26 Manfred Max-Neef coined “Barefoot Economics”, as one which economists should view development at the human scale. His theory is that economists tend to sit in their glassed offices on the other side of the continent planning development for the poor and hungry in the developing world, but rather they should get their feet and hands dirty, go walk in the shoes of those they are planning for to really comprehend their developmental and survival needs. For further information, please refer to his essential works: *From the Outside Looking In: Experiences in Barefoot Economics* and *Human Scale Development* (Max-Neef, 1991).
What is also at risk in Ethiopia is the existing diversity of seeds, as it is one of the world’s most genetically diverse countries with countless varieties of wheat, barley, millet, beans, maize and sorghum. These genetic varieties are instrumental for the food security of the Ethiopian, as well as the global future populations. Genetic diversity in food crops is vital, as the lack of diversity in today’s genetically modified and globally produced commodities are vulnerable to pests and disease. Breeding new resistant varieties necessitates the germ-plasma of the ancient varieties which may be threatened by the introduction of commercial farming in Ethiopia. Biodiversity campaigners, such as Vandana Shiva through her activism and several books like *Stolen Harvest: The Hijacking of the Global Food Supply* has for decades warned about corporate control of food and seeds through genetic engineering through Plant Patenting Laws (Shiva, 2000). Land grab is furthering these dynamics, and for this alone vigilance in research and advocacy of local and global food security, biodiversity, environmental sustainability and equitable developmental processes is fundamental.

5.1 Conclusion

It has historically been evident that agriculture plays an important role in the structural transformation of agrarian countries to industrialized nations, but it has been because of its preeminent size, and not its preeminent growth rate (Mellor, Agriculture on the Road to Industrialization, 1995). It has also been recognized that poverty is still a predominantly a rural phenomenon. Thus, for a country like Ethiopia where close to 85% of its population is rural,

27 There have been countless studies on the genetic diversity of seeds in Ethiopia. In fact, it is this diversity which led to the creation of the Ethio-Organic Seed Action, and NGO which is working to protect the rich seed heritage of the country by establishing community-led seed banks. For an extended study on the subject, please refer to an extensive country report on Ethiopia’s biodiversity titled: *Ethiopia: Country Report to the FAO International Technical Conference on Plant Genetic Resources* (PGRC, 1996).
poverty reduction and growth should be focused on agriculture development. However; it must be an integrated macroeconomic development plan, one that addresses all sectors of the economy.

Since it adopted ADLI as the driving force of its development strategy in the early 1990’s, Ethiopia has seen significant economic growth. Under ADLI, the country had adopted three specific strategic planning documents, which have played as the main source of the guiding principles and protocols towards its development. The research has found that, although these plans have been produced by the Ethiopian Government, they have been directly linked to the UN’s MDGs. Furthermore, they have been a pre-requisite for the country in receiving development aid from international development agencies, particularly the World Bank and IMF. Through the research, it was determined that conditions attached to loans received have at times been not in the long-term interest of developing nations. Although Ethiopia has received loans with conditions attached, they have not been significant drivers in the Governments position of large-scale land leasing. However, the heavy cost of meeting MDGs have played some role in Ethiopia’s policy in land leasing.

It is also becoming an accepted belief that development strategies and policies should come from within developing nations themselves, particularly within governments of developing countries. In 2005, the World Bank acknowledged that developing countries should take the driver’s seat in their developing processes and vowed to put fewer conditions on their lending (Koeberle, Bedoya, Silarszky, & Verheyen, 2005). Some governments, like the United Kingdom, have gone as far as to threaten to withhold aid destined for the IDA in protest of the tough conditions attached to World Bank loans (Thorton, 2006). Developing countries are also questioning conditional lending. Egypt was reported to have declined a World Bank and IMF
loan in 2011 because it found the conditional terms of the loan incompatible with national interest (Elkin, 2012).

What the study has further found is that Ethiopia’s major growth and transformation agenda to become a middle-income country by 2025 has been the primary reason for its land leasing policy. In particular, the heavy cost of infrastructure and industry building has left the country to find resources within the country itself. While ADLI and subsequent plans had called for commercialization of farming, they had not necessarily pertained to land grabs per se. However, we find that the latest development plan (GTP) which is to last through 2015, although focused primarily on agriculture, has also addressed other sectors of the economy in a more effective way compared to the two previous plans and their particular implementation period.

