

**LARGE-SCALE LAND TRANSFER POLICY OF ETHIOPIA AND
RURAL LIVELIHOOD: ADDRESSING COMPETING INTERESTS**

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Author's declaration

I, the undersigned Zewdu Bisrat hereby declare that I am the sole author of this thesis.

To the best of my knowledge this thesis contains no material previously published by any other person except where due acknowledgment has been made. This thesis contains no material which has been accepted as part of requirements of any other academic degree or non-degree program, in English or in any other language.

This is a true copy of my thesis, including final revisions.

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Abstract

The world has witnessed an unprecedented upsurge in LSLT deals since the mid 2000s fueled by the 2007/8 financial crisis, a global food crisis, and an energy crisis. Sub-Saharan Africa countries, including Ethiopia, are among the largest targets of LSLT deals. A consensus has yet to be reached on several aspects of LSLT. This thesis aims to contribute to the ongoing discourse by exploring possible mechanisms of addressing competing interests of LSLT policy and rural livelihood in the specific context of Ethiopia. To this end, it employs a qualitative case study and in-depth content analysis. Based on the evidence from the Ethiopia, it is argued that the mainstream contention overemphasizing negative repercussions of the phenomenon warrants reconsideration and a shift to broader framework of analysis, taking into account multifaceted aspect of the phenomenon, is suggested. In Ethiopia although massive eviction was not reported as a major concern, denial of traditional access to natural resources is found be serious threat for rural livelihood. Broad conception and application of ‘unused’ land, weak legal protection for communal land, absence of group rights certifying mechanism and lack of contractual protection are the major factors exacerbating the problem. Recognition of traditional access to livelihood resources is, inter alia, the major recommendation suggested to address the competing interests.

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List of Abbreviations

| | |
|--------|--|
| ADLI | Agricultural Development Led Industrialization |
| Art. | Article |
| EAILLA | Ethiopian Agricultural Investment Land Administration Agency |
| ATA | Agricultural Transformation Agency |
| FAO | UN Food and Agriculture Organization of the United Nations |
| FAO” | “Voluntary Guidelines on the responsible Governance of tenure of land, fisheries and forests in the Context of national food security” |
| EAILLA | Ethiopian Agricultural Investment Land Administration Agency |
| FDI | Foreign Direct Investment |
| FDRE | Federal Democratic Republic of Ethiopia |
| GTP | Growth and Transformation Plan |
| Ha | hectare |
| LSLT | Large-scale Land Transfer |
| MoFED | Ministry of Finance and Economic Development |
| MoANR | Ministry of Agriculture and Natural Resources (formerly named as Ministry of Agricultural and Rural Development) |
| NGOs | Non-governmental Organizations |
| RLALUP | Rural Land Administration and Land Use Proclamation |
| SNNPR | Southern Nation Nationalities and People Region |
| TNCs | Transnational Companies |

Introduction

The world has witnessed unprecedented upsurge in LSLT deals since the mid 2000s. Although land deals are not new phenomena to the world, the present wave is unique in its pace and scope/size.¹ Convergence of the global food, fuel and financial crises are believed to be major drivers of the global upsurge in LSLT deals (GRAIN, 2008; Zoomers, 2010; Montaldo, 2013; Borras et al., 2011). The leading actors include capital wealthier countries (like Saudi Arabia, Japan, China, India, Korea, and Egypt) seeking to ensure their food security through offshore farm; TNCs and private investors attracted by business opportunities linked to food prices hike, bio-fuel boom, and anticipated future demand for land and water; emerging economies striving to meet their increasing demand for resources (GRAIN 2008; Cotula et al., 2009; Borras et al., 2011).

Sub-Saharan Africa, including Ethiopia, is one of the major targets where millions hectare of land have been leased out for investment (Baumgartner et al., 2013; Alemu, 2012; Oakland, 2011). Although Ethiopia started allocating land for agricultural investment in the mid 1990s, the number of land deals dramatically increased between 2008 and 2012, coinciding with the spike in the global demand for farmland. Official figures put the land transferred until 2012 at 2.2 million hectares (Keeley et al., 2014).² About 80% of land leased for investment is located in the lowlands regions of the country, namely, Benishangul-Gumuz, Gambella and SNNPR (Keeley et al, 2014).

LSLT has attracted considerable attention from academics, policymakers, civil societies and international organizations. Despite the burgeoning literature, consensus has yet to be reached on several aspects of LSLT including on its main drivers, the amount of land transferred, and

¹ For instance the World Bank reported transfer of 56 million ha land until 2009 alone (Deininger et al, 2011: XIV)

² others put it at 3.6 million ha (Rahmato, 2011)

the socio-economic impacts of the deals on host countries (GRAIN, 2008; Zoomers et al., 2015). NGOs and activists stress the downsides of the LSLT to the livelihood of rural communities in the host countries, in particular, and to the countries' socio-economic and political life, in general (GRAIN 2008, Oakland, 2011, Oakland 2016). They see the land deals as 'neocolonial' instruments and driven by external forces (investors and wealthier nations) based on 'land grab contracts' with terms far from fair (GRAIN, 2008; Borras et al., 2010). If left unchecked, a widespread land transfer would, the argument goes, lead to deprivation of rural livelihood, serious violations of human rights, disruption of social cohesion and worsening of poverty in those receiving countries (GRAIN, 2008; Liu et al., 2013; Oakland, 2016).

In contrast, proponents of the LSLT, including governments in host countries and a few international organizations, welcome and encourage investors' interest in land as an opportunity that can accelerate economic development by creating job, earning foreign exchange, supplementing domestic savings, facilitating resource transfers, improving infrastructure and amenities, transferring technical and management know-how and fostering market access (FAO 2009; Alemu, 2012; Lavers, 2012; Keeley et al, 2014). The new investments coming through LSLT have also been considered as means for addressing financial constraints and accelerating transformation of the agricultural sector, which in turn improve rural livelihood and ensure food security (FAO, 2009). This is especially crucial due to the declining trend of aid that goes to agriculture and urgent need for capital in the developing countries' agriculture sector (Ibid).

The debate over LSLT in the existing literature seems to be highly polarized and characterized by untested assumptions (Holmen, 2014; Schoneveld 2014; Edelman et al., 2013; Oya 2013b; Obeng-Odoom, 2015). Oya (2013a; 2013b) and Scoones et al. (2013), for instance, observe

high degree of uncertainty regarding the data sources and methodology of most studies on LSLT. A rush for quick killer facts by abusing the databases (GRAIN and Land Matrix) and resorting to methodological shortcut not only affect the reputation of researchers but also exacerbate the already polarized debates (Oya, 2013a). Similarly, the literature on socio-economic impacts of LSLT provides “very limited and often biased evidence” on actual impacts (Oya, 2013b: 1553).

The existing literature tends to place (undue) focus on exploring the pros and cons of LSLT, placing less emphasis, with notable exceptions of recent contributions from the World Bank and FAO, on mechanisms of addressing competing interests at the heart of the controversy – boosting economic growth and maintaining rural livelihood (local interests). Although recent empirical studies conducted on impacts of the Ethiopian LSLT policy reveal major concerns related to rural livelihood (such as denial of traditional access to ‘livelihood’ resources) while also documenting potential role of the policy in boosting economic growth (Keeley et al, 2014; Baumgartner et al., 2013), very little work has thus far dealt with the specific mechanisms that can best work for Ethiopia.

This thesis intends to contribute to the ongoing discourse by exploring possible mechanisms, based on national laws and international standards developed by FAO (2012), which Ethiopia needs to put in place so as to strike the right balance between the need for economic growth and maintaining rural communities’ livelihood. While doing so, the thesis also explores the scale, drivers, regulatory frames and effects of LSLT policy in the specific context of Ethiopia and challenges some of the dominant untested assumptions in the global discourse.

The remainder of the thesis is organized as follows. The next two sections discuss, respectively, the research question and methodology. The first chapter introduces the global discourse on LSLT deals; the Second chapter sets the policy context and regulatory

framework within which LSLT deals are governed; and the last chapter brings in empirical data on the effects of LSLT deals in the study area and suggests mechanisms for addressing the competing interests. Finally, the thesis winds up with pithy conclusions.

Research Question

One of the central issues in the debate over LSLT pertains to the competing interests of pursuing economic growth, on the one hand, and maintaining rural livelihood on the other (Rahmato, 2009; Srur, 2014). For a poor agrarian economy like Ethiopia, the issue is particularly pressing.³ The need to accelerate economic growth, pursued through agricultural transformation (Keeley et al., 2014; World Bank, 2014), stems from fast growing population pressure, serious food insecurity concern, and extreme poverty affecting 30% of the people, mainly the rural residents constituting 80% of the total population (World Bank, 2014; Bomba, 2016).

Since 1993 agriculture has been a central development strategy of Ethiopia, leading to industrialization by providing capital base, raw material, surplus labor and capital accumulation (MoFED, 2002). Although the strategy initially focused on achieving equitable growth through intensification of smallholder agriculture, it left room for large scale agricultural investment, especially in area of cash crop production. For example, in 1997, there were floriculture companies already operating on few tracts of land. By 2008 the number of investors in the sector hit 251, making the country the second largest rose exporter in Africa and the sixth in the world (Getu, 2009).

Importantly, in the early 2000s the Ethiopian development strategy shifted towards putting greater emphasis on agricultural commercialization and FDI in the peripheral lowland areas of the country while maintaining the central role of smallholder agriculture in stimulating rural growth (Imeru 2010; Rahamto 2011; Alemu 2012). The policy decisively favored export-oriented investments so as to increase foreign exchange earnings, and ensure food security

³ Agriculture accounts for 80% of employment, 42% of the GDP, and 85% of foreign export earnings (Bomba, 2016).

through trade and increased production of crop marketed in the country (Keeley et al., 2014; Lavers, 2012). It is in such policy context that the various international actors driven by the mid 2000s global crisis flooded Ethiopia seeking for farmlands.

LSLT may have a role to play in accelerating economic growth; however, it also entails potential threat on the livelihood of the rural communities in the affected areas, whose livelihood is strongly tied with the land and surrounding natural resources. This scenario perhaps represents a typical case where the two land-based interests – national economic growth (through LSLT) and rural livelihood - vividly compete. Hence the central research question is: how can the need for economic growth be reconciled with maintaining rural livelihood in the context of the LSLT policy of Ethiopia?

Methodology and Data

A case study of a specific country - Ethiopia - is employed to explore the relationship of LSLT policy and rural livelihood in a specific context. Ethiopia is selected for this study for three core reasons. First, the country is among the leading African nations that leased out millions of hectares of land to both domestic and foreign investors over the last two decades (Alemu 2012; Oakland 2011). Second, Ethiopia's LSLT policy did not emerge following the surge in demand for farmland in the mid 2000s. It has been in place since the 1990s and has since been promoted by the government as a development strategy. Ethiopia would thus provide a unique case study to examine how an existing LSLT policy would be affected by the changes in the international market over the years. Third, agriculture constitutes Ethiopia's engine of economic growth. Transforming this sector through LSLT policy (by attracting domestic and foreign capital) has been seen as a key strategy towards accelerating economic growth and lifting the rural people out of poverty (Bomba, 2016; World Bank, 2014). The same strategy, however, poses threat to the traditional 'livelihood' resources of the rural people. These factors make Ethiopia an interesting case study in examining how LSLT policy can reconcile ideals of economic growth and maintaining rural livelihood.

Although land has been leased out in the different regions of the country, this thesis focuses on the three regional states which have remained the largest targets of LSLT. These are Benishangul-Gumuz, Gambella and SNNPR (Keeley et al, 2014; Alemu, 2012). These regions cover 80% of the total land leased out in Ethiopia (Keeley et al, 2014: 25). Due to dearth of adequate sources of data, the thesis covers only those land deals concluded from 1995 to 2012.

