

2019-07

Challenges and prospects of large scale agricultural investment on investors in Amhara National Regional State: The West Armachiho Woreda.

Wale, Kebebush

<http://hdl.handle.net/123456789/9580>

Downloaded from DSpace Repository, DSpace Institution's institutional repository



BAHIR DAR UNIVERSITY



INSTITUTE OF LAND ADMINISTRATION

Post-graduate program

Challenges and prospects of large scale agricultural investment on investors in Amhara National Regional State: The West Armachiho Woreda.

By: - Kebebush Wale

Advisor: -Melkamu Belachew (PhD, LL.D. Hon)

A Thesis Submitted to Institute of Land Administration for the Partial
Fulfillment of Master of Science in Land Administration and
Management

July, 2019

Bahir Dar, Ethiopia

BAHIR DAR UNIVERSITY

INSTITUTE OF LAND ADMINISTRATION

***DEPARTMENT OF LAND ADMINISTRATION AND
MANAGEMENT***

POST-GRADUATE PROGRAM

***CHALLENGES AND PROSPECTS OF LARGE SCALE
AGRICULTURAL INVESTMENT ON INVESTORS IN
AMHARA NATIONAL REGIONAL STATE: THE CASE OF
WEST ARMACHIHO WOREDA***

BY: - KEBEBUSH WALE

ADVISOR: - MELKAMU BELACHEW (PhD, LL.D. Hon)

***A THESIS SUBMITTED TO THE INSTITUTE OF LAND
ADMINISTRATION, BAHIR DAR UNIVERSITY, IN PARTIAL
FULFILLMENT OF MASTERS OF SCIENCE IN LAND
ADMINISTRATION AND MANAGEMENT***

Approval sheet
Bahir Dar University

Institute of Land Administration

This is to certify that the thesis prepared by Kebebus Wale, entitled: “*Challenges and Prospects of Large Scale Agricultural Investment on Investors in Amhara National Regional State: The Case of West Armachiho Woreda*”, submitted in partial fulfillment of the requirements for the Degree of Master of Science in Land Administration and Management, complies with the regulations of the university and meets the accepted standards with respect to originality and quality.

Signed by the examining committee:

Advisor _____ Signature _____ Date _____

Internal Examiner _____ Signature _____ Date _____

External Examiner _____ Signature _____ Date _____

Chair Person _____ Signature _____ Date _____

Chair of Department or Graduate Program Coordinator

Declaration

I, the undersigned, declare that the thesis comprises my own work. In compliance with internationally accepted practices, I have properly acknowledged and referenced all materials used in this work. I understand that non-adherence to the principles of academic honesty and integrity, mis representation/fabrication of any idea/data/fact/ source will constitute sufficient ground for disciplinary action by the University and can also evoke penal action from the sources which have not been properly cited or acknowledge.

Name: Kebebush wale

Signature: -----

Date: -----

Acknowledgement

I would like to extend my deepest gratitude to the Amhara Region Land Administration and Use Bureau (ALaub) for allowing me to join and pursue this Post- Graduate Program. I am, particularly, thankful to all staff of ALaub for their support and encouragement in the course of the study.

I express my thanks and appreciation to my advisor **Dr. Melkamu Belachew** for his support throughout the development of this thesis. I am also thankful to all academic staff of the Institute of Land Administration, Bahir Dar University, for the assistance they gave me during my stay in the campus.

Above all, I must extend my special thanks to the Almighty God for giving me patience throughout the study program.

I would like to thank various staff of government institutions in surrounding West Armachiho Woreda for their contribution in giving me the required data and information.

Last but not least, I would like to express my deepest gratitude to all my family, friends and colleagues that encouraged and supported me to complete this paper.

Abstract

This study was conducted to assess the challenges and prospects of large scale agricultural investment on investors in Amhara National Regional State particularly in West Armachiho Woreda. Even though various studies' have been conducted with regarding investment there is no research conducted that touches the issues with regard to challenges and prospects of large scale agriculture investment on investors in the study area, as far as my knowledge is concerned. From the common understanding and experience, in the study area, there are many challenges of large scale agricultural investment on investors. So this research is conducted to systematically study these challenges and to come up with actionable recommendations the study employed a cross sectional research design both qualitative and quantitative data were used in this study. Simple random sampling technique has been applied. In light of this, both primary and secondary data were used. Primary data was obtained through questionnaire, key informant interviews and focus group discussions the survey questions were collected from a sample of 88 investors interviews were also held with 16 investors and 4 Woreda land administration experts and one focus group dissociation including 7 persons in front of land administration office. Secondary data was obtained from published materials, books, journals and Woreda annual profile as well as investor proposal. Data collected by survey questionnaires was entered SPSS version 20 and Excel for statistical analysis the general finding of this research that large scale agricultural investment projects have both advantages and disadvantages. The major advantages of large scale agricultural investment were job opportunity it offered to local people, while its negative effects on local people in the study area are deforestation, diversion of river, destruction of wild life habitat and land eviction that increase the hardship on local people. Besides, there are a lot of governance problems in governing Agricultural Investments of the area.

Table of content

Contents	peg
Approval sheet	iii
Declaration	iv
Acknowledgement.....	v
<i>Abstract</i>	vi
I.List of tables	x
II.List of Figures	xi
III.List of Acronyms	xii
CHAPTER ONE: INTRODUCTION.....	1
1.1. Background of the study	1
1.2. Statement of the Problem	2
1.3. Objective of the Study.....	4
1.3.1. General Objective	4
1.3.2. Specific Objectives	4
1.4. Research Questions	4
1.5. Significance of the Study	4
1.6. Scope of the Study.....	5
1.7. Organization of the Research	5
1.8. Definition of Terms and Concepts	5
CHAPTER TWO: LITERATURE REVIEW.....	7
2.1. Agriculture in Ethiopia.....	7
2.2. Background to Large-Scale Land Investment in Ethiopia	8
2.3. Transfer of Land for Large Scale Farming.....	9
2.3.1. How Much Land is transferred?	9
2.3.2. Process of Land Transfer for Large-Scale Investments.....	9
2.3.3. Land to Investors	11
2.3.4. Potential Benefits of Investments to Local Communities	11
2.4. Current and Future Challenges in Investment Policy and Promotion	11
<i>Challenges and prospects of large scale agricultural investment on investors</i>	vii

2.4.1. Internal Economic Challenges	12
2.4.2. External Economic Challenges.....	13
2.5. Investment Legislations and Institutional Arrangements.....	13
2.6. Regulation of Large-Scale Land Transfers	14
2.8. Land Rights in Ethiopia.....	16
2.1.1.Land Administration System	17
2.8.2. Land Registration and Certification	18
2.9. Land Tenure Defined	19
2.10. Land Tenure Issues Arising from Large-Scale Land Investments.....	20
2.11. Land Tenure in Ethiopia.....	21
2.11.1. Land Law	22
2.11.2. Land Policy.....	22
CHAPTER THREE: METHODOLOGY OF THE RESEARCH	23
3.1. Selection of the Study Area.....	23
3.2. Description of the Study Area.....	23
3.3. Research Methodology.....	26
3.4. Research Design.....	26
3.5. Target Population	26
3.6. Sampling Frame	26
3.7. Sampling Technique.....	27
3.8. Sample Size	28
3.9. Data Sources and Type.....	28
3.10. Data Collection Tools	28
3.10.1. Document Review	28
3.10.2. Interview	29
3.10.3. Questionnaire.....	29
3.10.4. Focus Group Discussion.....	29
3.11. Data analysis and presentation	29
CHAPTER FOUR: RESULT AND DISCUSSION	30

4.1. Demographic Characteristics	30
4.2.1. Participation.....	34
4.2.2. Adequacy of legal frameworks	34
4.2.3. Responsiveness of agricultural investment governance	37
4.2.4. Equity and inclusiveness	38
4.2.5. Consensus oriented	39
4.2.6. Effectiveness and efficiency	40
4.2.7. Accountability	41
4.2.8. The Role of Medias	42
4.3. The type of holding of investors	43
CHAPTER FIVE: CONCLUSIONS AND RCOMMENDATIONS.....	45
5.1. Conclusion.....	45
5.2. Recommendations	47
REFERENCES	48
APPENDIXES	51
Annex 1	51
Annex 2	54
Annex 3	55
Annex 4	56

I. List of tables

Table 4-0-1: Gender group of the respondents	30
Table 4-0-2: Age group of respondents	30
Table 4-0-3: Education level of household respondents.....	33
Table 4-0-4: Whether the Governance of agricultural investment is participatory	35
Table 4-0-5: Whether it is easy to generate investment information and able to access land related investment information.	38
Table 4-0-6: Whether Government responded to what investors want in reasonable period of time	38
Table 4-0-7: The governance of agricultural investment activity is based on the consensus of majority stake holders	39
Table 4-0-8: How is accountability being implemented in the governance of agricultural investment.....	42
Table 4-0-9: What is the role of media in the governance of agricultural investment?.....	42
Table 4-10: Investor landholding type is clear and their tenure security is strong.....	44

II. List of Figures

Figure 3.0.1:Map of the study area 25

Figure 4.0.1: Marital status of the respondents 32

Figure 4.0.2: Whether the legislative framework on agricultural investment is adequate 35

Figure 4.0.3: Whether the governance of agricultural investment is responsive 39

Figure 4.0.4: Whether everyone is treated equally during the governance of agricultural investment 39

Figure 4.0.5: Whether governance of agricultural investment system is efficient in general 43

III. List of Acronyms

ACSI	Amhara Credit and Saving Institution
ADB	African Development Bank
ADLI	Agricultural Development led industrialization
ANRS	Amhara National Regional State
AU	Africa Union
DBE	Developmental Bank
EHDAIA	Ethiopian Horticulture Development & Agriculture Investment Authority
EIA	Ethiopia Investment Authority
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
FGD	Focus Group Discussion
GDP	Growth Domestic Product
GoE	Government of Ethiopia
GTP	Growth and Transformation Plans
Ha	Hectare
Km	Kilo Meter
LAS	Land Administration System
LSAI	Large Scale Agricultural Investment
LSLBI	Large Scale Land Based Investment
LSLT	Large Scale Land Transfer
°C	Degree Celsius
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
SMEs	Small- and Medium-sized Enterprises
SNNPR	Southern Nations Nationalities and Peoples Region
SPSS	statistical package for social science
TNC	Trans-National Corporations
UN	United Nations
US\$	United States Dollar
USD	United States Dollar
WB	World Bank

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

Investment is the employment of funds with the aim of getting return on it. In general terms, investment means the use of money in the hope of making more money. In finance, investment means the purchase of a financial product or other item of value with an expectation of favorable future returns. Investment refers to the concept of deferred consumption, which involves purchasing an asset, giving a loan or keeping funds in a bank account with the aim of generating future returns. Various investment options are available, offering differing risk-reward tradeoffs. Agricultural investment is the most important and most effective strategy for poverty reduction in rural areas (Pascal Liu,2014) where the majority of the world's poorest people live and large scale investment agriculture increase food security, highly profitable business, creates job opportunity, promotes technology transfer, Export promotion, enables capital accumulation, Works under and with nature, Environmentally-friendly business, Enhances land value (FAO, 2014).

Agricultural investment is also essential to eradicating hunger through all of the dimensions of food and nutrition security. Agricultural investment by farmers or the public sector that increases productivity at the farm level can also increase the availability of food on the market and help keep consumer prices low, making food more accessible to rural and urban consumers. Lower priced staple foods enable consumers to supplement their diets with a more diverse array of foods, such as vegetables, fruit, eggs, and milk, which improves the utilization of nutrients in the diet. Finally, agricultural investments can also reduce the vulnerability of food supplies to shocks, promoting stability in consumption Small scale agriculture as practiced in Uganda and probably many Sub Saharan Africa countries is faced with many constraints that limited the returns to agriculture. Because lack of mechanization farming, and limits to expansion of production due to the limitation of the hand hoe to open large areas for production (ibid).

In Ethiopia, agriculture is a source of livelihood for overwhelming majority of the population. It is the main source of food and cash. There are two main investment interests in large scale agricultural investments; these are (1) investments for growing food or agro-industry crops and (2) those for the purpose of growing biofuel. Investment in food crops include rice, maize, pulses and edible oil crops (like sesame) whereas the major agro-industry crops grown are cotton and sugarcane. Large scale

agricultural investments can also be carried out for growing biofuel plants such as palm oil trees, and castor oil trees (Rahm to, 2011).

Ethiopia is one of the developing countries that are increasingly attracting foreign investment in their agricultural sector recently. Over the past ten years, the Government of Ethiopia (GoE) leased out large tracts of land for investors, mainly foreign investors. One of the features of LSAI in Ethiopia is that lands given to foreign investors are larger than those given to domestic investors. This is because of the belief by the government that foreign firms are capitally and technologically better equipped than the domestic ones to carry out big investments successfully in addition, the government offers very generous incentives for foreign investors including lower capital requirement, guarantee against expropriation or nationalization and attractive financial incentives, such as exemptions of income tax on exports (tax holidays) and free custom duties on imports (Ibid).

Agriculture is the back bone of the Ethiopian economy. The large scale agricultural investment also contributes a lot for the economic development of the country despite it has its own adverse impact on livelihood of displaced people and the environment. Therefore, the main aim of this research is to assess the challenges of Large Scale Agricultural Investment on Investors in Amhara National Region State: In the Case of West Armachiho Woreda specifically by focusing on issues that are not adequately covered by other researches already done.