What the research has found is that land grabs in Ethiopia began to increase from 2005 onward, peaking at their highest following the global Food Crisis and Financial Crisis of 2007/08. Moreover, land grabs have been difficult to account and monitor in Ethiopia, as the true number of deals and size of land leased differ from one reporting organization to the other, including the Government of Ethiopia itself. What has been universally accepted about land grabs in Ethiopia is that they have had social implications on local populations where land deals have been made, mainly on the forced relocation of peoples through the villigization programs the country has adopted.

Large-scale agricultural development is a long process, and may take several years for there to be production and infrastructure development to materialize. This has been the shortfall of truly measuring land grabs and their economic and social consequences in Ethiopia, as they have been generally significant in numbers only since 2005. Other factors of measuring
agricultural output from land grabs is the fact that the majority of the production of goods from them are exported out to investing originating countries or to the world market, almost always without any export cost, making it almost impossible to track. What we can surely say is that, land grabs in Ethiopia are happening and they are happening at a large-scale, as our data have shown the tremendous growth of agricultural and arable land in the country since 2005. This growth can’t be attributed to local use factors, as the size of growth is too large to be solely of small-scale rural farming.

Although land deals have been made by local Ethiopians, the majority of land deals have been through FDIs. The role of FDIs in Ethiopia’s economic development is important, but they also must be equitable to the local population as well as environmentally sound. The Ethiopian Government’s view on land deals has been that they will further the progress of the agricultural sector, as well as assist in infrastructure building and the overall development of the country. What we have found by looking at both economic and MDG indicators is that Ethiopia had been improving in all areas of development prior to starting its land leasing policies in the mid-2000. It is however difficult to account to the true linkage of development and land leasing policies as they have not been sufficient empirical data on these linkages as of yet. What this research does suggest is that more on the ground research is necessary in the near future on the subject.

While Ethiopia has its own regulations on land deals, currently, there are not any binding international protocols on FDIs on international land investments. What this research recommends is for there to be international guidelines that country’s and foreign investors follow that are binding. Several international organizations have provided some forms of FDI guidelines for land investments. As they are only suggested, they are neither necessarily followed nor binding. Among the more recent and important initiatives was provided by the
sixth ordinary session of the Pan-African Parliament in January 2012, and they are the recommendations that this document also suggests as a working document towards a binding protocol for FDI’s on land in Africa (Table 5.1).

Table: 5.1 Recommendations for Foreign Direct Investments (FDI) on land in Africa

1. Member States to respond to this phenomenon as a matter of urgency and therefore calls on the African Union Commission and the Agency for the Coordination and Planning of New Partnership for African Development (NEPAD) to spearhead this endeavor.

2. Call for a moratorium on new large-scale land acquisitions pending implementation of land policies and guidelines on good land governance.


4. Call for comprehensive land policies that recognize and secure the land rights of citizens as a precondition for any negotiations on investment.

5. Urge for the development and the implementation of guidelines on good land governance in order to enhance a code of conduct for Foreign Direct Investment in Africa.

6. Urge for rules on Foreign Direct Investments in land and related natural resources, building on existing initiatives of the AU, FAO and World Bank, so as to secure benefits of investment for African people and to develop sustainable livelihoods. This includes:
   a) Legally-binding and enforceable obligations on the investor to contribute to the local economy and social wellbeing;
   b) Reducing levels of poverty, improving food security, and protecting the environment;
   c) Increasing employment quantitatively and qualitatively and capacity building and improving infrastructure and technology transfer.
   d) Ensuring effective consultations with local communities and various people affected by investment projects and ensuring that any investment is approved through free, prior and informed consent of affected communities;
   e) Enhancing the system of land certification and registration that take into account different agricultural systems that is to say pastoralist rights, women’s rights and communal rights, prior to land investment.

7. Ensure that Governments are accountable by increasing transparency and making investment contracts and treaties publicly available in a timely fashion.

8. Endorse a process of regional workshops of parliamentarians, politicians, civil society, farmers’ organizations and research organizations, in order to raise awareness on large-scale land acquisition.

9. Support African initiatives to raise awareness amongst national parliaments, citizens and
10. Ensure stronger mechanisms for monitoring an enforcement of domestic Laws, regional Agreements and International Treaties and Conventions.

11. Support for centers of excellence including research institutions to document land-based investments underway and to share information in accessible formats with policy makers, parliamentarians, civil society and affected communities.
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