The thesis mainly relies on a qualitative case study of three lowland regions of Ethiopia. It also employs an in-depth content analysis.⁴ The qualitative method fits the explorative and complex nature of the research question that aims to come up with mechanisms enabling to reconcile competing interests of LSLT policy and rural livelihood. In-depth content analysis is undertaken on key policy and legal documents to understand the policy context and regulatory framework governing LSLT deals in Ethiopia. The documents include the Ethiopian Agriculture Policy (MoARD, 2002), the FDRE Constitution, the federal and regional land laws and regulations, land rental contracts and other official information available on websites of MoANR and other national and international organizations. The short-term effects of LSLT policy are assessed based on existing researches conducted in the study area.⁵ Although the analysis focuses on qualitative information it sporadically turns to extant statistical data to highlight on the extent of LSLT and its impacts on rural livelihood.

Finally, the thesis applies the FAO Guidelines⁶ (FAO, 2012) as a framework in assessing the extent to which Ethiopia's LSLT policy protects rural livelihood,⁷ in case where land is allocated for investment, and to suggest mechanisms enabling to address the competing interests of LSLT policy and rural livelihood in Ethiopian context. The Guidelines fit the objective at hand since they provide internationally accepted standards developed through inclusive process of consultation (Munro-Faure et al., 2012). Indeed the FAO Guidelines are soft laws that have no legally binding effect on States. But, to tackle this constraint and strengthen the recommendations, a Constitutional base of each recommendation is portrayed.

⁴ To be sure, using quantitative analysis would suit exploring some aspects of the research question. However, time constraints, data accessibility problems, and reliability of the statistical data made this option unattractive.

⁵ To minimize limitations related to the absence of fieldwork, effort has been made to use primary data generated by those fieldwork-based researches and reports.

⁶ It is discussed further in Section 1.4

⁷ Protection of livelihood mainly refers to recognition and protection of peoples' access to natural resources which are sources of their livelihood.

Chapter 1 – Literature Review: LSLT and Rural Livelihood

This chapter highlights the global discourse on the definition, scale, and drivers of LSLT. It also provides contextual meaning of ‘livelihood’, discusses the debate on the effect of LSLT policy on rural livelihood, and introduces the competing interests involved. The last Section briefly highlights the FAO Guidelines and bridges to the next chapter by emphasizing the importance of context specificity.

1.1. *LSLT: What Does It Refer To?*

Large-scale land transfer generally refers to the allocation of large size⁸ of land to investment. Indeed, the controversies with such dramatically increasing land deals begin just from the naming; the literature exhibits use of different terms purposefully coined to present the phenomenon either with some negative or positive connotations. ‘Land grabbing’, ‘land rush’ and ‘Large-scale land acquisition’ are among those frequently appearing in the literature. In this thesis LSLT is chosen for two reasons. First, as it will be further explicated later, despite the flood of publications on the area still lack of consensus on the scale, scope, driving factors and impacts of the ongoing land deals. Hence it is commendable to employ a neutral term, as the phenomenon may yield either positive or negative results, depending on the specific context. Second, all land deals that are taking place don’t necessarily involve acquisition of ownership over the land. For instance, in Ethiopia land is public property, which is not subject to sale (FDRE Constitution, 1995); the existing land deals are lease/rental contracts entailing the transfer of possessory rights (*usus* and *fructus*) over the land for a certain period of time, not ownership. LSLT is a more holistic term that accommodates both deals entailing the transfer of either possessory or ownership rights.

⁸ LSLT is meant to encompass only those deals involving above 1000 ha of land. This is in line with the trend in most literature and the recording system in some Ethiopian regional states (Keeley et al, 2014).

Unsurprisingly, the controversies with name also extend to the definition. The literature on LSLT exploded following the sharp rise of ‘land deals’ in the second half of 2000s, often dubbed the phenomenon as a “land grab”, to emphasize on its far-reaching disastrous effects (GRAIN, 2008). Here LSLT is defined as illegal and violent appropriation of the land resources, which are already under the ownership of the local community or other owners. Some equates the transfer of land to investors with an act of theft snatching away the public common good to the benefit of few political or economic elites (Holmen, 2013). Zoomers (2010: 430) describe it as “foreignization of space or land”. Others explain the whole LSLT process as “accumulation by dispossession” (Moyo et al., 2012). According to Moyo et al. (2012), the LSLT is nothing more than a neo-colonial form of scramble for Africa that is predominantly driven by foreigners’ interests at the expense of the local community (see also GRAINs, 2013). Borras et al. (2010) see LSLT as a new cycle of enclosures and dispossession.

All the aforementioned value-laden definitions perhaps served one worthwhile public purpose, which is putting the worldwide upsurge in LSLT under the global spotlight and on top of the agenda (Edelman et al., 2013). They also contribute to the broad theoretical debates over the implications of land deals in the transformation of the global political economy (Hall, 2013). But beyond that the definitions do not fully describe what is happening on the ground since they are loaded with untested assumptions and lack supporting evidences (reliable sources). There are at least findings of recently emerging empirical studies that contest the bold assumptions associating LSLT with the dominance of foreign actors and massive evictions/dispossession (German, 2013; Edelman et al., 2013; Keeley et al., 2014). For instance, in Ethiopia, domestic investors have received 73% of the total land transferred until 2012 (Belete, 2012). The use of the term “grabbing” is also specifically criticized because it presupposes forceful act, which is not always the case in the current land deals (Hall, 2013).

Importantly, the definitions seem to completely overlook possible opportunities the land deals may bring to the host countries, and hence leaves no room to deal with the ways of crafting the LSLT in a manner that promotes the interests of the poor countries.

However, in a more neutral approach, LSLT can be stated as a phenomenon located in a continuum between development opportunity, on the one end, and ‘land grabbing’, on the other (Cirillo, 2013). The exact spot of the land deals on the continuum varies depending on the terms of the specific land deal and the consequences thereof. All land deals across the board might not locate on the same spot and, therefore, generalization is risky. Determining the place of the ongoing land deals obviously requires detailed scientific evidence. Such neutral definition provides for broader understanding of the concept and leaves room for further studies focusing on mechanisms that enable host countries and the local communities benefit out of the deals rather than ruling out the whole deals from the outset. More neutral understanding of LSLT is also commendable for it refrains from drawing bold conclusions and acknowledges the lack of reliable data and source on the specific terms of the deals and their socio-economic impacts (Cirillo, 2013; Oya, 2013a).

A worthwhile concern at this juncture is that the attempt of turning to a more neutral understanding of LSLT shall never undermine the current global importance of the issue (Hall, 2013). Given the uncertainties surrounding LSLT and the potential disaster it may cause, it shall still remain under the global spotlight and be kept as an agenda of rigorous empirical studies. Meanwhile, it is needless to mention that evidence-based understanding of the phenomenon is crucial and timely in order to move forward with the efforts of tackling potential perils.

1.2. Scale, Driving Factors and Involved Actors

The scale of global land deals is one aspect of the phenomenon suffering from huge information gaps. The available data on the size of land covered in the ongoing deals, alike other aspects of the deals, are spurred by shocking ‘killer facts’ that came out from the media houses and agitprop NGOs reports (Oya, 2013a). Schoneveid (2014) notes that opacity of the land deals, which makes reliable information inaccessible, is the main reasons that caused the literature to rely on “media report or crowd-sourcing, which also introduces selection bias”. For instance, Oxfam (2013) reported 33 million ha since 2000, GRAIN database (2012), shows 35 million ha since 2006 (the figure is claimed to include land transferred to foreigners for food production); and Land matrix database (2016), states about 44 million ha since 2006. The data produced by intergovernmental international organizations also exhibit similar reliability constraints. The World Bank reported transfer of 56 million ha land until 2009 alone (Deininger et al, 2011: XIV). A report on Africa states 40 million ha of land transfer since 2000 (AU, ADB and UN Economic Commission for Africa, 2013). In Ethiopia, official sources once stated the land allocated until 2012 is 2.2 million ha while other sources estimate above 3.6 million ha (Rahmato, 2011; Srur, 2014).

Indeed, such discrepancies can partly be explained by the variation in methodologies employed, and timeframe and types of deals (intended, concluded and cancelled) covered by each source (Obeng-Odoom, 2015). In any case, looking at those inconsistent big numbers hardly provides accurate and reliable information on the magnitude of the global LSLT. That’s why Oya (2013a: 504) suggests:

“a methodological discussion of evidence on ‘land grabs’ should go beyond the big numbers and large datasets and attempt a broader critical discussion of what is being reported, published and on the basis of what sources and methods”

But, finally all the literature converges on one point: despite uncertainties in the statistical data on the magnitude of the deals the worldwide upsurge in LSLT remains uncontested reality deserving due attention.

The other central issues of the discourse on the global LSLT pertain to; factors and actors driving the process. Initially a lot of studies and advocacy work were confined to “single-driver analysis” which focuses on the pressure from the demand-side of the deal alone (Oya, 2013b:1535). Indeed the convergence of the global food, fuel, financial and environmental crises is the major driving factor for the unprecedented worldwide upsurge in LSLT, witnessed since the mid 2000s (GRAIN, 2008; Zoomers, 2010; Montaldo, 2013). Capital wealthier countries (like Saudi Arabia, Japan, China, India, Korea, and Egypt) seeking to ensure their food security through offshore farm; TNCs and private investors attracted by business opportunities linked to food prices hike, bio-fuel boom, and anticipated future demand for land and water; emerging economies striving to meet their increasing demand for resources have been leading actors on the demand-side of the land deals (GRAIN 2008; Cotula et al., 2009; IIED, 2009).

In addition, Zoomers (2010) and others also note nature reserves (environmental conservation interventions through the expansion of protected areas); expansion of special Economic Zones; large scale tourist complexes; retirement and residential migration; urban sprawl; urban extension; and land purchase by diasporas in their country of origin as additional factors increasing the demand for large-scale land (German et al. 2013; Abdallah; 2014).

But, besides the huge pressure from the demand-side, there have been notable factors fueling the pace of LSLT deals from the supply-side too. The liberalization of trade and investment regimes coupled with other policy reforms, in host countries, aiming at attracting FDI and agricultural transformation have had a role to play in intensifying the process (German et al.,

2013; IIED, 2009). In some host countries, LSLT is framed as an opportunity to stimulate growth in peripheral poor rural areas and hasten the poverty eradication efforts (Smalley, 2013). In this regard, Lavers (2012) and Keeley et al. (2014) mention Ethiopia as a typical example of host country that promotes LSLT as part of its development strategy to attract FDI and accelerate agricultural transformation. Concerning involved actors it should be noted that the LSLT deals are not about North-South alone. Although recent study reveals the majority of investors in Sub-Saharan Africa are from Europe and North America, there are also places where domestic actors and investors from East Asia and Middle East are substantially involved (Schoneveid, 2014; Belete, 2012).

Generally, considerable involvement of domestic investors, state-owned enterprises, the Diaspora and domestic political elites (German et al., 2013), as well as host countries' vested interests in LSLT (e.g. FDI and Agricultural transformation) warrant reconsidering the mainstream conceptions of LSLTs as “foreignization”, “de-territorialization” and “neo-colonialism”.⁹ Evidently, LSLT deals are not necessarily driven by the demand-side alone, actors on the supply-side also play sizable role, at least, in specific contexts like the case of Ethiopia. This implies the need for shifting from “single-driver analysis”, which is often confined to the demand-side and negative repercussions of the deals, towards a broader framework that takes into account multifaceted aspects of the deals on both the demand and supply sides (Oya, 2013b:1535). In this frame, what appear crucial and more pressing are, inter alia, examining the fairness of the deals, identifying competing interests and suggesting mechanisms leading to win-win situations. This requires examining multifaceted aspects of the phenomenon. This thesis takes up one aspect of the phenomenon: the relationship of LSLT policy with rural livelihood.

⁹ All these conceptions tend to associate LSLT with foreign investors (be it public or private) alone and present it as a demand-driven process exclusively serving the interests of foreigners. (For detail illustrations see Grain (2008), Zoomers (2009) and Montaldo (2013).