1.2. Statement of the Problem

As far as large scale land investment is concerned Sintayehu, D. (2016), come up with interesting findings and recommendations. He asserted that the sector is prone to corruption and recommends for the full consultation of local communities before the start of the project, and the inculcation of corporate social responsibility of investors in the contract (WB, 2014). LSLBI should respect human rights of communities, contribute to the responsible governance of land and land-based resources, including respecting customary land rights and are conducted in compliance with the rule of law (AU, 2014). Plus, to this, decisions on the LSLBI should be in accordance with good governance principles. Otherwise, it is the investor himself who will face the problem.

The Ethiopian Government has leased a vast area of land to foreign as well as domestic investors (J. Keeley and et al, 2014). As to him monitoring and evaluation of land deals remains a major challenge, given the size of many regions, the remoteness of investment locations and lack of staff and vehicles. From this paper what we analyze is that there is bad governance in the administration of large scale

investment lands. Land rental prices are low, as little as US\$ 2 per ha, per annum in some regions, and in some cases, land has been taken for speculative purposes or to take advantage of tax and financial privileges. Some land leases are very large: eight are over 25,000 ha and one is 100,000 ha. Land allocations in some lowland areas have the potential to significantly undermine pastoralist systems, as access to important water resources is lost. Despite the fact, that the above findings are some of the problems that investors are facing, these issues are not proved whether they exist in the study area or not.

In West Armachiho Woreda even though various study's conducted with regarding investment however there is no research conducted that touches the issues with regard to challenges of large scale agriculture investment on investors, as far as my knowledge is concerned. From the common understanding and experience, in the study area, there are many challenges of large scale agricultural investment on investors. Among these shortage of credit facilities, legal lacuna (It is not possible to access credit for a land less than 50 hectares in DBE and Dashen Bank except ACSI), the time of repayment of the loan accessed is very short, the maximum threshold to borrow is even minimal, investors are obliged to use unsuitable fertilizer, shortage of laborers, value chain and market linkage problems, natural disasters (draught); and conflict with the government with respect to payment of land lease rent. Generally, even though these problems are commonly understood it needs to investigate the challenges of large scale agricultural investment by using scientific research methodology and pinpoint the challenges of the sector so as to recommend for the enhancement of the same.

1.3. Objective of the Study

1.3.1. General Objective

The main objective of the research is to assess the challenges and prospects of large scale agricultural investment on investors in Amhara National Regional State particularly in West Armachiho Woreda.

1.3.2. Specific Objectives

To achieve the general objective, the following specific objectives are designed:

- ❖ To assess the challenges of considering investment holding as one land tenure type in the Ethiopian legal system;
- ❖ To examine the regulatory/legislative framework on LSAI in Ethiopia-Amhara; and
- ❖ To examine the social impacts of large scale agricultural investment.

1.4. Research Questions

The following are the research questions.

- ❖ What challenges does the LSAI facing considering investment holding as one land tenure type in the Ethiopian legal system?
- ❖ What regulatory/legislative frameworks govern LSAI in Ethiopia-Amhara?
- ❖ What social impacts does large scale agricultural investment have?

1.5. Significance of the Study

This study is very important for researchers, academicians, students, policy makers and investors themselves. It shows the challenges of Large Scale Agricultural Investment on Investors in Amhara National Regional state West Armachiho Woreda. This is very relevant specifically for policy makers since it can identify the bottlenecks of Large Scale Agricultural Investment in the study area so as to enhance the sector and making it contribute for the country's development. Most importantly, the finding of the study can serve as a base for other researchers who want to investigate further on the area of the study.

1.6. Scope of the Study

The specific study area of this research is West Armachiho Woreda of Amhara National Regional State. In terms of its focus area, the scope of the paper is limited on the challenges of large scale agricultural investment on investors. Even though there are many problems related to large scale agricultural investment in the study area, due to time and financial limitations as well as data manageability issue, the study focuses on challenges and prospects of large scale agricultural investment and the legal frameworks governing the LSIA in the country and specifically in the region which is currently hot issue in the Woreda.

1.7. Organization of the Research

The study is presented in five chapters. The first chapter is an introductory part which includes background, statement of the problem, research objectives, research questions, significance and the high lights of the study area. Chapter two of the paper shows the relevant literature review which deals with the basic concepts of large scale agricultural investment and the findings of other research's conducted on the matter. The methodology used to achieve the objective of the study inculcating description of the study area is outlined in chapter three. Chapter four presents result and accompanying discussions. The conclusion and recommendation are distilled in chapter five of the paper.

1.8. Definition of Terms and Concepts

Land; is a means to the sustainability of life on earth because it is an ultimate resource and the source of all wealth. The rights to own or use land are as much a part of the land that is like the object rooted in the soil. Therefore, land is both a physical commodity and an abstract concept. It is the foundation of all forms of human activity; from which we obtain the food we eat, the shelter we need, the space to work, the room to relax and represents basic component of ecosystem. Globally for present and future generation attentive and watchful stewardship of the land together with the more intensive use and management of its resources is required.

Investor: The corporation(s) or individual(s) implementing the agricultural include both foreign and domestic investors. In some cases, such as family businesses, the ultimate owners of the project are also those responsible for its implementation. In other cases, such as publicly listed companies or

investment funds, the ultimate owners are disparate and hence investor refers to the company implementing the projects visited.

Agricultural investment: Agricultural investment is commonly defined as land and attachment of land that made to or on the land, including fixed structures and different buildings to the investment land. The term is also used to describe the “bundle of rights” associated with the ownership and use of the physical characteristics of space and location. Finally, Agricultural investment may be described as the business activities related to the development, construction, acquisition, operation, and disposition of real property assets.

Large Scale Agricultural Investment: Large scale agricultural investment as one of the most important and effective strategies for economic growth, food security, and poverty reduction in the country. Large-scale land investment is an important part of the Ethiopian government’s strategy for development of the country. Agriculture is at the heart of the country’s economy, contributing 50% of GDP, 85% of employment and 85% of exports. Nevertheless, Ethiopia is chronically food insecure, with significant food deficits each year. In the highlands plots are small, dependent on erratic rainfall and low in productivity. Lowland livelihoods in rural areas are heavily-dependent on pastoralism, agro-pastoralism or shifting cultivation.

CHAPTER TWO: LITERATURE REVIEW

2.1. Agriculture in Ethiopia

The risk for annual droughts and intra-seasonal dry spells is very high in Ethiopia, due to highly variable and intensive rain falls. Very small proportions (around 10 percent) of the total cereal croplands are irrigated. The ones irrigated are those which are industrial crops such as cotton, sugarcane and flowers, whereas export crops such as oilseed, pulses and coffee are mostly rain-fed. Because of drought, farm production can shrink up to by 90 percent from normal output. In addition to that, the extremely degraded quality of land constrains the long-term ability of the country to withstand drought. The five commonly used agricultural production systems in Ethiopia are discussed as follows.

Mixed farming system of the highland: This covers around 45 percent of the total land mass in areas at more than 1500 meter above sea level and practiced by about 80 percent of the population in the sector.

Mixed agricultural production system of the lowland: This is mainly used to produce drought tolerant varieties of maize, wheat, sorghum and teff along with lowland pulses and some oil crops. This production system is practiced in low-lying areas with elevations of less than 1500 meters.

Pastoralism: This covers the Afar and Somali regions, and the Borena zone in the south of the country and it supports the livelihood of around 10 percent of the total population.

Shifting cultivation: This is a common practice in the western and southern parts of the country. After short periods of cultivation, fields are usually left idle to re-vegetate (mostly 1-2 years). These areas have low population densities.

Commercial agriculture: A farming system which emerged very recently. Even though, there is some investment in the lowland mixed agricultural production system areas and in some pastoralist areas, the majority of land investment currently is occurring in the areas where shifting cultivation is practiced (Mesfin, 2013).

According to Shimelles (2009), Ethiopia's principal natural resource is its rich endowment of agricultural land. Agriculture which constitutes 46 percent of GDP directly supports about 85% of the population in terms of employment and livelihood; contributes about 50% of the country's gross

domestic product (GDP); generates about 88% of the export earnings; and supplies around 73% of the raw material requirement of agro-based domestic industries. It is also the major source of food for the population and hence the prime contributing sector to food security. In addition, agriculture is expected to play a key role in generating surplus capital to speed up the country's overall socio-economic development. Small-scale farmers who are dependent on low input and low output rain fed mixed farming with traditional technologies dominate the agricultural sector. This sector is given a top priority by the present government which has taken steps to increase its productivity. Because the policy is ADLI which is the agricultural sector is expected to lead the industry sector. Even though, the sector is given a top priority, still it is lagging behind. There are various problems are holding this back. One major cause of underproduction is drought, which often causes famine and floods.

2.2. Background to Large-Scale Land Investment in Ethiopia

Ethiopia is a highly diverse country geographically, ethnically, linguistically and in terms of livelihood systems. Large-scale land investment is an important part of the Ethiopian government's strategy for development of the country. According to the Imeru, 2010 the Ethiopian economy is fundamentally rural and relies heavily on the agricultural sector which contributes to nearly half of the GDP, 85 percent of exports and 85 percent of total employment. Agriculture in Ethiopia is dominated by small-scale farmers who earn their livelihood primarily from subsistence rain-fed agriculture with only limited use of modern inputs. In the highlands of Ethiopia, where the majority of the country's population live, the holding size is very small and highly fragmented, rainfall patterns volatile and levels of productivity very low. As a result, the country has always been suffering from persistent food shortages particularly evident in times of famine. Lowland livelihoods in rural areas are heavily-dependent on pastoralism, agro-pastoralism or shifting cultivation. Bekure 2017 do support the pastoralism way of life. They are saying that the way of life which pastoralists exercise is much better that the highlands do. They have better annual income compared with those whose livelihood is sedentary. Land investment in Ethiopia proceeded initially in a chaotic fashion. This is especially the case in some regions where land has been given out without proper scrutiny of investors, environmental impact assessments or monitoring of performance. Even with federal land agreements progress on implementation has been slow. Governments at both federal and regional levels are now working to address some of these difficulties with temporary moratoriums on further

land deals, and planning to put in infrastructure in remote regions to speed up implementation of agricultural production plans and attract higher-quality investors (James Keeley *et al*, 2013).

Investment in and maintenance of yield-enhancing infrastructure and irrigation has been low which has been partly attributed to low levels of perceived tenure security. Even public investment in irrigation may either not be maintained properly or be used to its full potential without clear and secure property rights to land. Large scale investment in more mechanized types of farming can potentially provide an option in remote regions but will not help create employment or sustainable development in the country's core.

2.3. Transfer of Land for Large Scale Farming

2.3.1. How Much Land is transferred?

Though there are no comprehensive and accurate data on how much land has been given out to date and how much of it is being used or lying idle in Ethiopia, under its Program of Large-Scale Farmland Investments, a program to transfer land in the lowland parts of the country for investment, the government has leased out tracts of land to foreign as well as domestic investors and plans to lease out more. There is a great discrepancy between different studies on the land available and transferred for large scale investment. As per Agricultural Sector Policy, a policy for the agricultural sector of the country, Ethiopia is said to have large uncultivated arable land that can potentially be developed for agricultural purposes. The country has about 51.3 million hectares of arable land, out of which only about 11.7 million hectares are currently being utilized. The World Bank report notes that the total amount of land transferred to investors in Ethiopia between 2004 and 2008 amounted to 1.2 million hectares. Yet another report from the Oakland Institute estimates the total amount to have reached more than 3.6 million hectares as of January 2011. Some scholars put the estimated amount of already transferred land at 3.5 million hectares. Some other international activist organizations suggest far higher figures. Thus Land Matrix reports that around 5.3 million hectares of land have been transferred to investors for large scale agricultural investment in Ethiopia (Alelegn, 2018).

2.3.2. Process of Land Transfer for Large-Scale Investments

The government is empowered to handle the administration of rural land (allocation and transfer of large scale agricultural investments) in existing land tenure system in Ethiopia. To this, regional states have constitutional mandate to exercise administrative powers on allocation and transfer of rural land

for investors and also the power is delegated to them as per federal land laws. However, currently, the federal government has established another organ which is responsible to administer the allocation of rural land for investment purposes on the bases of delegation by regional states. Its name is changing overtime which includes Agricultural Investment Support Directorate or Ethiopian Agricultural Investment Land Administration Agency or Ethiopian Horticulture Development & Agriculture Investment Authority. Now it is dissolved and merged with Ministry of Agriculture and Investment Commission (Alelegn, 2018).

In relation to the action of the federal government, there is no constitutional backing which recognizes upward delegation of mandates given to regional states. Regional states are not constitutionally mandated to delegate federal government to administer their land. Power of delegation is rather given for the federal government to delegate regional states to enact land administration laws including agricultural investment lands under article 50(9) of the constitution. In any case, the Council of Ministers issued the Ethiopian Agricultural Investment Agency Council of Ministers Regulation no 283/2013. In this regulation plots of over 5,000 hectares were to be administered by federal authorities and included in a land bank. The Land Bank is managed by Ethiopian Horticulture Development & Agriculture Investment Authority (EHDAIA) which was accountable to the Ministry of agriculture and administers land available for agricultural investment in the country. Thus, as per the regulation, regional states can only manage land deals with less than 5,000 hectares leaving much of the responsibilities of managing the process of large scale land acquisitions to the Federal Government. But at this time, the Authority is merged with Ministry of Agriculture and Investment Commission and the delegated power given for the federal government is given back for the regions (Ibid).