1.3. Rural Livelihood and Its Relation with LSLT Policy

‘Livelihood’ is a broad concept that may catch all “capabilities, assets (including both material and social resources) and activities required for a means of living” (Chambers et al., 1992). However, for the purpose of this thesis ‘Rural Livelihood’ is meant to particularly focus on traditional access of the rural households to land and other natural resources, such as water, rangeland, firewood, wild-fruits and fishery, in order to obtain goods necessary for the fulfillment of their basic needs. Livelihood is taken in its narrower sense mainly because most of the investment projects (involving LSLT) in the study areas are at their early stages (which makes impossible full-fledged impact assessment) and lack of detailed and reliable data, even on the short-term effects of the projects on broader aspects of rural livelihood.

Obviously the relationship of rural livelihood and LSLT policy is part of the debate on socio-economic impacts of the LSLT deals, which is basically characterized by the two polarized views: one advocates negative consequences of LSLT on rural livelihood while the other emphasizes positive repercussions. There are scholarly works with optimistic views about the effects of LSLT policy on rural livelihood. According to this view, cautiously enforced LSLT policy can improve livelihood of the rural poor by fueling economic growth in host countries. It is a new opportunity to host countries, which were sidelined by foreign investors, to attract investments that can bring about new job creation, foreign exchange earnings, supplementing domestic savings, resource transfers, improvement infrastructure and amenities (particularly in the peripheral rural areas), transfer technology (technical and management know-how) and fostering market access at international level (FAO 2009; Alemu, 2012; Lavers, 2012; Keeley et al, 2014).

In most of the host countries, including Ethiopia, agriculture remains crucial sector of the economy providing livelihood for substantial portion of the population, particularly the rural

poor (African Union et al., 2012). New investments coming through LSLT are believed to partly rectify long-standing financial constraints of the agriculture sector in host countries and accelerate its transformation, which in turn contributes, *inter alia*, to improvement of rural livelihood and food security (FAO, 2009). This is especially imperative due to the declining trend of aid that goes to agriculture and urgent need for capital in the developing countries' agrarian sector (Ibid). Apparently host countries cannot realize these virtues of LSLT deals, unless through well-crafted policy frame that takes into account multifaceted aspects of the phenomenon.

The other view tends to completely undermine any advantages LSLT deals would bring to host countries since it perceives the deals as demand-driven processes exclusively serving interests of investors and richer countries. A lot of research and advocacy work buy this mainstream contention, which stresses devastating effects of LSLT policy on rural livelihood, by emphasizing on massive displacement of the rural poor and deprivation of access to land and natural resources, which are essential for the fulfillment of their livelihoods (GRAIN, 2008; Oakland, 2011, Zoomers, 2010; Montaldo, 2013, HRW, 2012). The studies speculate: such rapid and widespread LSLT would lead to loss of rural livelihood, serious violations of human rights, disruption of social cohesion and worsening of poverty in those host countries (GRAIN, 2008; Liu et al., 2013; Oakland, 2016).

However, recently scholars have started critically questioning reliability of the data and soundness of methods underlying the whole debate on socio-economic impacts of LSLT policy, particularly those dominant contentions over-emphasizing negative repercussions of the phenomenon (Holmen, 2014; Schoneveld 2014; Edelman et al., 2013; Oya 2013b; Obeng-Odoom, 2015). Explaining the challenges related to obtaining reliable data Schoneveid (2014: 34) mentions that opacity of the land deals and inaccessibility official records often compel

researchers to rely on “alarmist and speculative” data coming from the media or “crowd-sourcing”. Oya (2013b: 1540) adds that “time [also] matters”. It means the fact that many projects involving LSLT are still at their initial stage, which undermines the effort of producing concrete empirical evidences on ‘net’ actual - as opposed to potential - impacts of the phenomenon and paves the way for biased selection of evidences/models leading to premeditated conclusions. In his systemic review of the literature Oya (2013b: 1535) states most of the extant works are often not only “geared towards establishing the range of negative consequences” of the phenomenon but also purposefully aimed at debunking any effort leading towards win-win situation of land deals. Given such biases, our knowledge about the impacts of LSLT policy on livelihood and other socio-economic life of the rural communities is still very scant.

Yet, despite the politics of evidence and the bias in the debates, almost, everyone concur that LSLT policy is not without its perils. Particularly, the competing land use interests that emerge immediately following the shrinking access of people to the land and other natural resources would inevitably pose some challenges (be it short-term or long-term) to rural livelihood; and these vary both in type and degree depending on the specific context.

In Ethiopian specific context, the government, as a development strategy, for years has purposefully promoted LSLT policy. Although the policy may have the potential to stimulate economic growth it is also claimed to be a serious threat to rural livelihood. Hence, two competing interests can define the relationship of LSLT policy and rural livelihood: the Policy objective of boosting economic growth, on one hand and maintaining the rural livelihood, on the other.

1.4. Mechanisms for Addressing Competing Interests

Being cognizant of the competing interests LSLT entails, a series of national and transnational regulatory initiatives have emerged with the objective of addressing local communities' concerns, including threats to rural livelihood. In Ethiopia, efforts have been made based the existing regulations to minimize the adverse effects of LSLT policy on rural livelihood. Particularly, most of the land allocated to investment is kept away from villages so as to prevent mass displacement (Keeley et al., 2014). However, there are still unaddressed concerns associated with access to rural 'livelihood' resources.

Moving to transnational initiatives, Margulis and Porter (2013: 69) argue transnational governance initiatives are proved successful strategies in achieving social–justice oriented goals (like the protection of rural livelihood), mentioning the success stories of transnational initiatives for recognition and enforcement of fundamental human rights, access to medicines and others. Although this may not be always the case it is undeniable that such initiatives have a role to play.

The intergovernmental initiative led by FAO is among the notable transnational efforts that culminate in the first international instrument that sets out internationally accepted standards for the practices of responsible governance of tenure. The instrument is known as “Voluntary Guidelines on the responsible Governance of tenure of land, fisheries and forests in the Context of national food security” and officially endorsed by Committee on World Food Security in 2012. The Guidelines vividly recognize that “the livelihoods of many, particularly the rural poor, are based on secure and equitable access to and control over these resources

[land, forest and fisheries]” (FAO, 2012: IV)¹⁰. It also spells out that land and natural resources are, inter alia, “source of food and shelter” for the rural poor and hence needs recognition and protection.

Major critique on the Guidelines is the lack of enforcement mechanisms. Indeed it is a valid concern, as the Guidelines have no binding effect. However, given the super complex nature of the issues involved in governance of land and natural resources, developing internationally binding document is hard to imagine in the near future. Hence, the document as it stands is a good start towards improving governance of natural resources, which were perhaps beyond the direct reach of international laws. It should also be noted that the fact that the document is grounded in binding human rights instruments helps to put more pressure towards its enforcement. Golay et al. (2013), fortify this by illuminating the strong link of the Guidelines with fundamental human rights such as the right to food.

The Guidelines comprises two sets of principles (‘General Principles’ and ‘Principles of Implementation’) that are meant not only to influence national policy making, but guide non-state actors, including investors involved in LSLT deals (Munro-Faure et al., 2012)¹¹. The General Principles lay down five core principles pertaining to recognition, promotion and protection of legitimate tenure, disputes prevention, and access to justice. The implementing principles contain ten guiding rules. These include rule of law, consultation and participation, transparency, accountability and continuous improvement (Munro-Faure et al., 2012). Apparently effective application of these principles warrants analyzing the policy landscape and practice in a given context.

¹⁰ Food and Agriculture Organization of the United Nations(FAO). 2012. Voluntary Guidelines on the responsible Governance of tenure of land, fisheries and forests in the Context of national food security.

¹¹ Munro-Faure, P. and David Palmer. 2012. AN Overview of the Voluntary Guidelines on the Governance of Tenure. *Land Tenure Journal*, (1).

There is emerging body of literature exploring mechanisms, including the FAO Guidelines, which can address competing interests involved in LSLT and rural livelihood in the context of different countries; however, the Ethiopian case has not been dealt so far. Hence, this thesis, besides exploring the Ethiopian LSLT policy and its effects on rural livelihoods, examines how the Guidelines can help address the competing interests - boosting economic growth and maintaining the rural livelihood - in the specific context of Ethiopia.

Chapter 2 – Ethiopian LSLT Policy and Its Regulatory Framework

This Chapter contributes to address the research question by setting the policy context and regulatory framework within which LSLT deals are promoted, concluded and enforced in Ethiopia.

2.1. Rural Land Policy and Tenure in Ethiopia: An Overview

Land is a fundamental asset strongly tied with the livelihood of the rural community of Ethiopia (Bomba, 2016). The FDRE Constitution, the Federal rural land law (RLALUP No. 456/2005) and the respective implementing legislations of regional States constitute core pillars of the current land governance framework.

The Constitution declares land as a public property (See Art. 40(3) of FDRE Constitution, 1995). Neither individuals, nor communities, are entitled to own and sale/exchange land in Ethiopia. This has been fiercely debated over the last decades (Rahmato, 2011; Crewett et al., 2008). The government justifies public ownership of land appealing to social justice goals and protection of the rural poor. According to official narrations, privatization of land threatens rural livelihood by exposing poor farmers to loss of their land, often through distress sales, and leads to accumulation of land in the hands of few rural elites and urban bourgeois (Crewett et al., 2008; Lavers, 2012). On the other hand, opponents present privatization as an incentive for “both increasing productivity and sustainability of land use, and encouraging accumulation of land in the hands of entrepreneurial and economically successful farmers, thereby increasing productivity” (Crewett et al., 2008: 206). Rahmato (2004) and Chinigò (2015) further argue that public ownership of land has diminished the rural poor economic and political power while excessively strengthening state power, which

the Ethiopian government is using as a political weapon against the peasantry. As discussed below, such imbalance of power is also reflected in the allocation of investment land.

Despite the debates, the existing legislations give rural landholders use right or “*holding right*”¹². Such right is set to sustain for an unlimited period of time; the right holders (peasants and pastoralists) are provided constitutional protection against eviction or displacement from their lands except for expropriation justified by public interest, upon payment of commensurate compensation. The rural people are also entitled to free access to agricultural land. However, such constitutional right is materialized only if the person is permanent resident of rural area and engages in agricultural activities as means of his/her livelihood. (RLALUP Proc. 456/2005).

The critique here begins from the promise of the law to provide free access to agricultural land, which has already been proved impractical due to the increasing population and shortage of land in many parts of the country. Indeed, this does not largely include the lowland areas targeted by LSLT deals where land is relatively abundant. The residency requirement for retaining landholding rights tends to lock people in their locality and inhibits efforts looking for alternative means of livelihood/income in peri-urban and urban areas. This is further exacerbated by the requirement of sticking to agriculture as means of livelihood.

In fact, one may commend such conditionality claiming that if landholders rely on agriculture as their sole means of livelihood, then they will exert all efforts (fulltime engagement) and resources on the land, this in turn, enhances efficiency and productivity. But, again, it can be

¹² “Holding right” is defined under Article 2(4) of RLALUP defines as
“a right to use rural land for purpose of agriculture and natural resource development, lease and bequeath to members of his family or other lawful heirs, and includes the right to acquire property produced on his land thereon by his labor or capital and to sale, exchange and bequeath same”

more convincingly argued that such requirement seriously hampers efforts towards diversification of income/ livelihood (in nonfarm sectors). Particularly, in Ethiopia where the rural poor highly depend on farming activities, a policy environment encouraging people to look for non-farm business opportunities is essential. This is also important in light of the LSLT policy, smooth implementation of which often requires expansion of non-farm livelihood opportunities and urbanization (Rahmato, 2008).

To make the “*holding rights*” more concrete, donor-supported program has been launched for registration and certification of landholding rights in many parts of the country, including the three study areas (Keeley et al., 2014).¹³ Although such registration program faced criticism (Chinigò, 2015), it is widely believed to facilitate the exercise of the bundle of rights recognized under RLALUP. Indeed, one practical challenge with the certification of land rights in the lowland areas is the fact that the scheme lacks effective system for certifying group rights, which is essential for those areas where agro-pastoral agriculture is omnipresent (Keeley et al., 2014).

The right to lease is among components of the “holding right” that enable rural landholders to rent out their lands to other farmers or investors. They can also use their “holding right” to engage in development activities jointly with investors based on some contractual agreement (RLALUP No. 456/2005). But, the exercise of these rights requires prior approval of the competent authorities. Regarding land rental, restrictions are imposed on land size and contractual duration. A landholder cannot lease out the whole tract of his land; some part of it (often a third of the land) must remain under the landholder possession. Neither can s/he rent it out for more than certain years; the specific rental duration varies from 3 - 25 years depending on the purpose and the specific regional legislation applicable. Another restriction

¹³ Schoneveld et al., (2014) reported that the certification program has not covered lowland SNNPR and Gambella.

specific to farmers is the right to use ‘holding right’ as collateral. While the proclamation/ RLALUP allows investors who rent land either from the state or farmers to mortgage their lease right as security to access credit, it denies same right to farmers (RLALUP No. 456/2005).

Brief overview of the exiting land policy reveals somehow subjective nature of the land rights, limited scope of “holding rights” and strong state control over land matters, which in turn adversely affect security of tenure. Particularly, weak and unclear legal status of communal landholdings and lack of effective system for certifying group rights (over the land) are serious challenges encountered in the lowland areas. The restrictions on land rental transactions may hinder efforts of expanding smallholder farms into medium and large scales. This also inhibits benefits from economies of scale. The other flaw of the policy goes to the provision prohibiting the use of “holding right” as a security to access credit. It is both unclear and unwise to deny farmers such a right while investors who rent land either from the state or farmers are allowed to get loan by mortgaging their lease right as collateral. In Ethiopia, farmers’ use of their ‘holding right’ as collateral, would not only ease financial constraint in the agriculture sector and widen livelihood opportunities, but also address one of the major concerns raised by proponents of privatization (i.e. using land title as collateral).

2.2. The Ethiopian LSLT Policy: Development Strategy as a Major Driver

The various global drivers discussed above had evidently influenced the unprecedented rise in LSLT deals in Ethiopia. These alone, however, don’t explain the whole story. Government’s strategic promotion of land deals for large-scale plantation agriculture has also

played a pivotal role in the process.¹⁴ In Ethiopia, it is almost a decade before the worldwide wave for farmland (late 2000s) that the government started allocating land for agricultural investment (Alemu, 2012). For Instance, in SNNPR in late 1990s many tracts of land were already allocated to investors engaged in coffee plantation (Keeley et al., 2014). Rahmato (2011) cites official data showing that over 3 million ha land were allocated to 8000 investors between 1996 and 2008.

The government placed agriculture at the center of its development strategy in 1993, while endorsing its main development policy named as Agricultural Development Led Industrialization (ADLI). ADLI considered agricultural development as an engine of the economy, leading to industrialization by providing capital base, raw material, surplus labor and capital accumulation (MoFED, 2002). But, here, agriculture doesn't seem to be conceived as a mere instrument to industrialization, but a core driver of the economy transforming along with industries and providing new jobs (Ethiopian ATA¹⁵, 2016; Keeley et al., 2014). This approach is perhaps similar with the development strategy of South Korea and Taiwan that is designed to exploit the synergies between agriculture and industry (Kay, 2009).

Undoubtedly, ADLI was initially much focused on smallholder agriculture as an engine for equitable economic growth (MoFED, 2002). Yet, despite the special attention given to smallholders, there was also a room to attract investment in the agriculture sector particularly in area of cash crop production. Typical example here is floriculture. In 1997 there were few floriculture companies already operating in few tracts of land. By 2008, the number of

¹⁴ Besides agricultural plantation, urban extension, expansion of special economic zones and grand development projects (like dam construction) are increasingly important drivers of LSLT in Ethiopia.

¹⁵ ATA is a higher level special government agency established with sole mandate of working on strategies that accelerate growth and transformation of agriculture in Ethiopia. See <http://www.ata.gov.et/>

investors in the sector hit 251, making the country the second largest rose exporter in Africa and the sixth in the world (Getu, 2009).

The early years of 2000s witnessed a shift in the development strategy towards putting greater emphasis on agricultural commercialization and FDI, while maintaining the central role of smallholder agriculture in stimulating rural growth (Imeru 2010; Rahamto 2011). This has been fortified by the 2002/03 investment law that provided quite attractive incentives to investors (Alemu, 2012). Regulation No. 84/2003 grants five years of income tax exemption for agricultural investment directly exporting 50% or supplying 75% of the output to another exporting company as a production input. The policy decisively favored export-oriented investments so as to increase foreign exchange earnings; ensure food security through trade (putting more money into peoples' pocket through new on-farm and related¹⁶ jobs) and increased production of crop marketed in the country (Keeley et al., 2014; Lavers, 2012). It also aims to allocate foreign exchange earnings for financing capital imports that fuel industrialization (MoFED, 2002). Subsequent national development plans (GTP I and II) and strategies have also been even clearer with the country's increasing strategic focus on attracting foreign and domestic investment in the agriculture sector, the former being more favored (Keeley et al., 2014). It is in such policy context of Ethiopia that the various international actors driven by the mid 2000s global crisis flooded the country seeking for farmlands.¹⁷

¹⁶ With the operation of large-scale agriculture projects the service sectors like hotel, restaurant, transports and other small businesses are expected to grow and create new jobs (Keeley et al., 2014).

¹⁷ Relaxed regulations, abundant/suitable land, strategic location, preferential trade agreements, and abundant water resources are also factors attracting inventors in Ethiopia (See Oakland, 2011).

Therefore, the surge of LSLT deals in Ethiopia is the outcome of a coincidence between high internal demand for agricultural investment, on one hand, and high external demand for farmland, on the other. It should also be noted that the share of domestic investors in the LSLT deals is significantly higher than foreigners. A statement from MoFED confirmed out of 5284 investors who received land in Ethiopia until 2012, 5158 are Ethiopian nationals (Belete, 2012). This is clear evidence challenging the bold assumptions of associating LSLT with foreigners' control.

Large-scale agriculture is primarily intended to utilize untapped agricultural potential of the country (Keeley et al., 2014). Although Rahamato (2011) contests its reliability, official sources claim that out of the 74.3 million ha of land suitable for agriculture only 14.6 million ha are used so far. Hence, the strategy is more focused on developing the land perceived “unused” (Keeley et al., 2014: 14). In line with this, LSLT deals have largely targeted low densities and peripheral lowlands where “unused” land is believed abundant. In the densely populated highlands of the country where land is scarce and fragmented the smallholder agriculture is retained as central development policy. In the existing development policy the government seems to apply two different agricultural productivity enhancing strategies depending on the specific context. The South Korean and Taiwan approach, increasing productivity through greater use of technology, is employed for the densely populated highlands while the Latin American strategy of large-scale commercial farming is applied in the sparsely populated peripheral lowlands (Kay, 2009).

Although scholars concur on the important place of large-scale agriculture in Ethiopian development policy, divergent views are reflected on its merits (Alemu, 2012, Lavers 2012). Lavers presents the shift to commercialization of agriculture in Ethiopia as a sign for the failure of smallholder agriculture that the government has been promoting for decades.

Indeed the governments' increasing attention to large-scale agriculture perhaps implies its increasing belief in the importance of agricultural investment to economic growth; however, since smallholder agriculture is still central part of the agricultural strategy in the highlands, it's hard to conclude that it is acknowledged as a failure. Another critique of Lavers (2012) associates the move to large-scale agriculture with a risky strategic turn from the previous food sufficiency approach to "trade-based food security strategy". Here also, as pointed out by Keeley et al. (2014), the government's main strategy for ensuring food security still sticks on intensification of smallholder agriculture, which is contributing 91% of the current crop production. Agricultural commercialization is claimed by the government as an additional, not a substitute, development strategy.

Finally two critical issues remain unaddressed. First, the government interpretation of unused land is highly influenced by the highland smallholders setting which is completely different from that of the lowland setting of shifting cultivation, pastoral and agro-pastoral agriculture (Lavers, 2012). As discussed below, this apparently jeopardizes the rural livelihood in the lowlands – the study area. Second, in Ethiopian specific context economic benefit of LSLT for agricultural plantation, compared to other land use systems (like shifting cultivation, pastoral and agro-pastoral agriculture), is important issue that calls for further investigation (Keeley et al., 2014).

2.3. Regulatory Framework of LSLT in Ethiopia

This Section introduces legal and institutional framework governing LSLT deals in Ethiopia in general. However, a particular reference is made to regional laws whenever the need arises. In Ethiopia, LSLT deals are regulated by the federal and regional laws as well as contractual documents signed between the government and investors. The FDRE Constitution entrusts the federal government to enact laws on land and natural resources while reserving

the administration mandate to regional states (See Article 50 and 51). However, regional states are given some space by the federal land law to enact their own implementing legislation depending on their own context (See Article 17(2) of RLALUP). Hence, rules governing specific matters like expropriation, compensation, land rental and lease duration are not necessarily similar across regions. In fact, these rules don't often affect land deals concluded at federal level. For instance, in Benishangul-Gumuz although the regional law set 25 years as a maximum lease duration there are land deals concluded with MoANR that extend for 50 years (See Appendix).

As mentioned above, land administration is the constitutional mandate of regions, however the federal government has engaged in allocating investment land exceeding 5000 ha through delegation (Alemu, 2012). Constitutional base of such upward power delegation is suspicious since the Constitution (Article 50(9)) only recognizes (explicitly) delegations of federal powers to regions. Lavers (2012) adds that such upward delegation undermines regional autonomy which is an essential constitutional principle. The government, however, argues such delegation is meant to facilitate and assist investment (Teklemariam et al., 2014).

Previously, MoANR was mandated to administer LSLT for agricultural investment but later a distinct federal office, EAILLA, has been established with sole responsibility of handling the whole process including the conclusion of contract (Regulation No. 283/2013). A federal land bank has also been setup to make investment land, suitable for agriculture across the regions, easily available to investors (Keeley et al., 2014). In 2009, 3.6 million ha land was transferred to the federal bank from five regions - Benishangul-Gumuz, Gambella and SNNPR being the largest suppliers contributing 2.5 million ha (Alemu, 2012: 20).

The government claims all these plots of land are "unused" (Stebek, 2011), however there seems no clear guideline defining what constitutes "unused" land. Practically, land used by

the community for shifting cultivation, grazing, or other source of livelihood is often considered as “unused” (Lavers 2012). Weak legal protection of communal landholdings and government’s discretion to change them into private holdings increase the plots of land that would likely be reallocated to investors at the expense of rural livelihood (RLALUP No. 456/2005). Another legal lacuna pertains to lack of commensurate compensation in case of displacement and loss of livelihood. Under the existing laws compensation is awarded only for the private property on the land, not for the land itself, which is considered public property (Srur, 2014).

About 80% LSLT deals in Ethiopia cover tracts of land exceeding 5000 ha, and therefore, the contracts are concluded with the federal government, without any clear procedure for participation of local community (Mbaya, 2015). Duration of the contract ranges from 10 to 60 years and the annual land rental is between 1 to 22 USD/ha (Srur, 2014: 224). The contract leaves a room to the government to revise land rental and even cancel the contract for “better socio-economic benefits” (See Appendixes: Article 5). Some argued the rent is too low mentioning the rents in India (ranging USD 556 – 667) (Alemu, 2012). However, at the moment higher amount of rent may not be plausible in Ethiopia, especially in the lowlands, provided the poor infrastructure, remoteness and difficult weather of the investment locations. Indeed, eventually, as the situation improves the government may invoke its contractual right of revising land rent.