A new directive was issued in 2017 to incentivize commercial farmers by providing lower lease fees and extended contract periods, to attract more investors in commercial farming by expanding incentive packages. The new directive focuses on extending lease contract periods, lowering lease contract fees and reducing procedures which the investors go through to get the farms and puts all the farms in the federal system and the lease period is three decades all across. Also, the new directive gives the mandate of processing commercial land only to Ethiopian Horticulture Development & Agriculture Investment Authority (EHDAIA) in contrast to the previous directive where investors were getting land from the regional investment offices and the former Agricultural Investment Land Administration Agency (Alelegn, 2018).

2.3.3. Land to Investors

The allocation of farm land to investors in various parts of the country has been going on since the second half of the 1990s, but in the period up to the end of 2002, those requesting land were predominantly local investors and the land granted was for the most part small in size, less than 500 hectares. Foreign investors began to show keen interest following the enactment of the Investment Proclamation 769/2012 and 849/2014 and as the success of the floriculture business in winning a growing market in Europe and elsewhere became apparent. The years between 2003 and 2007 were the boom years for cut flower exports in this country. The demand for land by investors, particularly foreign ones, began to increase sharply from 2006, and in 2008 there was what amounted to a mad rush to get access to land by both groups, local and international investors, with many applicants requesting large tracts, some measuring 10,000 hectares or more. More than one-third of the land allocated to investors by the regions in the ten-year period was given out in 2008 (Dessaegn, 2011).

2.3.4. Potential Benefits of Investments to Local Communities

The UN Food and Agriculture Organization (“FAO”) and others have concluded that large-scale development projects can bring significant benefits to developing countries and their people. The World Bank, has promoted substantial agricultural investment projects in sub-Saharan Africa as an important part of the region’s poverty alleviation strategies. Specific benefits are said to include modernization of agricultural production; stimulation of the rural economy; lower production costs and increased returns for farmers; technology transfers; employment creation; diversification of rural livelihoods; development of backward/forward linkages in agricultural industries; development of natural resources; infrastructure development (roads, schools, health centers, housing, ports, wells and water services, etc.); possible increases in food production for domestic markets; smallholder access to extension and financial services, inputs, and a reliable market; and increase in GDP growth and government revenue (Darryl, 2010).

2.4. Current and Future Challenges in Investment Policy and Promotion

In evaluating the effectiveness of Ethiopia's investment promotion activities and the challenges ahead, it is important to briefly consider the domestic and global economic and business environment in which Ethiopia Investment Authority (“EIA”) and associated ministries and agencies must operate. It will be especially important to see Ethiopia's investment challenges and potential through the

perceptions, expectations and knowledge of foreign investors from particularly those outside the region. To that end, this section addresses the internal and external investment challenges facing Ethiopia and identifies the areas of potential investment opportunities (UN, 2002).

2.4.1. Internal Economic Challenges

Among the specific economic challenges and constraints that were identified, the following five require highlighting:

- ❖ The comparatively poor infrastructure in many parts of the country, especially in relation to transportation, power and telecommunications;
- ❖ The perceived over-regulation of the economy which diverts scarce management resources from more productive activities; and a continuing ethos of state sector bureaucracy;
- ❖ The perpetuation of State control over important aspects of international business operations (e.g. imports of equipment and fuels), together with a myriad of regulatory procedures and approval processes associated with business activities;
- ❖ A shortage of modern management skills and culture in the local private and public sectors, making it difficult to benefit from existing and potential international investment; although this is again an area where local business executives see a rapid pace of improvement;
- ❖ The absence of an experienced business development framework that can assist local Small and Medium Enterprises (SMEs) to improve competitiveness as suppliers to incoming Trans National Corporations (TNCs). There is also lack of provision of efficiently serviced sites to host new Foreign Direct Investment (FDI) facilities and gaps in other essential economic development services to both local and international investors.

These are serious concern given the relative nervousness of international investors in considering countries as potential investment locations. The Government must not underestimate the importance of an active public relations exercise in influencing the external perception of a country. As noted above, the perception of local FDI executives (both expatriate and Ethiopian) is also an important determinant of future inward investment flows. As negative images spread rapidly within corporate networks, they tend, unless actively combated, to persist long after the events have declined or disappeared (UN, 2002).

2.4.2. External Economic Challenges

The prospective global FDI environment which is currently facing major structural and qualitative changes will also have impact on both the level and location of capital flows. There is little Ethiopia can do to influence such shifts, but awareness of them will enable future investment promotion activity to be carefully targeted to appropriate areas of opportunity and potential. The most important structural FDI trends likely to dominant the next decade is:

- ❖ Increasing concentration of corporate organizations through mergers and acquisitions (now including multi-nation mergers) resulting in globalization of corporate structures and activities and a consequent rationalization and contraction of production and support facilities into big units serving wide regions;
- ❖ The parallel move by global corporations into single sourcing of materials, components and the supply of manufacturing services, thus making it difficult for local suppliers to benefit from FDI purchasing linkages which, in turn, can encourage FDI enclaves though, generally, this is less important in the agriculture and raw material sectors;
- ❖ Globalization of manufacturing production and the lowering of costs of transport will open up opportunities for emerging nations to effectively bid for the next generation of manufacturing and production plants through lower labor costs, as TNCs close old vintage plants and replace them with vintage units in cost competitive countries. The trend toward a post-manufacturing international economy also means proportionately fewer mobile large-scale industrial plants to bring technology and skilled employment benefits to host nations. New technologies, in particular information and telecommunications technologies, are enabling future services of FDI to be operated from virtually anywhere on the globe provided skilled people are available.

2.5. Investment Legislations and Institutional Arrangements

Since the introduction of reforms in major sectors in 1992/93, the regulatory regime governing FDI has evolved to a great extent. The most significant initiatives for attracting foreign investment and encouraging large scale farm investment were however the formulation of the 2002 Investment Proclamation (No. 280/2002) and the amended Investment Proclamation of 2003 (No. 373/2003). The first proclamation identified the need to attract foreign investors, in addition to domestic investors in order to enhance the country's investment activities (FDRE, 2002a). This proclamation was,

however, amended with the 2003 proclamation which incorporated some changes in the original text of the former, including renaming of the Ethiopian Investment Authority as Ethiopian Investment Commission (FDRE, 2003b). One of the notable provisions in these proclamations was the incentives allotted for foreign investors (Desalegn, 2013).

Generally, the investment legislations are very generous to foreign investors, who must meet the following light conditions to be allowed to start up a venture (FDRE 2002a: Article 11). First, any foreign investor must allocate a minimum capital of \$ 100,000 for a single project he is willing to set up in Ethiopia. A foreign investor who shall launch business jointly with domestic investors is required to allocate a minimum capital of \$ 60,000 (FDRE 2002a: Article 11). However, the capital limits could be less if investors want to engage in other businesses like engineering, architectural, accounting and audit services, project studies or business and management consultancy services or publishing. In such cases, a foreign investor must allocate \$ 50,000 if the project is set up alone and \$ 25,000 if it is to be undertaken jointly with a domestic investor. Second, a foreign investor who reinvests his/her profits/dividends, or who exports 75% of his output shall be exempted from allocating the above minimum capital requirements (Ibid).

According to Dessalegn (2011), the investment legislation is very generous to foreign investors. The capital requirements of foreign businesses wishing to invest in the country ranges from zero (for those which export 75 percent or more of their output), to 25,000 USD (if they are in joint venture with domestic investors) to 100,000 USD. Foreign investors have the right to fully repatriate, in convertible currency, profits and dividends, principal and interest payments on external loans, proceeds from technology transfers, and from asset sales in the event of liquidation of the investment, and proceeds from the transfer of shares or ownership to a domestic investor. Expatriates employed in an enterprise may remit in foreign currency salaries and other payments accruing from their employment. Investors, foreign or domestic, are guaranteed against expropriation or nationalization except as required by the public interest. In the event this happens full compensation is payable at the prevailing market value. Foreign investors may repatriate compensation paid in foreign currency.

2.6. Regulation of Large-Scale Land Transfers

Currently, large scale land deals attracted the attention of researchers, local communities, host governments, investors and international institutions. Because of this, voluntary guidelines, declarations and agreements are adopted by international donors as well as African countries. In fact,

as most of declarations and guidelines are not mandatory, the enforcement problem will happen. The World Bank principles on responsible agricultural investment, FAO voluntary guidelines on the responsible governance of tenure of land, fisheries and forests, guiding principles on large scale land based investments in Africa, declaration on land issues and challenges in Africa, Nairobi action plan on large scale land based investments in Africa, the AU agenda on large scale land based investments in agriculture, analytical framework on land based investments in African agriculture and other principles and measures adopted relating to food are some of the regulatory frameworks of large scale land deals. Though they are voluntary and non-binding, these all guidelines, declarations, principles, governance frameworks, action plans and programs are developed based on an inclusive process of consultations and workshops held in different countries. They may provide a framework that all stakeholders can use when developing national policies, programs, regulatory frameworks, corporate social responsibility programs, individual agreements and contracts. Depending upon the document, consultations included governments, UN agencies, civil society and non-governmental organizations, international agricultural research institutions, private sector associations, and international and regional financial institutions (MOARD, 2008).

2.7. Legal Frameworks Regulating LSLBAI in Amhara Region

As domestic regulatory instruments of large scale land deals, the FDRE constitution, federal and regional investment and land laws as well as land lease agreements are applying. When we come specifically to Amhara region, it is the Revised Rural Land Administration and Use Determination Proclamation number 252/2017 that governs the issue at hand. Under article 5 of this proclamation it is stated as one basic principle that the investment expansion work in rural areas shall be implemented gearing towards job creation for the youths and fostering technology transfer. So Job creation and technology transfers are the major objectives of agricultural investment in the region.

Article 22 of the proclamation governs transfer of rural land for agricultural investment. The following are some of the concepts: -

- Private investors who want to engage in any kind of agricultural investment activity may acquire rural land, needed for this objective, competing in tender.
- The land request presented by private investors is responded by making a public competition between and among them.

- The blocking or column system is being functional in areas of the region where wide agricultural investment is taken place.
- Any rural land which will not be used for cereal development in any area will be made for suitable agricultural forest being included in investment based on the rural land use plan.
- Two or more private investors, based on this proclamation and other pertinent laws, regulations and directives, may develop jointly being agreed, the rural investment land found in lease.
- The maximum lease year of rural land which will be used for agricultural investment shall be for 30 years. Hence, if there is any rural land lease made for more than 30 years, it is presumed as for 30 years in accordance with this proclamation. A contract may be renewed when the duration of the contract is over.

2.8. Land Rights in Ethiopia

According to the 1994 Constitution, all land in Ethiopia is owned by the state and the people. This means that the federal and regional governments have a key role to play in managing the land investment process. It also means that land can only be leased, rather than bought and sold. According to Dessalegn, Ethiopia lacks a 'robust system of land tenure'; farmers only have rights to rent land, and land use is subject to several conditions and the possibility of expropriation for private investment (Dessalegn, 2011). The 2005 Federal Proclamation on Land Administration and Use declares that, 'the government as sole owner of rural lands may change communal holdings to private holdings as may be necessary'. Processes of land certification have been carried out in Amhara, Tigray, Oromia and SNNPR regions, and are currently underway in Benishangul-Gumuz and Gambella. Although the constitution asserts that: 'Ethiopian pastoralists have a right to free land for grazing and cultivation as well as a right not to be displaced from their own land', certification of land use for pastoralist or other uses is limited, largely because no effective system has been developed to certify group rights (James Keeley et al, 2013).

Rights to land depend on different systems of authority for their validation. These include patrilineal hierarchy, traditional leadership, community councils, local government, irrigation authority, city council and land agency (Daniel, 2012). The different forms of power exercised by each may depend on a combination of legal judgment, physical force, spiritual values and moral authority. But the problem with such multiple structures is, the contradictions and insecurity which it brings regarding

whose will be supported in the event of contest, whose rights count, and which decision-making structures are paramount. In a situation of rising competition for land, and with the establishment of new systems of local government, there is room for considerable uncertainty, negotiation and opportunistic behavior (Daniel, 2012).

2.1.1. Land Administration System

As Williamson et al (2010) state, land administration system provides a country with the infrastructure to implement land-related policies and land management strategies. “Land” in modern administration includes resources and buildings as well as the marine environment, essentially the land itself and all things on it, attached to it, or under the surface. Land administration as a discipline relies principally on engineering methodology to design, build, and manage effective institutional infrastructure to achieve established policy goals. Creating and managing dynamic real estate markets are the most common reasons why governments invest in LAS. Countries wanting an effective land market need to bring land into a market distribution system. This involves identifying both the land and the commodities related to that land through suitable infrastructure. When infrastructure (including core land administration institutions and processes related to tenure, value, use, and development) is built to support the land management paradigm, daily functions of the market are capable of delivering sustainable development, including social and environmental goals, not just economic goals.

The land management paradigm allows detailed examination and understanding of land markets and suggests opportunities for substantial improvement of LAS design. Practically speaking, however, relating markets to a land management paradigm is a remote vision for most countries, and achievable by very few. In the short term, our understanding of how LAS works with land markets needs improvement (ibid).

Most existing LAS treat land markets only as simple land trading; the land itself is perceived as the commodity. Descriptive and analytical literature about land markets generally comes from the discipline of economics and focuses on the activities of buying and selling, leasing, developing, using capital, raising credit, and so on. The business end of land markets also receives a great deal of attention because it is the public face of local, and even global, land markets. Comparative economic analyses track relative levels of market activity, pricing, and investment patterns. New approaches are evident within the framework of economics. Under “new institutional economics,” economists

can use a multidisciplinary approach to examine the relationships between the institutions of property rights and the economic activities involved in land use, particularly those promoting sustainability (Auzins, 2004).

Well-functioning land institutions and markets also improve the environment for investment because ability to use easily transferable land titles as collateral reduces the cost of accessing credit for entrepreneurs, thus increasing opportunities for gainful employment and contributing to innovation and the development of financial systems. Even in developed countries, more than two thirds of small business loans are secured against land and real estate. In Eastern and Central Europe, formal land titling, especially in urban and peri-urban areas, helped to start mortgage markets that now comprise a large part of overall lending (Deininger, 2005)

2.8.2. Land Registration and Certification

Land registration is a process of recording rights on land which provides safe and certain foundation of acquisition and disposal of rights in land, where disposition includes transfer, leasing and mortgage (investors) of the holding rights in the context of Ethiopia land policy.

It was Emperor Menelik who issued a decree that initiated the country's land registration and cadaster survey in Addis Ababa in 1909 (Pankhurst, 1966). Thus, the land owners were to be given a certificate referred to as "Yarest Woreqet" (title deed), which was to be written in Amharic and French with a map showing the boundary of the land.

During the reign of Emperor Haile Selassie, the Ministry of Land Reform and Administration was engaged in measuring and registering rural land in collaboration with the Mapping Agency until 1974. This involved cadaster survey to create the system of free hold tenure, register individual title to land and institute land sale (Hoban, 1973).

After the land reform of 1974, during the Derg period, the newly established lower administrative structures (PAs) were given the power of registration, including the boundary of area for which they are responsible. The register listed the names of all Peasant Association (PA) members entitled to user rights. The information collected in the registry was used for taxation and during land redistribution. However, the users of the land had no document except their tax receipts.

Currently, tremendous efforts have been made in issuing land certificates that indicate the land holder's name, location and area of parcels, neighboring holders, etc., to implement the laws and

regulations issued in regional states. The 2010 annual report of Ministry of Agriculture shows that from the expected 50 million parcels in the country some 15 million are registered and about 10 million are certified. Certification has a paramount importance in reducing disputes. Especially the disputes that exist between peasants and investors can be reduced by giving certificates for both. The registration and certification can show who owns what and the boundaries of those holdings too.

2.9. Land Tenure Defined

To evaluate the impact of large-scale land development projects on the land rights of Ethiopian Peasants and “pastoralists”, it is useful to begin by defining the important terms.

“Land tenure,” simply put, is the relationship between people and land. That relationship is typically defined in terms of various “land rights” such as rights relating to possession, exclusion, use, transfer and enjoyment. “Land tenure security” exists when an individual or group can confidently enjoy rights to a specific piece of land on a long-term basis, protected from dispossession by outside sources, and with the ability to reap the benefits of investments in the land, at least through use and, probably desirably in most settings, also through transfer of the land rights to others. Land tenure includes formal rights such as ownership rights acquired through purchase or inheritance and legally protected tenancies. Where such formal rights are recorded in land records or at least reflected in a written agreement, tenure security tends to be relatively strong. Tenure security is likely to be weak in the case of unrecorded ownership rights and oral tenancies. Land tenure rights may also arise from customary law, which exists in many parts of Africa. Contrary to formal law, customary law usually applies to a self-identified group based on the group’s traditions (Darryl, 2010).

Customary land tenure systems are comprised of bundles of individual, family, sub-group and larger group rights and duties concerning a variety of natural resources. The community usually allocates residential and arable land to individuals or families, who most often hold them with strong and secure rights and cultivate them separately. Families and larger clusters of households sometimes also have preferential rights to common pool resources such as water sources or desirable grazing areas. Customary law is usually unwritten, may be unknown to outsiders and not recognized by formal law. It may even conflict with formal law. There are two key differences between formal and customary land tenure systems. First, formal systems generally allow relatively unrestricted transferability of rights whereas customary systems often allow transfer only within the group. Second, formal systems usually give the possessor of land the right to exclude others. Ordinarily, customary systems are more

inclusive and may involve, for example, shared rights to use land among families for different uses (such as seasonal cultivation and grazing) (ibid).

According to Shimelles (2009), land tenure is often categorized into different types as indicated in the following.

Private: The assignment of rights to a private party who may be an individual, a married couple, a group of people, or a corporate body such as a commercial entity or non-profit organization. For example, within a community, individual families may have exclusive rights to residential parcels, agricultural parcels and certain trees. Other members of the community can be excluded from using these resources without the consent of those who hold the rights.

Communal: A right of commons may exist within a community where each member has a right to use independently the holdings of the community. For example, members of a community may have the right to graze cattle on a common pasture.

Open access: Specific rights are not assigned to anyone and no-one can be excluded. This typically includes marine tenure where access to the high seas is generally open to anyone. It may include rangelands, forests, etc., where there may be free access to the resources for all. An important difference between open access and communal systems is that under communal system non-members of the community are excluded from using the common areas whereas in open access no one is excluded from using the resource.

State: Property rights are assigned to some authority in the public sector. For example, in some countries, forestlands may fall under the mandate of the state, whether at a central or decentralized level of government.

2.10. Land Tenure Issues Arising from Large-Scale Land Investments

Development projects that transfer ownership or long-term use rights to the investor can undermine the formal or customary land rights of local rights holders. This can arise where (1) formal rights are ignored or taken without adequate compensation; or (2) customary law and formal law come into conflict where formal law makes customary rights illegal or where the formal law legalizes land rights that are inconsistent with or not recognized by customary law. The latter often occurs where the government considers the land to be state owned. Commercial investment in formally recognized private land in host countries appears to be less common than investment in state-owned land.

However, sales and leases involving privately owned land do occur, especially where an investor seeks to acquire a large parcel of land owned by multiple smallholders. Issues of free, prior, and informed consent, due process, and fair compensation arise prominently in such cases. Most large investment projects in Africa involve long-term leases of government-owned land. The state often owns the largest tracts of land in African countries, and it is often easier for investors to obtain rights to state land than through negotiations with multiple private landholders. The public nature of the land does not, however, eliminate the risk of adversely impacting the population. In many countries, state land is a resource relied on by households for generations, and their rights may be recognized by customary, if not formal, law. Disputes over whether land is truly unused take front and center in such situations. Customarily recognized land tenure rights often become threatened as those rights may be ignored or marginalized when land ownership or use rights are transferred to outside investors (Darryl, 2010).

2.11. Land Tenure in Ethiopia

Over its long history, Ethiopia has had a variety of land tenure systems and practices, from communally owned forests to quasi-private farmland. Due to the existence of many different customary land rights regimes in Ethiopia, prior to 1975, land tenure practices fell into two broad categories: (1) the usufructuary “rest” system which predominated in the north; and (2) a highly feudal system of private tenure rights which prevailed in the south. Land “was concentrated in the hands of absentee landlords, tenure was highly insecure, arbitrary evictions were common, and many lands were underutilized. High inequality of land ownership reduced productivity and investment and led to political grievances and eventually overthrow of the imperial regime. Land laws adopted by the communist Derg regime and in the post- Derg era have generally “Pushed away” many of the customary institutions and practices relating to the use and control of land. Under the Derg regime, which governed Ethiopia from 1975 to 1991, rural Peasant Associations redistributed land to their members in equal portions. This collective decision-making is similar to the rest system that involved allocation of usufruct rights in land by a rest composed of elders. In any case, the communist regime was much more successful in redistributing land than it was in implementing widespread collectivization of farms, although the regime set up a voluntary program by which Peasant Associations could pool land and equipment and become Agriculture Producer Cooperatives. When the Derg regime fell and the current government came into power, the cooperatives were de-

collectivized very rapidly. Against international expectations, however, the new government decided to maintain state ownership of all land (Darryl, 2010).

2.11.1. Land Law

In Ethiopia, land law is set forth in the 1995 Constitution and by federal statutory law, with implementation of the laws reserved for regional administrative agencies. Land “is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange”. Individuals have the right to own and transfer private property (other than land) so long as it doesn’t infringe on the rights of others, and the state guarantees private investors’ usufruct rights. Adult Ethiopian peasants have the right to be allocated land for farming by the state without payment (Darryl, 2010). The Constitution explicitly ensures “the right of private investors to the use of land on the basis of payment arrangements established by law.” The state can “expropriate private property for public purposes” upon payment of adequate compensation. While the Constitution grants the federal government the power to enact laws to protect land and natural resources, it gives the states the authority to administer those laws (Darryl, 2010).

2.11.2. Land Policy

Reforms in 2005 and Regional Land Policies and laws promulgated from 2000 to 2003 have moved Ethiopia closer to a system of private property rights. Some regions like Amhara, afar have their own land policies in addition to the proclamations they have despite the fact that the federal government does not have a separate and integrated land policy. In 2003, Ethiopia began to implement a land certification program in most areas of the country. In the first years of the program, a majority of the rural lands in the country were registered at relatively low cost. These land titling projects supported the government’s poverty reduction strategy known as the Plan for Accelerated and Sustained Development to End Poverty (“PASDEP”). One of PASDEP’s goals was to issue land certificates to 13 million landholders in the period 2006- 2010. By September 2010, more than 6.3 million land certificates had been issued. An important element of Ethiopia’s land policy as it relates to private investment is that the land must be taken from local landholders prior to its transfer to foreign investors. Doing so not only makes the investment process more time consuming and complex, but also makes it more difficult for local communities to be involved in the process of selecting land for investment and negotiating and implementing any agreements that result (Darryl, 2010).

CHAPTER THREE: METHODOLOGY OF THE RESEARCH

3.1. Selection of the Study Area

The West Armachiho Woreda is one of the Woredas found in Amhara Region West Gondar Administrative Zone which is one of the largest investment areas. The Woreda is formed in 2007 G.C. This Woreda is purposely selected since the area is a place where a large number of investors are practicing agricultural investment activities. The reason why there are many investors in the area is that: one, there are huge tracts of land which are not occupied by peasants. Two, the area is very fertile and is suitable for agriculture especially for sesame. Sesame is the second exportable cereal crop for the country next to coffee. These are the major reasons that attract investors to the area. Moreover, the researcher's familiarity with the Woreda culture and language as well as her work experience in land administration practices in the study area are taken into account as an additional asset.

3.2. Description of the Study Area

The study is conducted in Amhara region west Gondar administrative Zone west Armachiho Woreda. Amhara National Regional State (ANRS) is located in the north-western part of Ethiopia between 9° 20'N latitude and 14° 20' longitude. The total area of the region is estimated about 170,152 km², it is bounded by the Afar in the east, Benishangul Gumuz in south-west, Oromia in south and Tigray regions in the north, and Sudan in the west (Aynalem, 2008). It receives the highest rainfall percentage in the country and average annual temperatures of 15°C - 21°C. There is a wide diversity of wildlife, flora and fauna in the region. As such, 85% of the region's population is engaged in agriculture. Cash crops which include cotton, sesame, sunflower, and sugarcane are grown in the region's lowlands. Staple foods such as teff and other cereals are also produced in large quantities. Nearly 40% of Ethiopia's livestock population is found in Amhara region. A large share of land based investment is taking place in this region. The regional government is responsible for allocating a large amount of large scale agricultural investment land. Previously, the federal government was also responsible in allocating land for investment in Benishangul Gumuz and Gambella regions. But in Amhara region, the power of allocating investment land for investors is left for the regional government.

West Armachiho Woreda is 240 km far from the capital of the West Gonder Administrative Zone, Genda Wuha. It is bounded by Metema Woreda and South Sudan in south, Tsegedie Woreda and

Tachi Armachiho Woreda from east, and by Tigray Region in north. At present the Woreda comprises 12 kebeles and one city administration having 3 kebeles and 75 modern agricultural investment blocks where Large Scale Agricultural Investments are widely practiced. From the total area of the Woreda (248181.98 hectares) 75,386.5 (which is about 31 %) hectares are covered by Large Scale Agricultural Investment (ALAU, 2011). In the Woreda there are 702 Large Scale Agricultural investors of which 678 are male and 24 females.

The altitude of the Woreda ranges from 600 to 1100 meters above sea level and it has a range of 500 meters. Average temperature of the Woreda is 38.42 degree centigrade, and average annual rain is 600 to 700 ml, which has a range of annual rain 100 ml.

The existing land use analysis of a certain geographical area enables us to determine the need of the future land uses for different uses within the study area. The existing land use analysis of rural land, forest land, road, cultural & social welfare, governmental institution, and common land areas are mostly encompassing the land use components. Hence, in the Woreda, 68,000 hectares is covered by forest, 75,386.5 hectares by large scale agricultural investment, 18,987 hectares by Godebie National Park, Great Angreb River, and other small rivers, medical care, housing, and other social infrastructure that can be used to promote the well-being of the community. Local level participatory land use planning has been made for 10 Kebeles; including the investment areas which are found in these Kebeles.