The contract requires investors to start operation within six months and puts timeframes within which they shall develop the whole land (See Article 4.4 of the contracts). Nevertheless, many investors have not been observing such requirements¹⁸ (Alemu, 2012) triggering the government to take measures. For example, recently the EAILLA has cancelled

¹⁸ Official sources confirmed that from the total of 2.2 million ha allocated as far only 17.6% has been cultivated (Keeley et al, 2014:34).

one of the biggest LSLT contract concluded with Karuturi Global Ltd. for cultivation of 100,000 ha for insufficient progress (Davison, 2016). Since the conclusion of the contract in 2010, Karuturi has cultivated only 1200 ha. Hence, excluding the cultivated 1200 ha, the rest has been returned back to the federal land bank (Davison, 2016).

The major gap of the contract appears when it comes to matters pertaining to local interests including livelihood. No provision in the contract explicitly addresses investors' relation with the surrounding community. The contract neither ensures protection of rural livelihood such as traditional access to land and natural resources nor stipulates a provision requiring investors to discharge some social responsibilities like build infrastructures and providing basic services.

Chapter 3 – Boosting Economic Growth and Maintaining Rural Livelihood: Addressing the Competing Interests

This chapter begins with assessing actual effects of LSLT deals on economic growth and the rural livelihood of the study areas based on recent researches. It then identifies the competing interests involved and suggests mechanisms enabling to reap economic benefits out of LSLT policy while maintaining rural livelihood.

3.1. The Effects LSLT Policy on the Rural Livelihood in the study area

As discussed above, there is no a great deal of information on actual socio-economic impacts of LSLT deals due to lack of data and methodological challenges.¹⁹ Yet, based on existing researches, this section endeavors to illuminate short-term impacts of LSLT on rural livelihood witnessed in the study areas. Thus, it doesn't cover overarching impacts of the phenomenon on all socio-economic matters at different stages of these projects.

The study areas - Benishangul-Gumuz, Gambella and SNNPR - are the `of LSLT deals in Ethiopia covering about 80% of the total deals (Keeley et al., (2014). The areas are part of sparsely populated peripheral lowlands of the country (Schoneveld, 2014). The rural residents, constituting about 90% of the inhabitants (Mbaya, 2015), are agro-pastoralist communities relying on “opportunistic flood-retreat agriculture and seasonal cattle migration” for their livelihood (Schoneveld et al., 2014: 17). Fishery and beekeeping are also used in the areas for domestic consumption and sale. The people get water from natural springs and rivers. They use the forest as a source of firewood, medicine and wild-foods (Alemu, 2012). Variable rainfall and harsh natural conditions often expose the areas to drought often turning into food insecurity (Schoneveld et al., 2014). The infrastructure and basic public services like clinic, education and electricity are in very low level.

¹⁹ See the discussion under Section 1.3.

In the study areas agricultural investment is the main driver of LSLT deals. The major companies include Saudi Start, S&P Energy and Karuturi. All investments are engaged in crop production for food and bio-fuel. Some positive and negative effects of such investments have been reported by empirical researches on the three regions (Alemu, 2012).

Positive Effects: normally agricultural investments are expected to accrue benefits to the local community and the national economy in the long-term when the projects are fully operational. Alemu (2012) documented the long process investors in the study area are going through to get the land ready²⁰ for cultivation and test suitability of the soil, climate, seeds and different technologies. Yet, some projects in the study area have already started benefiting the rural communities. Keeley et al. (2014: 41) reported jobs created by two projects in Gambella. One operating on 10,000 ha has employed 2000 people, while the other project cultivating 100,000 ha created 1000 jobs so far. Once both projects become fully operational they plan to employ 29,500 people. Similarly, many jobs are created in Benishangul-Gumuz, though people from other regions largely occupy them (Keeley et al., 2014).

In SNNPR, investors benefited the surrounding community by distributing 15,000 mango and coffee seedlings, supplying fertilizers, and delivering training on agronomic techniques (Keeley et al., 2014). A project in the same region also constructed 23 km of road. A firm, named Omo-sheleko, helped rectify the food insecurity in Benna, Arbora, Tsemay and Braile communities of SNNPR by providing access to irrigation facilities. One of the villagers had the following to say on the project, as quoted by Keeley et al. (2014: 42)

“Omo-sheleko is benefitting us a lot. It gives us canals to water our crops. We have been suffering by hunger, but now we are producing many quintals of maize and we also started selling it to the market in order to get money.”

²⁰ A company in Gambella managed to clear only 6500 ha within 6 years. The cost of land preparation per hectare is estimated to be USD 17,000 (Keeley et al., 2014:35)

Negative Effects: the land allocation process and operation of agricultural investments projects in the study area are criticized for threatening the livelihood of the rural communities. The major problem related to investment land allocation is the concept and application of “unused” land (Srur, 2014; Laver 2012; Stebek, 2011). The central and local governments claim that LSLT targets only “unused” or “underutilized” land, and hence, there has not been any displacement of people due to LSLT in all the study areas (Srur, 2014). However, even though people might not be displaced from their homes, they are losing their sources of livelihood. Evidences show the reallocation of lands that were used for crop cultivation and grazing (IIED, 2009). Importantly, in the agro-pastoral livelihood system, all the land, forest and other natural resources are part of the communities’ livelihood sources (Schoneveld et al., 2014; Rahmato, 2011). In Gambella and Benishangul-Gumuz, enclosure of what is labeled as ‘unused’ land has resulted in the deprivation of rural communities’ access to spring water (for household and cattle); firewood; pastoral land; grass and wood (for house construction and roof thatching); hunting ground; and wild food (often used in case food shortage).

Alemu (2012) reported, citing villagers in Gambella, that people have a fear that they would be even denied access to the rivers they use for fishing and household water as the projects progress. In Benishangul-Gumuz part of the lands which the people were using for shifting cultivation and dry season grazing has been deemed “unused” and relocated to investors (Srur, 2014). Research by Oakland (2013) found the investment projects in some of study areas have taken away the water resources for irrigation and caused loss of livelihood by restricting rural communities’ access to natural resources.

Researches also show the absence of participation and consultation of the rural people in most of the land deals. At times, the people realize that land in their vicinity is allocated for investment when bulldozers start clearing the land sources (Schoneveld et al., 2014). Since

many of the land deals involve above 5000 ha the contracts are concluded with the federal government without any clear procedure for local participation. This not only undermines transparency and accountability at a local level, but also hinders the chance of employing some area-specific approaches that can minimize the deals' negative repercussions on people livelihood.

Another controversial issue associated with LSLT deals is the Villagization program that has been launched by the government to relocate the rural communities in Gambella and Benishangul-Gumuz in order to facilitate better provision of basic services like education, health and clean water. Oakland (2013, 2016) fiercely criticizes the Villegization program as a means of making the land free for investors and, therefore, perceived it as a displacement of people for investment (Rahmato, 2011). Conversely, Keeley et al. (2014) reported that they could not find clear evidence indicating a relationship between the villagization program and LSLT deals.

Generally, most empirical researches in the study area have not reported massive eviction/displacement²¹ of people as a critical problem resulting from the LSLT policy (Keeley et al., 2014; Alemu, 2012). However concrete evidences have established negative repercussions of the LSLT deals on the rural livelihood, particularly, by restricting traditional access to 'livelihood' resources. The government conception of "unused" land is also very broad and fails to take into account some of the basic features of the lowlands agro-pastoral livelihood systems. Consequently, the rural people are left uncompensated for the loss of their livelihood.

²¹ In deed there are people displaced in connection with state-owned projects like sugarcane factories, dams and roads. In these cases although the people are compensated, the amount remains contestable.

3.2. *Mechanisms for Addressing the Competing Interests*

As shown above, in Ethiopia LSLT policy is purposefully designed government strategy aimed at boosting the economy. In a poor country like Ethiopia, economic growth is a question of survival particularly for those local communities of the peripheral lowlands who suffer more from the existing chronic poverty. Extremely low, if not absent, public services, poor infrastructure and lack of economic opportunities are just few of the factors appealing for fast growth. Admittedly, at the moment promising economic potential of the country rests on agriculture. Hence, the opportunities cautiously enforced LSLT policy may bring to Ethiopia cannot be undermined.

Apparently benefiting from such opportunities involves some trade-off, but the question should, however, be: how can the country make the best out of it? This requires examining multifaceted aspects of the policy. Here the focus has been on rural livelihood; the gaps in the regulatory framework and the practical challenges threatening rural livelihood are discussed above. This Section suggests governance mechanisms enabling to pursue LSLT policy while maintaining the rural livelihood, based on national laws and the FAO Guidelines²².

Recognition of livelihood resources: A major problem that contributed to deprivation of livelihood in the study areas seems to be the broad conception and application of “Unused” land, which fails to take into account basic features of the agro-pastoral livelihood system. To begin with, there is no written rule defining unused land. In practice, the resources that constitute essential parts of the rural livelihood are misunderstood as ‘unused’ and taken away, at times without compensation. This contravenes not only the FAO Guidelines, but also the Constitutional provisions which recognize the communities’ right to choose their own

²² For brief explanation on FAO Guidelines see Section 1.4.

livelihoods, and their right to get free land for grazing and cultivation (FDRE Constitution Art. 40&41).

Therefore, in line with the Constitution and the FAO Guidelines, the government should redefine what constitutes “unused” land in a manner that recognize and protect resources like land used for shifting cultivation and grazing, spring waters, forest (used for firewood, beekeeping etc), and river (used for fishing, household water) as integral part of the agro-pastoral livelihood system. This should be done in rules-based approach by enacting a law that clearly spells out what unused land constitutes (FAO Guidelines: Art. 3.2). State discretion on communal lands is also another point of concern. Particularly, in the agro-pastoral areas where communal lands often constitute essential part of people livelihood, the discretionary power bestowed on the State to change these lands to private holding, poses tangible threat to the rural poor. Hence, this should be revisited in such a way that recognizes legal rights of the community on the communal land as part of their ‘livelihood’ resources (FAO Guideline Art. 8.2 and 9.8).

Protection and Compensation: once the livelihood resources associated with the communal land and what were claimed ‘unused’ lands are legally recognized; the next essential step is to ensure their protection. The principal way to this is the careful mapping of the investment lands in a manner that keeps ‘livelihood’ resources unaffected. Moreover, devising effective system for certifying group rights over the land is also essential. Inclusion of a provision in the rental contract that obliges investors to ensure, to the extent possible, continued access of people to ‘livelihood’ resources is also essential, but missing in Ethiopia. Indeed, the contracts shall go beyond this, and urge investors to benefit the local community through technology transfer, creation of job and other business opportunities, expansion of basic services and infrastructure. Some of these services are, in fact, part of the corporate social responsibilities

of the firms, but their enforcement usually needs government influence/encouragement, lobbying and other reinforcing mechanisms.

In case where encroaching into the ‘livelihood’ resources is inevitable for public purposes, the community shall be entitled to commensurate compensation as per Art 44 (2) of FDRE Constitution which reads: “All persons whose livelihoods have been adversely affected as a result of State programs have the right to commensurate monetary or alternative means of compensation...”. The alternative means can be for example substituting electric services for firewood or pipe water for spring water.

Consultation and Participation: In almost all LSLT deals the people have not been consulted. The recentralization of the land allocation process, back to the federal government, has exacerbated the problem since the local authorities that are known and more accessible to the people are not part of the decision-making apparatus. The FAO Guidelines (Art. 3.2) provide “active, effective, free, meaningful and informed participation” as one crucial implanting principle for ensuring the protection of, inter alia, rural livelihood. The FDRE Constitution (Art. 8(3)) also recognizes peoples’ right of direct participation. In addition, as argued by Stebek (2011), under FDRE Constitution (Art. 40(3)) land ownership is vested not exclusively in the state but “*in the state and in the people*” (joint-ownership); hence, when it comes to land allocation the government shall never act as an exclusive owner and make decisions unilaterally. It should rather act as a ‘*custodian*’ and make decisions in consultation with the co-owners - the people. To this end, the government has to put in place a clear written procedure through which the local voices are heard and their interests represented in every land deal.