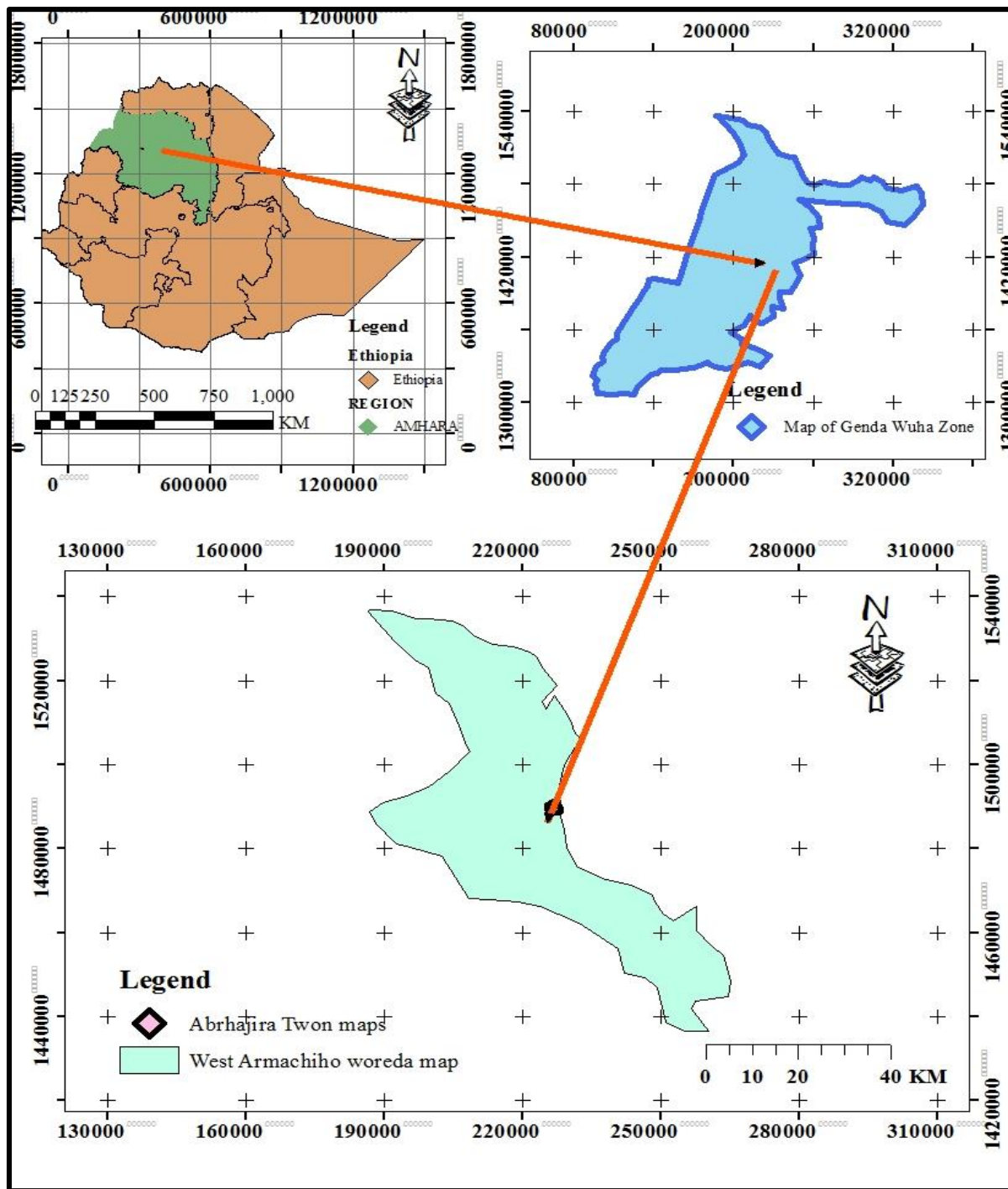


figure 3.0.1: Map of the study area

Source: own preparation April, (2019)

3.3. Research Methodology

As stated by Kothari (2004), research methodology is the systematical and theoretical analysis of the procedures applied to a field of study. It includes the procedures of describing, explaining and predicting phenomena so as to solve a problem: It is the process or technique of conducting research. A research methodology does not set out to provide solutions but offers the theoretical understanding to indicate which procedures or set of procedures can be applied to a specific study. It encompasses concepts such as research design, target population, sample size and sampling procedure, data collection instruments and data analysis procedures.

3.4. Research Design

Burns, (2000), define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”. Parahoo (1997), describes a research design as “a plan that describes how, when and where data are to be collected and analyzed. In this study both qualitative and quantitative or mixed research approaches were used because as it helps to carry out a more comprehensive explanation of the problem. It was included a survey questionnaire (close ended and open ended questions), interview (semi structured interview). Quantitative research methods attempt to maximize objectivity and generalization of findings, and are typically interested in prediction whereas qualitative research methods focus on discovering and understanding the experiences, perspectives, and thoughts of participants. Generally, research design which minimizes bias and maximizes the reliability of the data collected is considered as good research design.

3.5. Target Population

The target populations for this study are 200 respondents were selected; from Abrehajira 01 Kebele 85 investors and Abrehajira 02 Kebele 115 investors.

3.6. Sampling Frame

Designing sampling frame is crucial to select samples easily since it is difficult to perform research using the whole population of the study area. In this research to select sample size directly, two Kebele are purposively/judgmentally selected in their seriousness of large scale agriculture investment. The reason why these two kebeles are selected is because they are large scale agriculture investments areas. These two Kebeles are a sound representation of the whole Woreda. This is because of the fact that the problems and prospects found in the Woreda, according to the observation and informal

assessment, are similar. The number of sample respondents selected was determined using simple random sampling.

3.7. Sampling Technique

In this study both probabilistic and non-probabilistic sampling techniques were used. Under probability sampling technique, simple random sampling technique was used to select investors. In the case of non-probability sampling technique, purposive sampling technique was deliberately used to select the study area or kebele, local government officials and professional experts who are deemed to be able to answer the critical interviews. The following Cochran's formula was used to select the respondents from the total target population.

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = designates the sample size

N = designates total number of households

e= designates maximum variability or margin of error 8 % (0.08)

1= designates the probability of the event occurring.

Therefore:

the selected two Kebeles, Abrehajira 01 and Abrehajira 02, have 85 and 115 investors respectively in total. This means the total population from the two Kebeles is 200 investors.

$$n = \frac{N}{1+N(e)^2} \quad n = \frac{200}{1+200(0.08)^2} = 88$$

Therefore, 88 respondents were selected based on Cochran's formula to gather information about large scale agriculture investment in the study area.

3.8. Sample Size

1. Sample size of Abrehajira 01 = $\frac{85 \times 88}{200} = 37$
2. Sample size of Abrehajira 02 = $\frac{115 \times 88}{200} = 51$

Sum of sample sizes of the two kebele is $37+51 = 88$

3.9. Data Sources and Type

In order to get reliable and full information, both primary and secondary data types were used. A structured questionnaire was administered to collect primary data from the selected sample households. In addition to that, FGD and key informant interviews were also made with selected affected investors, city administration and Woreda officials. Secondary data sources such as relevant literatures and documents, country level laws including the constitution, proclamation and policies relevant to land were also used. In addition, previous studies conducted by national and international researchers and organizations, investors' investment proposals, Woreda investment profile and different books and journals, published and unpublished articles were collected from internet websites and utilized.

3.10. Data Collection Tools

As noted by Kothari (2004), every tools of data collection have its own limitation so using different data collection tools helps to overcome these limitations. This study triangulates data which were collected through different techniques like document review, interview and questionnaire, and focus group discussion. Triangulation is the use of more than one method or source of data in the study of a social phenomenon so that finding may be cross checked. Triangulation involves seeing things from more than one perspective. This can mean the use of different methods or different sources of data within the study.

3.10.1. Document Review

Document review was the main tool of secondary data collection for this research. It was used for getting adequate information on history of large scale agricultural investment and others. Data from review of documents was used to support the data and to ensure the accuracy of data which were collected through other tools.

3.10.2. Interview

It is one of the most commonly used data collection tools which allows the interviewer to interact with the society and extract depth, rich and detailed information about the problem (Creswell, 2012). According to Sapsford (2006), interview can be categorized as structured, semi-structured and unstructured types. In semi-structured interview, questions are highly standardized, but the researcher and the participant should set some broad parameters to a discussion. On the other hand, a structured interview is standardized question in which each interviewee is presented with exactly the same questions in the same order. This study employed structured interview type with kebele land administration experts and investors.

3.10.3. Questionnaire

Questionnaire is the main means of collecting primary data from selected respondents. For this study, structured and semi structured questionnaire was prepared for the purpose of collecting data from selected investors to deeply and thoroughly understand the challenges of large scale agricultural investment.

3.10.4. Focus Group Discussion

Focus group discussion is an exploratory research tool or a structured group process to explore peoples' thoughts and feelings and obtain detail information on a particular topic or issue (Sherraden 2001). To explore peoples thought and feelings and obtain detail information on challenge of large scale agricultural investment and exercise of related large scale agricultural investment, the researcher conducted Focus Group Discussion with Woreda land administration and use office of the study area.

3.11. Data analysis and presentation

After all the data from primary and secondary data sources are collected, they are organized, analyzed and interpreted in a logical way to transform the collected data into credible evidence. The data are presented through statements, tables and percentages in order to clarify the collected data. Using SPSS version 20 and Excel statistical software and was used for analysis.

CHAPTER FOUR: RESULT AND DISCUSSION

4.1. Demographic Characteristics

The survey result shows that 90.9% and 9.1% of the respondents was male headed and female headed respectively. The reason why over 90% of the respondents are male is because of the fact that agricultural investment is considered as male work. This work is not suitable for female because of the unsuitability of investment places. The study area is prone to disaster or risk since it is bordered with Sudan. In addition to this, those male headed households are married; and it was those male spouses who came out for the questionnaire. This is one aspect which shows that the culture of the study area is patriarchal below table 4.0.1

Table 4-0-1 Gender group of the respondents (n=88)

Sex	Percent
Male	90.9
Female	9.1
Total	100

Source: Field Survey, (2019)

The survey result shows that 6.8%, 45.5 %, 34.1% and 13.6% of respondents are less than or equal to 30, 31-45, 46-60 and greater than or equal to 61 years respectively. Over 40% of the respondents are between 31-45 age groups. This age group is the most productive age group. If other problems are resolved, investors found in the area have the potential to invest and increase their productivity which is an opportunity for the region and the country. Even 6.8 % of respondents are less than 30 years'. These groups of investors are found at a very young age. This age group of investors is those who have the capacity and initiation to invest in a very hard and risky environment below table 4.0.2.

Table 4-0-2: Age group of respondents (n=88)

Age	Percent
≤30	6.8
31-45	45.5
46-60	34.1
≥61	13.6
Total	100

Source: Field survey, (2019)

As to the marital status of the sampled respondents 3.4 % are single, 73.9 % are married, 11.4% are divorced, and 11.4% are widowed, most of the respondents are married. Even though, these amounts of respondents are married, it is only husbands who came out to give their responses for this research. With regard to the family size of the farming project type 14.1% have one, 49.1% have two, 17.5% three, 10.5% four, and 8.8% have five and more persons in their household. This is an interesting finding which differs from the peasant household size. In peasant households, the average size of a household is 4. But according to this study, almost half of respondents have two persons in their household. As indicated above over 90 % of the respondents are over 30-year-old. This finding is in line with the other finding of this study that over 73 % respondents are married. It is commonly known in this country that 25-30 years is the age of conclusion of marriage. So the finding that most of the respondents are above age of 30 shows clearly that most of them could be married below figure 4.0.1

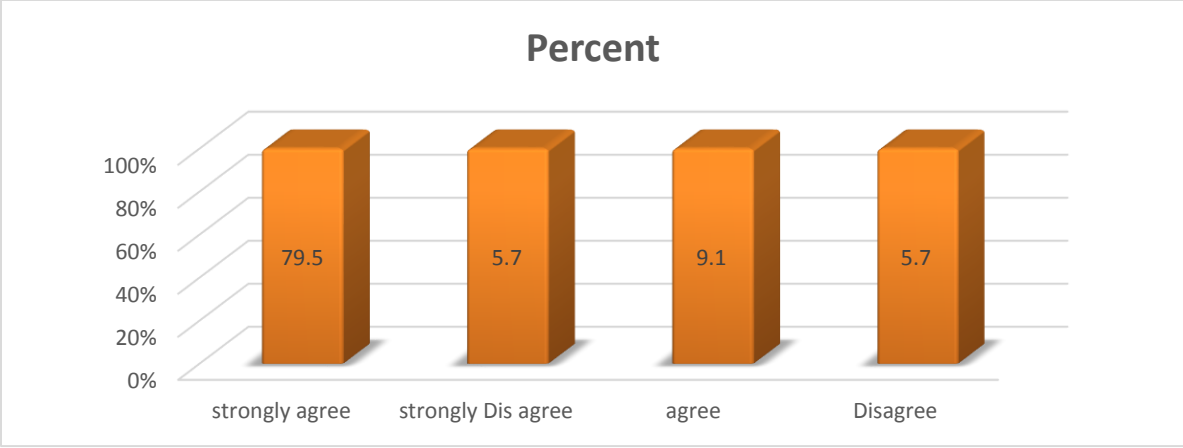


Figure 4.0.1 Marital status of the respondents (n=88).

Source: Field Survey, (2019)

Education is one of the most powerful instruments for reducing poverty and inequality and for laying the foundation for sustained socio-economic development. Hence, from sampled households 11.4% of the respondents cannot read and write, 45.5 % can read and write, 11.4 % are elementary school completed, 14.8 % are junior secondary school completed (7-8), 5.7 % of respondents have diploma (or equivalent). It shows that some of the respondents cannot write and read. This is because of the fact that they are peasants of the area and had no opportunity to go to school. Even about 45 % of respondents can read and write. These amounts of respondents even are not elementary school completed. We can say that most of investors in the area are not educated and this will have an impact on the productivity pattern. These uneducated investors cannot compete internationally since they are expected to export their products to the international market below table 4.0.3

Table 4-0-3: Education level of household respondent (n=88).

Education level	Percent
cannot read and write	11.4
can read and write	45.5
Elementary school	11.1
Junior secondary (7-8)	14.8
Secondary high school (9-12)	11.4
Diploma (equivalent)	5.7
Total	100

Source: Field Survey, (2019)

4.2. Governance of agricultural investment and challenges

Governance refers to the exercise of political and administrative authority at all levels to manage a country's affairs. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences (UN, 2012). Governance has been variously defined as “the management of society by the people” (R. Dayanandan, 2013), and “the exercise of authority or control to manage a country's affairs and resources” (Ibid). F. Fukuyama, 2013, defines governance as a government's ability to make and enforce rules and to deliver services, regardless of whether that government is democratic or not. But Giovanni Moro, 2002, said that governance is not only from the side of the government but from the citizens' side too. He added that it is a fact that governance studies concentrate on the state's side of governance rather than on the citizens' side. UNESCO, 2005, to this regard has a similar annotation. It says that governance goes beyond government.

Agricultural investment is the most important and most effective strategy for poverty reduction in rural areas which are commonly subject to poverty (FAO, 2014) Large Scale Agriculture Investment increases food security, produces high business profit, creates job opportunity, promotes technology transfer, promotes export, enables capital accumulation, enhances land value, and so on (Ibid). These are very true for West Armachiho Woreda. Investors have mechanized machineries like tractors which are very important to local farmers and investors themselves. Local farmers are taking lessons from investors to this regard. West Armachiho Woreda is one of the West Amhara developmental corridors to produce sesame, sorghum and cotton products. Due to this, different workers come from different regions, Zone and Woredas to preparing land, planting, weeding, harvesting crops, and managing facilities. As a result of this, the study area investors create off farm opportunities for these workers.

According to the survey result from the FGD in February 23/2019 in front of land administration office and interview made with Woreda land administration experts and investors in February in 22/2019 investors are facing many challenges like shortage of credit, shortage of labor and shortage of market, natural risks like draught and shortage of rain during their agricultural investment practice. There are also problems in large scale agricultural investment in West Armachiho Woreda. Based on the negotiation made with government and investors, it is the obligation of the government to supply fertilizer for investors. But investors at this time are using a fertilizer which is not suitable for the

land. As a result, this is a challenge of large scale agricultural investment on investors in the study area and affects the productivity of it.

4.2.1. Participation

Participation by both men and women in particular and all who have stake in general is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand. As far as the participation of governance of agricultural investment is concerned, the survey result shows that 5.6% strongly agree, 85.2% strongly disagree, 4.5 % agree, 4.5% disagree. About 85 % investors strongly disagree about the assertion that the governance of agricultural investment is participatory. This shows that something is missing about the participatory of governance of agricultural investment. When we say participation we are referring that participation by both men and women in particular and the society in general is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organized. This means freedom of association and expression on the one hand and an organized civil society on the other hand below table 4.0.4

Table 4-0-4: Whether the governance of agricultural investment is participatory

Governance of agriculture	Percent
Strongly agree	5.7
Strongly Disagree	85.2
Agree	4.5
Disagree	4.5
Total	100

Source: Field Survey, (2019)

4.2.2. Adequacy of legal frameworks

The existence of agricultural investment related legal frameworks are very important for the proper governance of the subject. Without the existence of legal frameworks, governing it is nearly impossible. The question whether the governance of agricultural investment is based on rule of law

and there are clear laws to this effect is posed to respondents. The survey result shows that 79.5% strongly agrees, 5.7% strongly disagree, 9.1% agree, and 5.7% disagree. This result shows that the percentage of respondents who strongly agree about the governance of agricultural investment based on rule of law is higher than other. This shows that investors, more or less, are satisfied with the legal frameworks existing on the governance of agricultural investment shown in the below figure 4.0.2. FGD in February 23/2019 and interview made with Woreda land administration experts and investors in March 15 /2019 in front of land administration office shows that, in general, existing laws are adequate but are not being implemented.

Some gap exists on the investment directive of the Amhara region. For instance, there is similar form for all investors to fill the year profile of investors. It never treats small and big investors in a similar way. For example, the directive number 6/2018 says that an investor who has tractor will get full point during the assessment of performance. Besides, an investor who employs health and agriculture extension experts will get full point. Big investors can hire these experts but investors who have 15 hectares only will not be able to hire these experts. Therefore, how can an investor who has 15 hectares and 1500 hectare be evaluated similarly? These are the gaps of the directive.

The other administrative problem is there are many investors who never pay land tax/land rent after receiving the land. The Woreda never creates pressure on these investors. In addition, even though, the law (the regional revised rural land administration and use determination proclamation number 252/2017 article 25(1)) says that investment land cannot be rented out; unhallowed; transferred to third party and mortgaged, and divided; practically these things are practiced in the study area. Although the law says that a person who commit these things will lose his investment land, the Woreda administration is not implementing these things. Especially those diaspora investors are diaspora investors only by name. They rented out their investment land to third party. They never cultivate the investment land they receive by their own. In general, the laws are not properly implemented despite their existence.

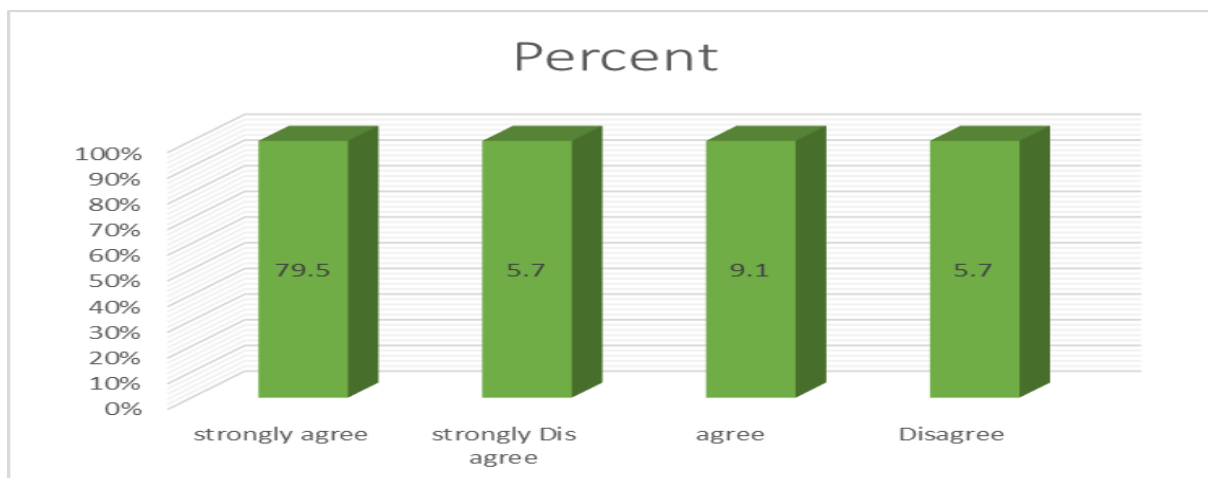


Figure 4.0.2: Whether the legislative framework on agricultural investment is adequate (n=88).

Source: Field Survey, (2019)

Question is posed to respondents as to whether it is easy to generate investment information and able to access land related investment information. The survey result show that 5.7% strongly agrees, 68.2% strongly disagree, 9.1% agree, and 17% disagree. Over 65% of respondents strongly disagree by saying that it is very difficult to generate investment information and able to access land related investment information. Interviews conducted with investors' show that information is not timely delivered to them. Information is delivered after the situation/ occurrence happened. Sometimes information never reached to investors below table 4.0.5

Table 4-0-5: Whether it is easy to generate investment information and able to access land related investment information (n=88).

Investment information	Percent
Strongly agree	5.7
Strongly disagree	68.2
Agree	9.1
Disagree	17.0
Total	100

Source: Field Survey, (2019)

4.2.3. Responsiveness of agricultural investment governance

Responsiveness is one of the aspects of governance of large scale agricultural investment. It implies that Institutions and processes serve needs of citizens in a prompt and reasonable manner and time frame (R. B. Albritton and T. Bureekul, 2009). The survey result shows that 11.4% strongly agree, 79.6% strongly disagree, 4.5% agree, and 4.5% disagree about the point that agricultural investment governance is responsive. Nearly 80% of the respondents said that the governance of agricultural investment is not responsive. Generally, governance of agricultural investments is not clear and responsive. Investors are complaining to the government many problems but the government is not responding in a reasonable period of time below figure 4.0.3

The FGD conducted on February 24/2019 and interview made in February 27/2019 in front of land administration office with Woreda land administration experts and investors revealed that there are so many problems related to agricultural investment. For example, investors request the government to clear quarry sites which are found in their investment land and make the land suitable for investment but the government is not responding for their request appropriately and on time. The government gives deaf ear to such kind of requests of the investors. The administration never responds to this request. In addition to this, investors assert that they are not getting profit from their investment land, sometimes even losing on it and request the government to take the land or replace it with another appropriate land for investment or to reduce the size of it. The government never responds to this request.

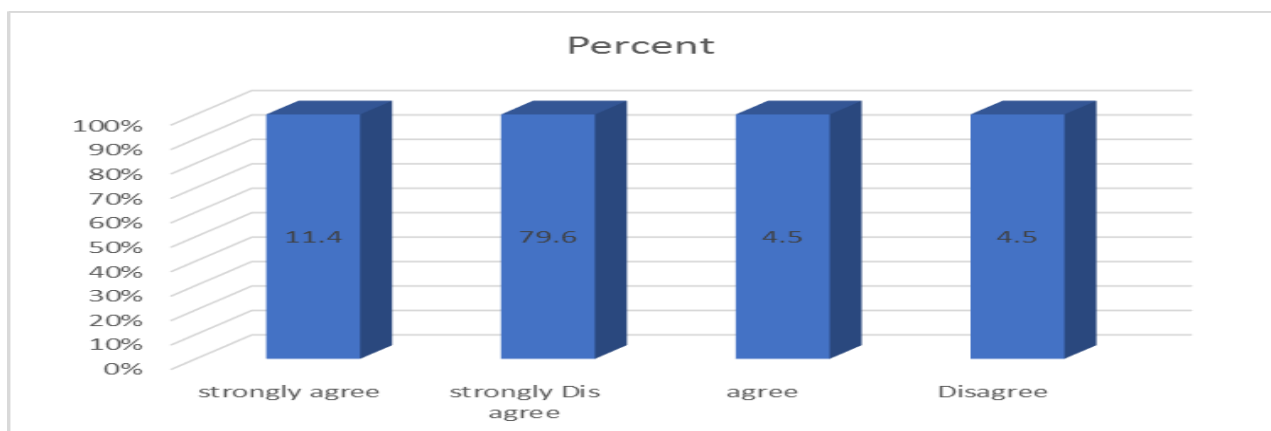


Figure 4.0.3: Whether the governance of agricultural investment is responsive (n=88).

Source: Field Survey, (2019)

The FGD conducted on February 23/2019 and interview made in March 19/2019 in front of land administration office with land administration profession and investors shows that the government is not giving responses for investors' questions and requests in a reasonable period of time. As survey result shows, 11.4% strongly agree, 79.5% strongly disagree, 3.4% agree, 5.7% disagree that the government is responding what investors want in a reasonable period of time below table 4.0.6

Table 4-0-6: Whether governance responded to what investors want in reasonable period of time

Government responded	Percent
Strongly agree	11.4
Strongly disagree	79.5
Agree	3.4
Disagree	5.7
Total	100

Source: Field Survey, (2019)

4.2.4. Equity and inclusiveness

Equity and inclusiveness is another main aspect of governance of agricultural investment. It means that all members of society are treated equally and have support from the society as a whole for improving g their well-being (R. B. Albritton and T. Burekul, 2009). It is the principle requiring that no member of the community feels left out and that all groups, particularly the most vulnerable, are given the possibility of improving their lot (UNESCO, 2005). Inclusiveness implies equal participation and equal treatment. As survey result shows, 11.4% strongly agree, 79.5% strongly disagree, 3.4% agree, and 5.7% disagree on the implementation of principle of equity and inclusiveness. Everyone is not treated equally especially during the governance of agricultural investment. The criteria of governance of agricultural investment differ from one investor to another. Investors are not treated equally by the government below figure 4.0.4

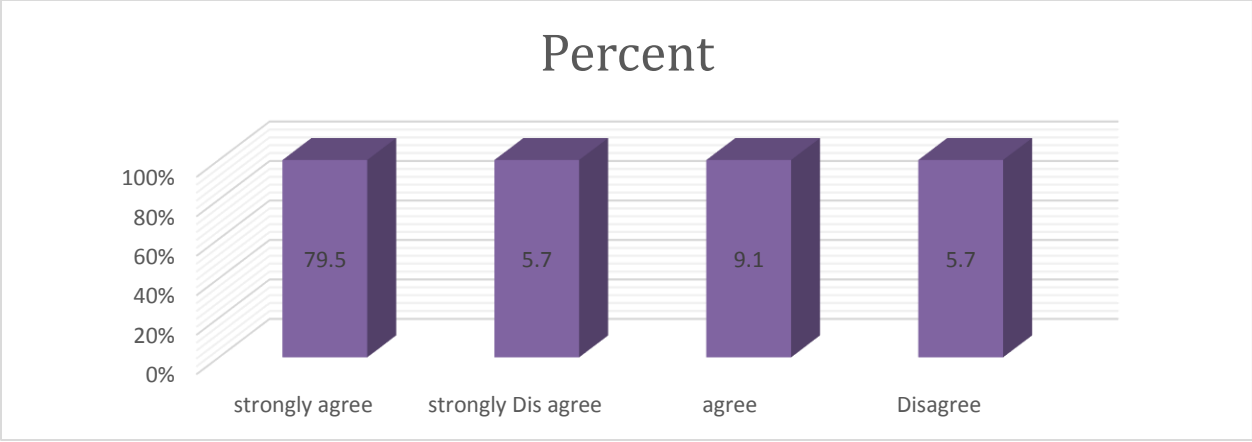


Figure 4.0.4: Whether everyone is treated equally during the governance of agricultural investment (n=88).