Transparency and Accountability: these are other State obligations emanating from both the FAO Guidelines (Art. 3.2) and the FDRE Constitution (Art. 12). Transparency of the land

allocation process is crucial because people cannot act on their rights unless they get information about what is happening. In Ethiopia although some information is available on MoANR website that is much less than what is needed. The whole decision-making process as well as essential documents, like the contract and other guidelines on the procedural and substantial aspects of land deals shall be made accessible to the concerned community in local language. In Ethiopia, strong state control over the land also calls for special attention for accountability. The decisions on land deals as well as livelihood of the local population shall be subject to judicial and public scrutiny.

Conclusion

This thesis mainly looked mechanisms of balancing competing interests involved in LSLT policy – boosting economic growth and maintaining rural livelihood - taking Ethiopia as a case study. While doing this, it has also reflected on some of contentious issues of LSLT policy. Despite proliferation of many publications on LSLT deals a consensus has yet to be reached on several aspects of the phenomenon including the main drivers, the amount of land transferred, and the socio-economic impacts of the deals on host countries. Many researches lament LSLT as land grab, neo-colonialism, foreignization or de-territorialization, while others consider it as an opportunity for the agriculture sector of the host countries. These polarized views have recently come under scrutiny for relying on untested assumptions and employing unreliable data and methodology (Oya 2013a).

In line with the critique, this thesis suggests a more neutral understanding of LSLT that puts it in a continuum between development opportunity, on the one end, and ‘land grabbing’, on the other. The evidence from Ethiopia challenges some of the general assumptions of the global debates on LSLT. Contrary to the dominant contention associating LSLT with foreign control, in Ethiopia, 73% of the investors involved in LSLT deals are Ethiopian themselves. In contrast to the assumption that presents LSLT as demand-driven process exclusively serving the interests of foreigner, in Ethiopia LSLT is a development strategy that has been purposefully designed to promote the country’s economic interests years before the worldwide upsurge of LSLT deals. Absence of massive eviction is also another fact contesting the untested assumption that defines LSLT as ‘land grab’.²³

LSLT policy may lead to economic growth; however, it also poses threat on the rural community by curtailing traditional access to livelihood resources such as land for shifting

²³ Indeed the nexus between the controversial program of villagization and LSLT warrants further studies

cultivation and grazing, spring water and firewood. In Ethiopia the main causes exacerbating the threat of LSLT policy on rural livelihood are identified to be broad conception and application of ‘unused’ land (which fails to recognize traditional livelihood resources), weak legal protection of communal land, absence of group right certifying mechanism, and lack of contractual protection. Therefore, to address the competing interests and pursue LSLT policy while maintaining rural livelihood, the thesis recommends for the revision of the Ethiopian policy and legal framework in a manner that incorporates the recognition and protection of traditional ‘livelihood’ resources, payment of commensurate compensation in case of inevitable loss of livelihood, Consultation and Participation with the people on every deal, and Transparency and Accountability all deals.

Appendix

Hard copy of two contractual documents (18 pages) is attached herewith

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LAND RENT CONTRACTUAL AGREEMENT MADE BETWEEN MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

AND

Karuturi Agro Products Plc

This Land Lease Agreement is made and entered by and between **Ministry of Agriculture and Rural Development** of FDRE having its principal office at Bole sub city , Addis Ababa, Ethiopia, [herein after referred to as the "Lessor"].

and

Karuturi Agro Products PLC is a Private limited company incorporated under Ethiopia Law and having its Registered Office at **H.no 2112, Kebele 02, Bole sub city, Addis Ababa Ethiopia** [herein after referred to as "lessee", which expression where the context admits shall also mean and include its successors and assigns, including a company to be incorporated for the purpose here in after mentioned by the lessee in the Federal Democratic Republic of Ethiopia.

WHEREAS, the lessee, a business organization incorporated to engage in palm plantation, maize and rice farm Development under the relevant laws of Ethiopia; and requires sufficient land in Gambela regional State;

WHEREAS, the Ministry of Agriculture and the Gambela Regional State had agreed investment lands more than 5000 ha to be administered by Ministry, the Gambela Regional State Investment Agency has already transferred all necessary documents of the lessee to the Ministry and because it is found necessary to replace the agreement made between Karuturi Agro Products Plc and Jikao & Itang district administration of Gambela Regional state with a new one, acknowledging the efforts of both parties ;

WHEREAS, the Lessor is willing to provide the required land lease basis in accordance with the terms and conditions provided hereunder;

NOW THEREFORE, the parties have executed this land lease agreement on *25th, October 2010* under the terms and conditions indicated herein below.

Article 1

Scope of Agreement

1.1 The scope of this lease Agreement is to establish a long term land lease of rural land for development palm, cereals and pulses farm on the land measuring **100,000** hectares (Itang 42,088 ha and Jikao 57,912 ha), located in **Gambela** Regional State, **Nuer Zone, Jikao District and Itang Special District** together with the lease certificate serial No **EIA-IP 14584/07** with all rights of easement of amenities, fittings, fixtures, structures, installations, property or other improvements standing thereon, to the company incorporated for the purposes hereinafter mentioned by the lessee in the Federal Democratic Republic of Ethiopia.



- 1.2 This Lease Agreement shall be applicable to the full and exclusive use of that parcel of Rural land more particularly described in this lease [herein after referred to as the 'Lease Land'] for cultivation or development of palm with cereals and pulses free of any other land rent other than the rent expressed under Article 2 of this agreement.

Article 2

Period of the land lease and payment rate of the land lease

- 2.1 This land lease agreement, as agreed between the lessee and Jikao & Itang districts will be maintained to be 50 years but can be renewed for another additional years mutually agreed between the parties.
- 2.2 Land rental payment procedure
- 2.2.1 The annual lease rate per hectare of land for use of agricultural investment referred to in article 1 on this contract per hectare, as agreed and signed between the lessee and Jikao & Itang districts is maintained to be birr 20 (*Birr Twenty Only*), and total amount payment of contract shall be birr 100,000,000 (*Birr One Hundred Million only*). The annual amount of payment shall be birr 2,000,000 (*Birr Two Million only*)
- 2.2.2 The annual lease payment as stated on sub article 2.2.1 should be paid every year commencing from the execution of this agreement.
- 2.2.3 Up on payment of the lease for the amount of land contracted at both districts finance and economy development offices, the receipt should be immediately issued to Lessee and a copy of which shall be submitted to district administrative office.
- 2.2.4 The lessor reserves the right to revise the lease payment rate as the need may arise .

Article 3

Rights of the Lessee

The lessee has the right to:

- 3.1 Develop the land for main crop palm , cereals and pulses farming that are agreed and administer the land, in accordance with the terms of this agreement.
- 3.2 Build infrastructure such as dams, water boreholes, power houses, irrigation system, roads, bridges, offices, residential buildings, fuel/power supply stations/out lets health/Hospitals/Dispensaries , educational facilities, at the discretion of Lessee upon consultation and submission of permit request with concerned offices subject to the type and size of the investment project when ever it deems so appropriate.



- 3.3 Use irrigation water from rivers or ground water respecting present and future environmental and water laws & regulations with out any disturbance to the environment with prior permission from responsible federal and regional institutions.
- 3.4 Develop or administer the leased land on his own or through a legally delegated person/ agency.
- 3.5 Develop and cultivate the land and harvest the crop and carry on all other activities by mechanization or such other means that the lessee shall in its own discretion deem fit and proper in the circumstances.
- 3.6 Get additional 200,000 ha land up on accomplishing the 100,000 ha with in two years as specified in sub article 4.4.
- 3.7 Terminate the land lease agreement subject to at least six months prior written notice.

Article 4

Obligations of Lessee

- 4.1 Lessee shall bear the obligation to provide good care and conservation of the leased land and natural resources thereon, with particular obligations to:
- a) Conserve tree plantations that have not been cleared for earth works.
 - b) Apply appropriate working methods to prevent soil erosion in slopping areas.
 - c) Observe and implement the entire provision of legislations providing for natural resource conservation.
 - d) conduct environmental impact assessment and deliver the report with in three months of execution of this agreement.
- 4.2 The lessee should take over the leased land with in 30 days of execution of this agreement by settling the required down payment as indicated in article 2.2.4
- 4.3 The lessee is expected to start to develop the land within six months from the date of execution of the land lease Agreement or from the date of receipt of last of all the clearances from the government and other agencies are received by the lessee which ever is latter.
- 4.4 Under the contract, the lessee shall develop *Half* of the leased plot of land within the first year from the date of signing of this land lease contract or from the date of receipt of all the clearances from the government and other agencies, as may be required are received by the lessee, whichever is later; accordingly, it shall develop the entire plot of leased land within a period of not more than *Two years* starting from the date as specified above.



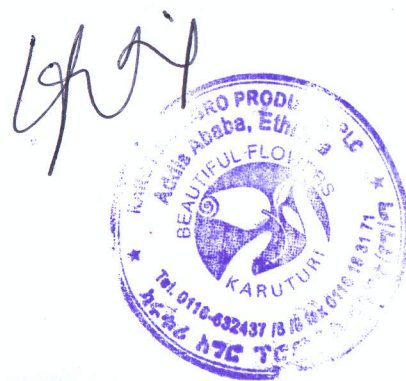
- 4.5 Upon expiry or termination of land lease contract or revocation of investment license, lessee shall remove assets installed on the leased land in good order and hand over the leased land to lessor within a period not exceeding one year.
- 4.6 Lessee shall provide correct data and investment activity reports upon request by the ministry of Agriculture and Rural Development.
- 4.7 the lessee has the obligation to settle the current annual land rent to the district where the land is located during the months December up to June every year as per predetermined lease rate for rural lands.
- 4.8 Lessee shall, up on entering into the lease contract, submit an advance action plan as regards the use of the leased rural land accompanied by this contract document to the Ministry of agriculture and rural development.
- 4.9 The lessee shall in no way make any unauthorized use of the leased land beyond the predetermined purpose or objective or plan as stated in article 3 this agreement without expressed consent of the lessor in writing.
- 4.10 Unless 75% of the project land is developed the lessee has no right to transfer the land or properties developed on the land in favour of any other company or individual. .
- 4.11 Up on developing 75 % of the land, the lessee can transfer the land or properties developed on the land in favour of any other company or individual only with the prior permit of the lessor.
- 4.12 However the right of sub article 4.11 being as it is, the lessee shall not have the right to transfer only the remaining land which is not developed.

Article 5

Right of Lessor

The lessor has exclusive right to:

- 5.1 Monitor and establish the fact that the lessee is discharging and accomplishing its obligations diligently.
- 5.2 Restore such lands, covered by this lease which are not developed by the lessee on the expiry of one year from the date specified for commencement of development in terms of clause 4.4 mentioned above, provided however that the lessee is given six months prior notice and fails to cure such failure with in such one year period.
- 5.3 The right of the lessor under article (5.1) above shall be exercised and performed in a manner that does not cause any hindrances to the work and activities of the lessee.
- 5.4 Terminate the land lease agreement subject to at least six months prior notice in written up on the Federal Government's decision for any better socio-economic benefit.



5.5 Shall have a right to amend the land rent, in accordance with Article 2.2.5 of this Agreement.

Article 6

Obligations of Lessor

- 6.1 The lessor shall be obliged to deliver and hand over the vacant possession of leased land free of impediments to the lessee within thirty(30) days from the execution of this land Lease agreement.
- 6.2 In view of the importance of the proposed major investment, the lessor undertakes to provide or cause to provide special investment privileges such as exemptions from taxation and import duties of capital goods and repatriation of capital and profits granted under the investment laws of Ethiopia.
- 6.3 The lessor here by covenants with and assures the lessee that there are no legal or other impediments whatsoever in the Lessee's clearing the land and using the same for the lessee's activities on the land covered by this Agreement, and purposes ancillary or incidental thereto.
- 6.4 To arrange access and use of facilities of the Federal government and the Regional State Research centers with fee for the purpose of soil testing and mapping.
- 6.5 The lessor shall issue 6 (six) month advance notice prior to termination of this contract on the grounds of failure to develop the land within the time limits in accordance with the contract obligation or any damage on the natural resources or non performance of due payment of lease charge and in the event of not addressing such issue, the Lessor may extend the time period for such compliance or terminate the agreement, in terms of this agreement .
- 6.6 The lessor shall ensure during the period of lease, Lessee shall enjoy peaceful and trouble free possession of the premises and it shall be provided adequate security, free of cost, for carrying out its entire activities in the said premises, against any riot, disturbance or any other turbulent time other than force majeure, as and when requested by the Lessee.

Article 7

Delivery of the lease land

- 7.1 The lessor shall, deliver to the lessees the site plan and the clear title certificate or certificates of the land within thirty days from the date of signing this contract with lessor.
- 7.2 If the delivery process cannot be effected due to and reason caused on the part of the lessee in-spite of informing the Lessee in writing, to that effect the lessor shall not assume any responsibility of such failure.
- 7.3 Land handing over shall be done within thirty days of the signing of this lease agreement and it shall come into in to force immediately thereafter.



Article 8

Contract Amendment and Renewal

- 8.1 This land lease Agreement shall be renewed on the same terms and conditions.
- 8.2 If any of the parties wish to renew the agreement, it shall inform the other party at least six months before the expiration of the contract period.

Article 9

Grounds for contract termination

The land Lease Agreement may be terminated for the following reasons, namely:

- 9.1 Upon expiry of the Lease contract period, or such extended period as may be agreed by the parties.
- 9.2 Upon the failure of the lessor to deliver the land to the lessee due to causes other than 'Force majeure'.
- 9.3 Upon the failure of the lessor to fulfill or observe any of its obligations or covenants herein contained after the Lessee has given a written notice of six month and the Lessor fails to so observe and perform.
- 9.4 Upon the failure of the Lessee to settle the annual rental and other relevant tax payments for two consecutive years.
- 9.5 Upon the failure of the Lessee to perform its obligations, within its control under this contract after the Lessor has given to the lessee six months prior notice calling upon the lessee to observe and perform such obligations
- 9.6 Up on giving at least a six month advance notice by the lessor in writing to the lessee to terminate this lease contract as indicated on sub article 5.4.
- 9.7 Up on giving at least a six month advance notice by the lessee in writing to the lessor to terminate this lease contract as indicated on sub article 3.7.

Article 10

Consequences of Contract Termination Procedure

- 10.1 On termination of this Land Lease Agreement, the Lessee shall surrender the leased land back to the Lessor within one year from the date of termination.



- 10.2 If this Agreement is terminated by the Lessee for any of the reasons stated in Article 9.3 and 9.6 the lessor shall pay to the Lessee the value of improvements effected by the Lessee on the land at then market price after setting off any dues on account of rentals or taxes.
- 10.3 If this agreement is terminated by the lessor for any of the reasons stated in article 9.4, 9.5 and 9.7 no payment shall be made by the Lessor to the Lessee on such termination.
- 10.4 Where the agreement is terminated up on the expiry of the term of the lease agreement for the reasons on article 9 the lessor has priority right to purchase properties over the land in negotiation with the lessee and, if not the lessee has the right to sale it to any interested third party up on written permit of the lessor. In doing So the lessor or any concerned government authority shall expeditiously allow the lessee to do so.

Article 11

Registration

This Land Lease Agreement shall not be subject to registration and approval by a notary office. However, the lessor as a representative and the highest authority of the Federal Democratic Republic of Ethiopian government with respect to this lease agreement, shall guarantee validity of this Agreement despite absence of the registration. Furthermore copies of the contract agreement shall be sent to the lessee, District administration, finance office, investment commission and other concerned bodies through lessor enclosed with covering letter of cooperation.

Article 12

Governing Law

The governing law for operations under the agreement shall be the laws of Ethiopia.

Article 13

Force Majeure

Conditions of force majeure shall be governed by the Ethiopian Civil code.

Article 14

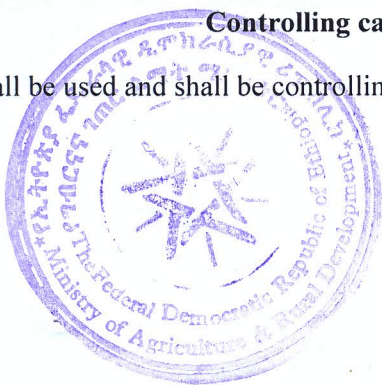
Covenant of peaceful possession

The lessor warrants that it has full ownership and property rights in the leased area for granting this land lease Agreement and shall protect the right of the lessee to the peaceful possession, use and quiet enjoyment thereof.

Article 15

Controlling calendar

The Ethiopian calendar shall be used and shall be controlling for the purpose of this agreement.



Article 16

Annex to the Agreement

The documents listed below shall be annexed and considered as part and parcel of this Agreement.

16.1 The site plan of the leased land

16.2 Photocopy of the ID or passport of the Lessee or duly authorized person by the lessee.

16.3 Photocopy of the Memorandum and Articles of Association of the Lessee.

16.4 land lease payment schedule.

Article 17

Settlement of Disputes

In the event of a dispute arising between the lessor and the lessee arising out of or in connection with this Land Lease Agreement, both parties will do their utmost to resolve the dispute amicably and to their mutual satisfaction and if they are unable to achieve such a settlement the dispute shall be referred to Ethiopian Federal Court.

Article 18

Office and Notices

18.1 The Lessee shall establish and maintain an office in Ethiopia as may be necessary or convenient for carrying out operations.

18.2 All communications and notice required to be sent from one party hereto to the other shall be in writing in the English or Amharic language and shall be delivered in person or sent by mail at address indicated in the preamble of this Agreement.

Article 19

Replacement of Agreement

19.1 The agreement signed between Gambela Regional state, Itang and Jikaw district administration and Karuturi Agro Products Plc. Dated 04/08/2008 is canceled and replaced by this agreement.



Effective Date of the contract

This land lease Agreement shall remain effective for 50 years starting from the date of *04/08/ 2008 (as signed before with the districts)* and shall come to expiry as of the date of *03/08/2058*.

LESSOR

LESSEE

SIGNED AND SEALED and DELIVERED SIGNED, SEALED and DELIVERED

For and on behalf of Ministry of

For and on behalf of Karuturi Agro Products Plc

Agriculture and Rural Development

Signature

Befera

Date

Signature

(TUMU ANGIL)
(5-11-2010)

Date

Witnesses

Name

Signature

Date

1. Bezualem
2. ASHOK SHARMA
3. Birhanu Tesfaye

AS
Sharma
Tesfaye

05/11/2010.



12/02/03

LAND RENT CONTRACTUAL AGREEMENT MADE BETWEEN
MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

AND

S & P ENERGY SOLUTIONS Plc

This Land Lease Agreement is made and entered by and between **Ministry of Agriculture and Rural Development** of FDRE having its principal office at Kirkos sub city , Addis Ababa, Ethiopia, [herein after referred to as the "Lessor"].

and

S&P Energy Solutions PLC is a Private limited company incorporated under Ethiopia Law and having its Registered Office at **H.no 981/37 Kebele 01, Kirkos sub city, Addis Ababa Ethiopia** [herein after referred to as "lessee", which expression where the context admits shall also mean and include its successors and assigns, including a company to be incorporated for the purpose here in after mentioned by the lessee in the Federal Democratic Republic of Ethiopia.

WHEREAS, the lessee a business organization incorporated to engage in Bio fuel tree (Pongamia Plantation) Development under the relevant laws of Ethiopia; and requires sufficient land in Benshangul Gumuze regional State;

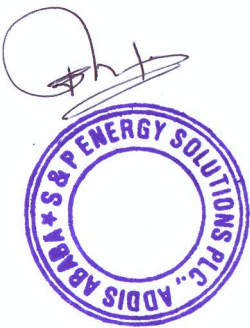
WHEREAS, the Lessor is willing to provide the required land on lease basis in accordance with the terms and conditions provided herein below;

NOW THEREFORE, the parties have executed this land lease agreement on *1st march, 2010* under the terms and conditions indicated herein below.

Article 1

Scope of Agreement

- 1.1** The scope of this lease Agreement is to establish a long term land lease of rural land for farming of bio fuel tree (pongamia), edible oil, other value added crops on the land measuring 50,000 hectares, located in **Benshangul Gumuz** Regional State, **Metekel Zone, Dangur and Guba** districts together with the lease certificate serial No ----- with all rights of easement of amenities, fittings, fixtures, structures, installations, property or other improvements standing thereon, to the lessee in the Federal Democratic Republic of Ethiopia.
- 1.2** This Lease Agreement shall be applicable to the full and exclusive use of that parcel of Rural land more particularly described in this lease [herein after referred to as the 'Lease Land'] for cultivation or development of Bio fuel (Pongamia), edible oil and value added crops /plantation free of any other land rent other than the rent expressed under Article 2 of this agreement.



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Article 2

Period of the land lease and payment rate of the land lease

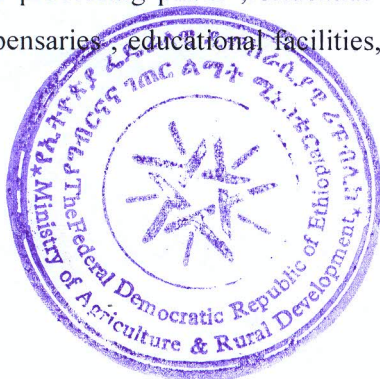
- 2.1 This land lease agreement is made for period of 50 years but can be renewed for another additional years mutually agreed between the parties.
- 2.2 Land rental payment procedure
- 2.2.1 There shall be a Five years grace period for the land rent, where the rent during this period will be prorated over the remaining years annually, commencing from the date of execution of this agreement .
- 2.2.2 Thereafter, the annual lease rate per hectare of land for use of agricultural investment referred to an article 1 on this contract per hectare shall be birr 143.4 (*Birr One Hundred Forty Three and Forty cents Only*), and the total amount of payment of the contract period shall be birr 358,750,000 (*Birr Three Hundred Fifty Eight Million Seven Hundred Fifty Thousand only*). The annual amount of payment shall be birr 7,175,000 (*Birr Seven Million One Hundred Seventy Five Thousand only*)
- 2.2.3 Up on payment of the lease for the amount of land contracted, the receipt should be immediately issued to Lessee and a copy of which shall be submitted to district administrative office.
- 2.2.4 There shall be one year down payment for the land indicated herein above, the statement on No 2.2.1 of this article being as it is.
- 2.2.5 Following the land development, the annual lease rate stated in 2.2.2 will be revised with out any precondition up on mutually marking the center of the investment area in such a way the decrease or increase in the rate will be birr 4.05 for every one km.
- 2.2.6 The lessor reserves the right to revise the lease payment rate after 10 years of such last fixation as the need may arise in consultation with the lessee. However, if there might be an increment in the rate of the lease it shall not exceed 20 % the existing rate.