Source: Field Survey, (2019)

4.2.5. Consensus oriented

Being consensus oriented is another main aspect of governance of agricultural investment. By consensus oriented it means that the society and government are oriented to consensus-building behavior, rather than conflict-producing behavior (R. B. Albritton and T. Bureekul, 2009). Society consists of various stake holders. It is required for good governance to mediate among these different interest base stake holders in case of conflict of interest. As survey result shows, 9.1% of respondents strongly agree, 51.1% strongly disagree, 34.1% agree, and 5.7% disagree on the issue of consensus of agricultural investment governance. Over 50 % of respondents strongly disagree that governance of agricultural investment activity is not based on the consensus of majority stake holders (land holders, regions, investors and the like) shown in the below table 4.0.7. The same result came out from FGD conducted in February 23/2019 in front of land administration office which revealed that there is no consensus at all as far as governance of investment is concerned. Everything is not conducted based on discussion but is based on power and money. “Many Takes” proverb works in the governance of agricultural investment in the study area.

Table 4-0-7: The governance of agricultural investment activity is based on the consensus majority stake holders (n=88).

consensus of majority stake holders	Percent
strongly agree	9.1
strongly disagree	51.1
Agree	34.1
Disagree	5.7
Total	100

Source: Field Survey, (2019)

4.2.6. Effectiveness and efficiency

Effectiveness and efficiency is another pillar of governance of agricultural investment. This means that government maintains processes and institutions that meet the needs of society (R. B. Albritton and T. Bureekul, 2009). It is when processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. On this regard the survey result shows that 68.2% of respondents strongly agree, 22.7% strongly disagree, 2.3% agree, and 6.8% disagree. 68 % of respondents strongly agree that the governance of agricultural investment is efficient and effective. As said above, the study area is very suitable for investment in which it is identified as investment corridor. Suitability of the area is one of the many factors for the governance to be efficient and effective figure 4.0.5

The FGD conducted on February 23/2019 and interview made in March 19/2019 in front of land administration office with Woreda land administration experts and investors in front of land administration office shows that agricultural investment has negative and positive impacts. As far as creating job opportunity is concerned it is benefiting other adjacent Woredas in addition to the Woreda where the land is located. Not only job opportunity, but also it is vital for the fulfillment of basic infrastructures. On the other way round, agricultural investment has negative sides for the Woreda. For example, it is causing deforestation and soil erosion. Some investors are encroaching lands adjacent to their holding by clearing forests and are causing degradation of the area.

The FGD conducted on February 23/2019 and interview made in March 19/2019 in front of land administration office with Woreda land administration experts and investors revealed that there are many disputes related with agricultural investment. For instance, boundary dispute is one of the highest numbers of disputes in the area. There is a high rate of conflict between investors where they want to encroach upon government holding land found adjacent to their holding. In addition, there is boundary and right of way related disputes between investors and peasants. Peasants do not have land holding certificate. That is why boundary dispute exists. The solution is to distribute extra lands for those who don't have land holding; and to register and give land holding certificate for peasant land holders shown in the Figure 4.0.5

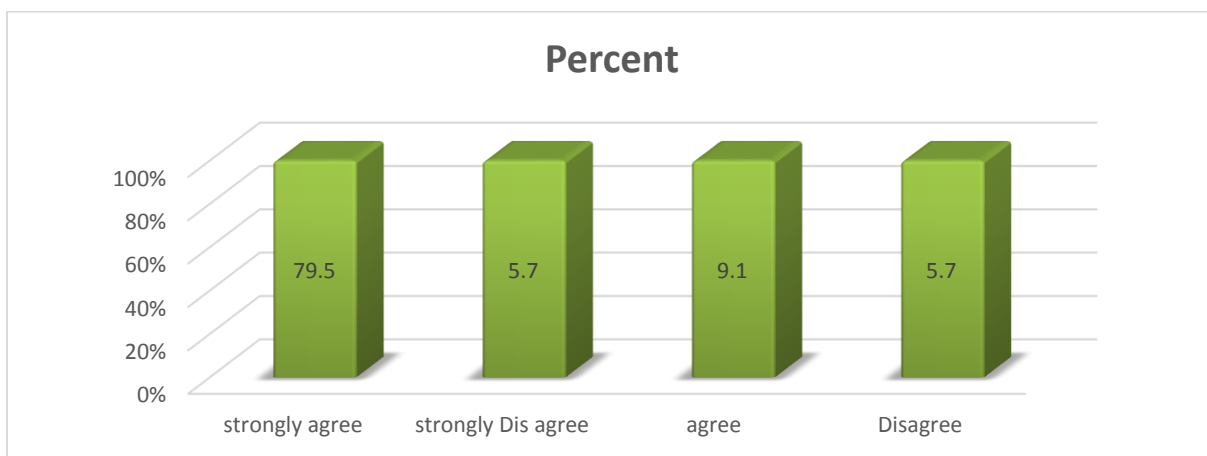


Figure 4.0.5: Whether governance of agricultural investment system is efficient general (n=88).
Source: Field Survey, (2019)

4.2.7. Accountability

Accountability is another most important principle of governance. Accountability is the capacity to call officials to account for their actions. Government is accountable to the public, the private sector, and civil society as institutional stakeholders (R. Albritton and T. Bureekul, 2009). It is being answerable for decisions made or implemented. Accountability is not only left for government officials but also other individuals for their actions and inactions. The survey result shows that 11.4% of respondents strongly agree, 68.2% strongly disagree, 9.1% agree, 11.4% disagree that accountability is being implemented in the governance of agricultural investment. More than 68 % of respondents strongly disagree by alleging that accountability is not implemented in agricultural investment governance. The administration penalized a person who do a very simple fault but leaves those who perform grave faults. For instance, the administration penalized those who delay in paying

their land tax but leaves those who never pay at all. Besides officials who do wrong things are not accountable for their acts table 4.0.8

Table 4-0-8: How accountability being implementation in the governance of agricultural investment (n=88).

Accountability is implemented	Percent
Strongly agree	11.4
strongly disagree	68.2
Agree	9.8
Disagree	11.4
Total	100

Source: Field Survey, (2019)

4.2.8. The Role of Medias

Nowadays, media are considered as the 4th wing of government. They play a prominent role in the governance of agricultural investment. The survey result shows that 2.3% of respondents strongly agree, 79.5% strongly disagree, 9.1% agree, 9.1% disagree that the role of media in the study area is not integrated with the governance of agricultural investment. Almost 80% respondents said that media are not considered as governance tools in the governance of agricultural investment. Media are not working and participating on the area. It is, sometimes, only the Woreda communication office that is taking part in the production of related materials and dissemination of agricultural investment information table 4.0.9

Table 4-0-9: What is the role of media in the governance of agricultural investment? (n=88)

Role of Medias	Percent
strongly agree	2.3
strongly disagree	79.5
Agree	9.1
Disagree	9.1
Total	100

Source: Field Survey, (2019)

4.3. The type of holding of investors

Investment is one type of holding. Their holding right is different from peasant landholders. Their land use right is limited for a certain period of time according to the contract they entered with the government. They got the land with payment arrangement, unlike peasants who can get land free of payment from the government. I posed the question whether investor landholding type is clear and their tenure security is strong or not. The survey result revealed that 68.2% of respondents strongly agree, 5.7% strongly disagree, 17% agree, and 9.1% disagree on the question raised. About 68% of the respondents strongly agree that investment landholding type is clear and is clearly known which is also enshrined in the legal frameworks. Investment landholding type tenure security is strong enough and has got legal protection. Let alone other land users, the government itself cannot take back the land of investors before the end of the contract term without paying commensurate compensation.

The FGD conducted on February 23/2019 and interview made in March 19/2019 in front of land administration office with Woreda land administration experts and investors revealed that the holding type of investment is a land in which investors took from the government via lease agreement for 30 years. It is called lease land. Their land tenure security is protected and respected. Moreover, investors have the right to take loan from Development Bank or/and Amhara Credit and Saving Institution by using their lease land right as a collateral. The FGD in February 23/2019 in front of land administration office further revealed that agricultural investment is a source for foreign currency earning. For instance, in the study area sesame is produced and exported to the outside world which

is the main source of foreign currency next to coffee. They further explained that productivity of large scale agricultural investment is better than small scale farmers. The lease price of large scale agricultural investment is 201 birr per hectare where as other small scale farmers rented in and rented out via averagely 700 birr for 10 hectares table 4.10

Table 4-10: Investor land holding type is clear and their tenure security is strong (n=88)

Investor landholding type	Percent
strongly agree	68.2
strongly disagree	5.7
Agree	17
Disagree	9.1
Total	100

Source: Field Survey, (2019)

CHAPTER FIVE: CONCLUSIONS AND RCOMMENDATIONS

5.1. Conclusion

Ethiopia is one of the developing countries that are increasingly attracting foreign investment in their agricultural sector recently. Over the past ten years, the Government of Ethiopia (GoE) leased out large tracts of land for investors, mainly foreign investors. Taking in to account this fact, the study was made in West Armachiho Woreda, West Gondar Administrative Zone of the Amhara Region where Agricultural Investment is practiced in large scale. The major objective of the study was to assess the challenges and prospects of Large Scale Agricultural Investment of the area. It can be concluded that in the study area there has been a lot of Agricultural Investment governance problems.

Large Scale Agriculture Investment increases food security, produces high business profit, creates job opportunity, promotes technology transfer, promotes export, enables capital accumulation, enhances land value, and so on (FAO, 2014). These are very true for West Armachiho Woreda. Investors have mechanized machineries like tractors which are very important to local farmers and investors themselves. Local farmers are taking lessons from investors to this regard. West Armachiho Woreda is one of the West Amhara developmental corridors to produce sesame, sorghum and cotton products. Due to this, different workers come from different regions, Zone and Woredas to make preparation of land, planting, weeding, harvesting crops, and managing facilities. As a result of this, the study area investors create off farm opportunities for these workers.

Investors are facing many challenges like shortage of credit, shortage of labor, shortage of market, natural risks like draught during their agricultural investment practice. Lack of inputs is another headache of investors.

The Woreda is not implementing the law appropriately. There are many investors who never pay land tax/land rent after receiving the land. The Woreda never creates pressure on these investors. In addition, even though, the law (the regional revised rural land administration and use determination proclamation number 252/2017 article 25(1)) says that investment land cannot be rented out; unhallowed; transferred to third party and mortgaged, and divided; practically these things are practiced in the study area. The law says that a person who commit these things will lose his investment land, but the Woreda administration is not implementing these things. Especially diaspora

investors rented out their investment land to third party. They never cultivate the investment land they receive by their own.

Governance of agricultural investments is not clear and responsive. Investors are complaining to the government many problems but the government is not responding in a reasonable period of time. The government gives deaf ear to the requests of investors.

Agricultural investment has negative and positive impacts. As far as creating job opportunity is concerned it is benefiting other adjacent Woredas in addition to the Woreda where the land is located. Not only job opportunity, but also it is vital for the fulfillment of basic infrastructures. On the other way round, agricultural investment has negative sides for the Woreda. For example, it is causing deforestation and soil erosion. Some investors are encroaching lands adjacent to their holding by clearing forests and are causing degradation on the area.

There are many disputes related with agricultural investment. For instance, boundary dispute is one of the highest numbers of disputes in the area. There is a high rate of conflict between investors where they want to encroach upon government holding land found adjacent to their holding. In addition, there is boundary and right of way related disputes between investors and peasants. Peasants do not have land holding certificate. That is why boundary dispute exists. The solution is to distribute extra lands for those who don't have land holding; and to register and give land holding certificate for peasant land holders.

The principle of Accountability is not implemented in agricultural investment governance. The administration penalized a person who do a very simple fault but leaves those who perform grave faults. For instance, the administration penalized those who delay in paying their land tax but leaves those who never pay at all. Besides officials who do wrong things are not accountable for their acts.

Nowadays, media are considered as the 4th wing of government. Media are not considered as governance tools in the governance of agricultural investment. Media are not working and participating on the area. It is, sometimes, only the Woreda communication office that is taking part in the production of related materials and dissemination of agricultural investment information.