Article 3

Rights of the Lessee

The lessee has the right to:

- 3.1 Develop the land for cultivation of bio fuel, value added crops and plantations that are agreed and administer the land, in accordance with the terms of this agreement.
- 3.2 Build infrastructure such as dams, water boreholes, power houses, irrigation system, roads, bridges, offices, down stream processing plants ,residential buildings, fuel/power supply stations/out lets health/Hospitals/Dispensaries, educational facilities, at the discretion of Lessee upon consultation



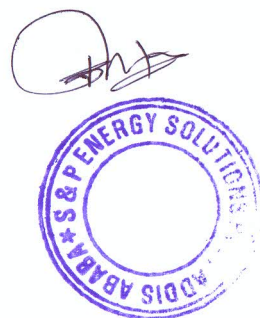
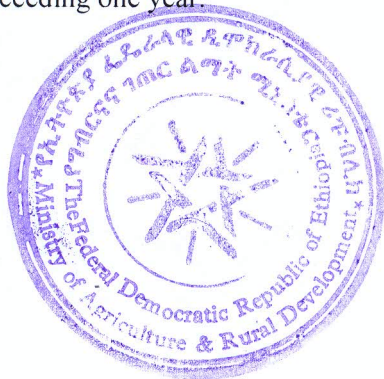
and submission of permit request with concerned offices subject to the type and size of the investment project whenever it deems so appropriate.

- 3.3 Develop or administer the leased land on his own or through a legally delegated person/ agency.
- 3.4 Develop and cultivate the land and harvest the crop and carry on all other activities by mechanization or such other means that the lessee shall in its own discretion deem fit and proper in the circumstances.
- 3.5 Get additional land based on the performance , accomplishment and need of the lessee.

Article 4

Obligations of Lessee

- 4.1 Lessee shall bear the obligation to provide good care and conservation of the leased land and natural resources thereon, with particular obligations to:
 - a) Conserve tree plantations that have not been cleared for earth works or for under taking the proposed new plantation and cultivation.
 - b) Apply appropriate working methods to prevent soil erosion in slopping areas.
 - c) Observe and implement the entire provision of legislations providing for natural resource conservation.
 - d) conduct environmental impact assessment and deliver the report with in three months of execution of this agreement.
- 4.2 The lessee should take over the leased land with in 30 days of execution of this agreement by settling the required down payment as indicated in article 2.2.4
- 4.3 The lessee is expected to start to develop the land within six months from the date of execution of the land lease Agreement or from the date of receipt of last of all the clearances from the government and other agencies are received by the lessee which ever is latter.
- 4.4 Under the contract, the lessee shall develop no less than 10% of the leased plot of land within the first year from the date of signing of this land lease contract or from the date of receipt of all the clearances from the government and other agencies, as may be required are received by the lessee, whichever is later; accordingly, it shall develop the entire plot of leased land within a period not more than Five years starting from the date as specified above.
- 4.5 Upon expiry or termination of land lease contract or revocation of investment license, lessee shall remove assets installed on the leased land in good order and hand over the leased land to lessor within a period not exceeding one year.



- 4.6 Lessee shall provide correct data and investment activity reports upon request by the ministry of Agriculture and Rural Development.
- 4.7 Once the annual land lease rent becomes payable up on completion of the grace period on the sixth year the lessee has the obligation to settle the current annual land rent including the prorated amount of the grace period to the Regions where the land is located during the months December up to June every year as per predetermined lease rate mentioned in article 2 of this agreement.
- 4.8 Lessee shall, up on entering into the lease contract, submit an advance action plan as regards the use of the leased rural land accompanied by this contract document to the Ministry of agriculture and rural development.
- 4.9 The lessee shall in no way make any unauthorized use of the leased land beyond the predetermined purpose or objective or plan as stated in article 3 of this agreement without expressed consent of the lessor in writing.
- 4.10 Unless 75% of the project land is developed the lessee has no right to transfer the land or properties developed on the land in favour of any other company or individual. .
- 4.11 Up on developing 75 % of the land, the lessee can transfer the land or properties developed on the land in favour of any other company or individual only with the prior permit of the lessor.

Article 5

Right of Lessor

The lessor has exclusive right to:

- 5.1 Monitor and establish the fact that the lessee is discharging and accomplishing its obligations diligently.
- 5.2 Restore such lands, covered by this lease which are not developed by the lessee on the expiry of one year from the date specified for commencement of development in terms of clause 4.4 mentioned above, provided however that the lessee is given six months prior notice and fails to cure such failure with in such one year period.
- 5.3 The right of the lessor under article (5.1) above shall be exercised and performed in a manner that does not cause any hindrances to the work and activities of the lessee.
- 5.4 Shall have a right to amend the land rent, in accordance with Article 2.2.5 of this Agreement.



Article 6

Obligations of Lessor

- 6.1 The lessor shall be obliged to deliver and hand over the vacant possession of leased land free of impediments to the lessee within thirty(30) days from the execution of this land Lease agreement.
- 6.2 In view of the importance of the proposed major investment, the lessor undertakes to provide or cause to provide special investment privileges such as exemptions from taxation and import duties of capital goods and repatriation of capital and profits granted under the investment laws of Ethiopia.
- 6.3 The lessor hereby covenants with and assures the lessee that there are no legal or other impediments what so ever in the Lessee's clearing the land and using the same for the lessee's activities on the land covered by this Agreement, and purposes ancillary or incidental thereto.
- 6.4 To arrange access and use of facilities of the Federal government and the Regional State Research centers with fee for the purpose of soil testing and mapping.
- 6.5 The lessor shall issue 6 (six) month advance notice prior to termination of this contract on the grounds of failure to develop the land within the agreed time limits in accordance with the contract obligation or any damage on the natural resources or non performance of due payment of lease charge and in the event of not addressing such issue, the Lessor may extend the time period for such compliance or terminate the agreement, in terms of this agreement .
- 6.6 The lessor shall ensure during the period of lease, Lessee shall enjoy peaceful and trouble free possession of the premises and it shall be provided adequate security, free of cost, for carrying out its entire activities in the said premises, against any riot, disturbance or any other turbulent time other than force majeure, as and when requested by the Lessee.

Article 7

Delivery of the lease land

- 7.1 The lessor shall, deliver to the lessees the site plan and the clear title certificate or certificates of the land within thirty days from the date of signing this contract..
- 7.2 If the delivery process cannot be effected due to and reason caused on the part of the lessee in-spite of informing the Lessee in writing, to that effect the lessor shall not assume any responsibility of such failure.
- 7.3 Land handing over shall be done within thirty days of the signing of this lease agreement and it shall come into in to force immediately thereafter.



Article 8

Contract Amendment and Renewal

- 8.1 This land lease Agreement shall be renewed on the same terms and conditions.
- 8.2 If any of the parties wish to renew the agreement, it shall inform the other party at least six months before the expiration of the contract period.

Article 9

Grounds for contract termination

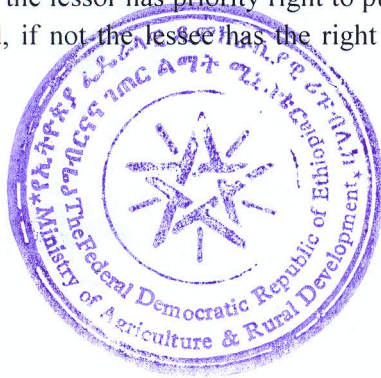
The land Lease Agreement may be terminated for the following reasons, namely:

- 9.1 Upon expiry of the Lease contract period, or such extended period as may be agreed by the parties.
- 9.2 Upon the failure of the lessor to deliver the land to the lessee due to causes other than 'Force majeure'.
- 9.3 Upon the failure of the lessor to fulfill or observe any of its obligations or covenants herein contained after the Lessee has given a written notice of six month and the Lessor fails to so observe and perform.
- 9.4 Upon the failure of the Lessee to settle the annual rental and other relevant tax payments for two consecutive years.
- 9.5 Upon the failure of the Lessee to perform its obligations, within its control under this contract after the Lessor has given to the lessee six months prior notice calling upon the lessee to observe and perform such obligations and the lessee fails to so observe and perform.

Article 10

Consequences of Contract Termination Procedure

- 10.1 On termination of this Land Lease Agreement, the Lessee shall surrender the leased land back to the Lessor within one year from the date of termination.
- 10.2 If this Agreement is terminated by the Lessee for any of the reasons stated in Article 9 .3 the lessor shall pay to the Lessee the value of improvements effected by the Lessee on the land at then market price after setting off any dues on account of rentals or taxes.
- 10.3 If this agreement is terminated by the lessor for any of the reasons stated in article 9.4 and 9.5 no payment shall be made by the Lessor to the Lessee on such termination.
- 10.4 Where the agreement is terminated up on the expiry of the term of the lease agreement or for the reasons on article 9 the lessor has priority right to purchase properties over the land in negotiation with the lessee and, if not the lessee has the right to sale it to any interested third party up on



written permit of the lessor. In doing So the lessor or any concerned government authority shall expeditiously allow the lessee to do so.

Article 11

Registration

This Land Lease Agreement shall not be subject to registration and approval by a notary office. However, the lessor as a representative and the highest authority of the Federal Democratic Republic of Ethiopian government with respect to this lease agreement, shall guarantee validity of this Agreement despite absence of the registration. Furthermore copies of the contract agreement shall be sent to the lessee, District administration, finance office, investment commission and other concerned bodies through lessor enclosed with covering letter of cooperation.

Article 12

Governing Law

The governing law for operations under the agreement shall be the laws of Ethiopia.

Article 13

Force Majeure

Conditions of force majeure shall be governed by the Ethiopian Civil code.

Article 14

Covenant of peaceful possession

The lessor warrants that it has full ownership and property rights in the leased area for granting this land lease Agreement and shall protect the right of the lessee to the peaceful possession, use and quiet enjoyment thereof.

Article 15

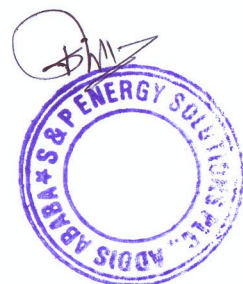
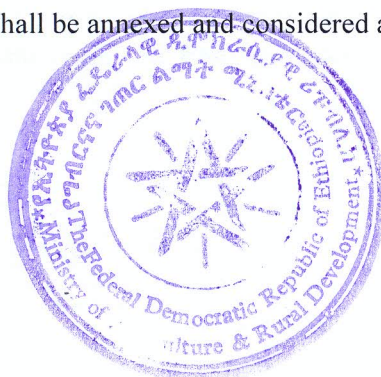
Controlling calendar

The Ethiopian calendar shall be used and shall be controlling for the purpose of this agreement.

Article 16

Annex to the Agreement

The documents listed below shall be annexed and considered as part and parcel of this Agreement.



- 16.1 The decision letter and minute for the land lease
- 16.2 The land development schedule
- 16.3 The site plan of the leased land
- 16.4 Photocopy of the ID or passport of the Lessee or duly authorized person by the lessee.
- 16.5 Photocopy of the Memorandum and Articles of Association of the Lessee.

Article 17

Settlement of Disputes

In the event of a dispute arising between the lessor and the lessee arising out of or in connection with this Land Lease Agreement, both parties will do their utmost to resolve the dispute amicably and to their mutual satisfaction through negotiation ; and if they are unable to achieve such a settlement within a period of three months the dispute shall be referred to the International Center for Settlement of Investment Dispute under the rule governing Additional Facilities for Administration of Proceeding by Secretariat of the Center. Such proceedings shall be in the English language.

Article 18

Language

This Agreement has been executed between parties in the English language.

Article 19

Office and Notices

- 19.1 The Lessee shall establish and maintain an office in Ethiopia as may be necessary or convenient for carrying out operations.
- 19.2 All communications and notice required to be sent from one party hereto to the other shall be in writing in the English or Amharic language and shall be delivered in person or sent by mail at address indicated in the preamble of this Agreement.

Article 20

Effective Date of the contract

This land lease Agreement shall remain effective for 50 years starting from the date of 1st March, 2010 and shall come to expiry as of the date of 28th of February 2060.



LESSOR

LESSEE

SIGNED AND SEALED and DELIVERED

SIGNED, SEALED and DELIVERED

For and on behalf of the Ministry of
Agriculture and Rural Development

For and on behalf of

S & P Energy Solutions Plc

Name **Wofera Derbew**
Minister

Name H.K. Mitro

Signature Wofera

Signature [Signature]

Date-----

Date-----