5.2. Recommendations

Based on the findings of the research, the following recommendations are made:

- ❖ It is very difficult to generate investment information and able to access land related investment information. Interviews conducted with investors' show that information is not timely delivered to investors. Information is delivered after the situation/ occurrence happened. Sometimes information never reached to investors. As a result, the government should develop agricultural investment information system in which all agricultural investment related data are stored, analyzed and distributed to investors and others who are interested in it. This system can increase the efficiency and effectiveness of service delivery.
- ❖ Boundary dispute between peasants and investors is the highest dispute of the area. The reason for the existence of this dispute is peasants do not have land holding certificates. Therefore, the government should give landholding certificate for peasant land holders so as to reduce boundary disputes. Most of investors are uneducated. These have a negative impact on the productivity of investors. These investors cannot compete internationally. As a result, education should be one criterion when selecting investors.
- ❖ There are plenty of legal frameworks as far as agricultural investment is concerned. The problem is not on the legal frameworks but on their implementation. The government should implement those laws with strict discipline. Creating strong institutional arrangement for the purpose is very crucial for the strict implementation of the laws. The government has to be responsive enough for the requests of investors based on the legal frameworks. For instance, there are requests from the investors' side asking the government either to exclude lands which cannot be ploughed from paying tax or give them replacement land. But the government has not been responding for long. This giving deaf ear for the requests of investors has a negative impact on the productivity and foreign exchange earnings.
- ❖ Monitoring and evaluation is expected from the side of the government. Promulgation of legal frameworks and handing over of lands to investors is not the only responsibility of the government. The government is expected to monitor and evaluate the activities being performed on the land which is delivered for investors. Monitoring and evaluation is lacking from the side of the government but is very critical to increase the productivity of the sector.

REFERENCES

- ALaub, 2011, *The Amhara Region Land Administration and Use Bureau* report.
- Alelegn, W. 2018, *Large-scale Agricultural Investment and Land rights in Ethiopia: Comparing theory against empirical evidences*, unpublished.
- AU, ADB and UNECA. 2014, *guiding principles on large scale land based investments: in Africa*, unpublished.
- Auzins, A. 2004, *Institutional Arrangements: “A gateway towards sustainable land use”*. Nordic Journal of Surveying and Real Estate Research unpublished.
- Aynalem, A. 2005, *Ethiopian Amhara demography and health*; Amhara report
- Bekure, S. 2017, *Formalizing Pastoral Land Rights in Ethiopia: A Breakthrough in Oromia National Regional State*
- Burns, G. 2009, *define a research design: as “a blueprint for conducting a study with maximum control over*
- Creswell, J. 2012, *Educational research: Planning, conducting, and evaluating quantitative and qualitative research* 4th ed. Upper Saddle River, NJ: Merrill.
- Daniel, W/G. 2012, *Land Rights in Ethiopia: ownership, equity, and liberty in land use rights evaluate the cultural heritage*, Rome, Italy
- Darryl, V. 2010, *large-scale commercial investments in land: seeking to secure land tenure and improve livelihoods*, Haramaya University College of Law’s Environmental Policy Center and Social Justice Center,
- Deininger, K. 2013, *Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?* Agriculture and Rural Development. Washington, D.C., the World Bank.
- Dessalegn, Keba Dheressa. 2013, *the Socio-Economic and Environmental Impacts of Large Scale Agricultural Land Acquisition on Local Livelihoods: A Case Study in Bako Tibe Woreda of Oromia Region, Ethiopia*
- Dessalegn, Rahmato. 2011, *land to investor: large scale land transfer in Ethiopia Addis Ababa*, unpublished.

- FDRE, 1994, *Constitution of the Federal Democratic Republic of Ethiopia*: Federal Democratic Republic of Ethiopia.
- FDRE, 2005, *Federal land administration and use proclamation*: Federal Democratic Republic of Ethiopia, No. 456/2005.
- FOA, 2014, *impacts of foreign agricultural investment on developing countries*: Food and Agriculture Organization of the United Nations, Rome p, 2.
- Frank, Byamugisha. 2013, *Securing Africa's Land for shared Prosperity: A Program to Scale up Reforms and Investments*, International Bank for Reconstruction and Development, the World Bank.
- Giovanni, Moro. 2002, *The Citizen's Side of Governance*: Paper presented at the Instituto Nacional de Administracao seminar, "A face occluded governance: cidadania, adminstracao publican sociedade", Lisbon, 19-20 November, 2001, Published in The Journal of Corporate Citizenship. Issue 7, Autumn 2002, p. 18-30.
- Hoben, Allan. 1973, *Land tenure among the Amhara of Ethiopia*: "The dynamics of agnatic descent". Chicago and London: University of Chicago Press.
- Ian, Williamson. 2010, "*land administration for sustainable development*", London United Kingdom
- Imeru, Tam rat. 2010, *governance of large scale agricultural investments in Africa*: the case of Ethiopia,9.4
- James, Keeley. 2013, *Large-scale land investment in Ethiopia*: How much land is being allocated, and features and outcomes of investments to date case of Ethiopia Addis Ababa
- James, Keeley. Wondwosen, Michago Seide.2014, *Large-scale land investment*: in Ethiopia How much land is being allocated, and features and outcomes of investments to date, report.
- Kothari, C.R. 2004, *Research methodology, methods and techniques*, New Delhi: new age international limited, second Ed.
- Mesfin, Araya. 2013, *Effects of Large-scale agricultural investments on smallholder farming*: in Sub-Saharan Africa Case study, Lund university, p,26
- Pankhurst, Richard. 1966, *State and Land in Ethiopian History*: Addis Ababa the Institute of Ethiopian Studies and the Faculty of Law, Haile Sellasie I University.
- Parahoo ,1997, *describes a research design*: as "a plan that describes how, when and where data are to be collected and analyzed".

- Pascal, Liu. 2014, *impacts of foreign agricultural investment on developing countries* studies Food and Agriculture Organization of the United Nations, Rome 2014
- Pearce, Fred. 2012, *The Land grabbers: The New Fight over Who Owns the Earth*. London: Eden Project Books, Tran's worlds Potential of Ethiopia. Addis Ababa, November
- R, Dayanandan. 2013, *Good Governance Practice for Better Performance of Community Organizations: Myths and Realities*. Journal of Power, Politics & Governance, Vol. 1 No. 1, American Research Institute for Policy Development www.aripd.org/jppg.
- R. B. Albritton and T. Bureekul, 2009 *the challenge of good governance in 21 set century Africa: A Nigerian case study and the general studies nexus*
- Sapsford, University of Teesside, UK; Victor Jupp ... March 2006 | 352
- Sherraden, 2001, *Focus group discussions: generally last from an hour and a half to two hours, longer than this and the discussion loses momentum ...*
- Shimelles, Tenaw. Zahidul, Islam & Tuulikki, Parviainen. 2009, *Effects of land tenure and property rights on agricultural productivity: in Ethiopia, Namibia and Bangladesh*.
- Sintayehu Deresse, Kassa. 2016, *Background Report on Land Governance Assessment Framework Analysis for Transfer of Large Tract of Land to Investors in Ethiopia: Final Version*
- UN, 2002, *investment and innovation policy review Ethiopia: New York and Genev*
- UN, 2012, *Governance and Development: UN system task team on the post 2015 UN development agenda*.
- UNECE, 1996, *Land Administration Guidelines: United Nations Economic Commission for Europe*". New York, USA, 1996
- WB, 2014, *the practice of responsible investment principles in larger-scale agricultural investments: Implications for Corporate Performance and Impact on Local Communities, agriculture and environmental services discussion paper 08, World Bank report number 86175-glb*.

APPENDIXES

Annex 1: Questionnaire for Investors

Dear Investors,

This research is aimed at assessing the Challenges and Prospects of Large Scale Agricultural Investment on Investors in Amhara National Region State: In the Case of West Armachiho Woreda, which will be relevant for future policy making. The research will have positive significance for investors and the government by showing the realities on the ground. I need your contribution to my research through answering questions provided here below.

Please note that your individual responses will be kept confidential, and only aggregated results will be used for the purpose of the study. I would like to thank you for your time and unreserved effort.

Yours faithfully, Kebebusch Wale

Questionnaire for investors to assess the challenges and prospects of agricultural investment

Enumerator: -----

Date of the questionnaire filled: -----

Region -----Woreda-----Kebelle -----

Village -----

I. General information

1.1. Gender of the respondent: 1) Male 2 Female

1.2. Age of the respondent _____

1.3. Marital status of the household head

1) Single 2) Married 3) Divorced 4) Widowed

1.4 household size of the household head

1) one 2) two 3) three 4) four) five and more

1.5. Educational status of the household head1) Cannot read and write 2) can read and write 3) Elementary school 4) Junior secondary

(7-8) 5) Secondary high school (9-12) 6) Diploma (or equivalent)

No.	Questions	Strongly Agrees	Strongly Disagree	Disagree	Strongly Disagree
1	The governance of agricultural investment is participatory.				
2	The governance of agricultural investment is based on rule of law and there are clear laws to this effect.				
3	The governance of agricultural investment is transparent for all stake holders and it is easy to generate information and able to access land related information.				
	The governance of agricultural investment is responsive.				
	The government responds to what investors want in a reasonable period of time.				
	The government solve the most important problems identified related to agricultural investment.				
	Corruption and bribe-taking in the governance of agricultural investment process is widespread.				
	The government is working to crack down on corruption and root out bribes related to agricultural investment.				
4	Everyone is treated equally during the governance of agricultural investment.				
5	The governance of agricultural investment activity is based on the consensus of majority stake holders (land holders, regions, investors and the like).				

No.	Questions	Strongly Agrees	Strongly Disagree	Disagree	Strongly Disagree
6	The governance of agricultural investment is based on Equity and Inclusiveness? Women and other vulnerable groups land rights is taken in to account.				
7	The governance of agricultural investment system is effective in general.				
8	The governance of agricultural investment system is efficient in general.				
9	How is accountability being implemented in the governance of agricultural investment? Are Criminal acts being penalized?				
10	How is the role of media in the governance of agricultural investment? Are Medias actively participated in the activity?				
11	The legislative frameworks on agricultural investment are adequate enough.				
12	Investors' landholding type is clear and their tenure security is strong.				

Annex 2: Checklists for interview with Investors

Dear Investors,

This research is aimed at assessing the Challenges and Prospects of Large Scale Agricultural Investment on Investors in Amhara National Region State: In the Case of West Armachiho Woreda, which will be relevant for future policy making. The research will have positive significance for investors and the government by showing the realities on the ground.

Please note that your individual responses will be kept confidential, and only aggregated results will be used for the purpose of the study. I would like to thank you for your time and unreserved effort.

Yours faithfully, Kebebush Wale,

1. What challenges do investors face during their agricultural investment practice?
2. Is the government pro-active in solving these challenges?
3. Are you comfortable with the regulatory/legislative frameworks on LSAI?
4. Are these regulatory frameworks adequate enough to address the challenges being faced?
5. What positive and negative social impacts do investments have?
6. What is the role of Investment for employment opportunity?
7. What are the causes of agricultural investment related disputes, their causes and mechanisms of conflict resolution?
8. What is your general feeling about the large scale agricultural investment in your area?
9. What governance problems do you see in general as far as large scale agricultural investment is concerned?
10. Do you believe that the legislative frameworks in relation to agricultural investment are adequate enough to govern the subject?
11. What is the holding type of agricultural investors?
12. Is your land tenure respected and strong?

Annex 3: Checklists for Focus Group Discussions with Woreda land administration experts

Dear the Woreda land administration experts,

This research is aimed at assessing the Challenges and Prospects of Large Scale Agricultural Investment on Investors in Amhara National Region State: In the Case of West Armachiho Woreda, which will be relevant for future policy making. The research will have positive significance for investors and the government by showing the realities on the ground.

Please note that your individual responses will be kept confidential, and only aggregated results will be used for the purpose of the study. I would like to thank you for your time and unreserved effort.

Yours faithfully, Kebebush Wale,

1. What challenges do investors face during their agricultural investment practice?
2. What regulatory/legislative framework exists on LSAI in Ethiopia-Amhara region?
3. What positive and negative social impacts do investments have?
4. What is the role of Investment for employment opportunity?
5. What are the causes of agricultural investment related disputes, their causes and mechanisms of conflict resolution?
6. What can be the possible impacts of agricultural investment on the rural poor and women, particularly in terms of income, tenure security and access to land?
7. Is agricultural investment generating foreign Currency?
8. What is the lease price of agricultural investment lands per hectare compared with small holder rental market?
9. What is your general feeling about the large scale agricultural investment in your area?
10. What governance problems do you see in general as far as large scale agricultural investment is concerned?
11. Do you believe that the legislative frameworks in relation to agricultural investment are adequate enough to govern the subject?
12. What is the holding type of agricultural investors? Do the land tenure of agricultural investors' respected and strong?

Annex 4: Checklists for Interview with the Woreda land administration experts

Dear the Woreda land administration experts,

This research is aimed at assessing the Challenges and Prospects of Large Scale Agricultural Investment on Investors in Amhara National Region State: In the Case of West Armachiho Woreda, which will be relevant for future policy making. The research will have positive significance for investors and the government by showing the realities on the ground.

Please note that your individual responses will be kept confidential, and only aggregated results will be used for the purpose of the study. I would like to thank you for your time and unreserved effort.

Yours faithfully, Kebebusch Wale,

1. What challenges do investors face during their agricultural investment practice?
2. What positive and negative social impacts do investments have?
3. What is the role of Investment for employment opportunity?
4. What are the causes of agricultural investment related disputes, their causes and mechanisms of conflict resolution?
5. What can be the possible impacts of agricultural investment on the rural poor and women, particularly in terms of income, tenure security and access to land?
6. What is the productivity of agricultural investment compared to small holder farmers?
7. What is the lease price of agricultural investment lands per hectare compared with small holder rental market?
8. What is your general feeling about the large scale agricultural investment in your area?
9. What governance problems do you see in general as far as large scale agricultural investment is concerned?
10. Do you believe that the legislative frameworks in relation to agricultural investment are adequate enough to govern the subject?
11. What is the holding type of agricultural investors? Do the land tenure of agricultural investors' respect and strong?