

# Land, Land Policy and Smallholder Agriculture in Ethiopia: Options and Scenarios

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## Background

Land is a public property in Ethiopia. It has been administered by the government since the 1975 radical land reform. The reform brought to an end the exploitative type of relationship that existed between tenants and landlords. Tenants became own operators with use rights, but with no rights to sell, mortgage or exchange of land. The change of government in 1991 has brought not much change in terms of land policy. The EPRDF-led government that overthrew the Military government (Derg) in 1991 has inherited the land policy of its predecessor. Even though the new government adopted a free market economic policy, it has decided to maintain all rural and urban land under public ownership. The December 1994 Constitution of the Federal Democratic Republic of Ethiopia proclaimed that 'Land is a common property of the nations, nationalities and peoples of Ethiopia and shall not be subject to sale or to other means of transfer'. Since the 1975 land reform, which made all rural land public property, the possession of land plots has been conditional upon residence in a village. The transfer of land through long-term lease or sales has been forbidden<sup>1</sup>, and government sponsored periodic redistribution, though, discouraged administratively since the early 1990s, has not been outlawed (Mulat, 1999).

Ethiopia is one of the few countries in Africa that has not made significant changes in its basic land policy for over three decades; except for occasional land redistributions to accommodate the growing population. Land redistribution was more frequent during the Derg time and has been discouraged since 1991, though not totally eliminated. No redistribution has happened for 10 years in Amhara Region, 15 years in other regions. In 1996, land was given to landless youth and returnee ex-soldiers in Amhara Region by reducing the holding of farmers who were reportedly associated with previous governments. Even though equity or social justice seems the major objective of the redistribution, it also demonstrates the loophole in the policy which allows local authorities to use the land policy as a political instrument. In other regions, communal grazing and woodland was allotted to new claimants (Mulat, 1999). Increasing population in the rural areas was thus absorbed in agriculture through levelling down of holdings, rather than through alternative forms of employment. Population growth could have been supported by rural non-farm employment creation, but this hasn't happened so young adults people remain in rural areas either unemployed, as landless labourers or as sharecroppers on someone else's land. This consequence of the land redistributions and the current land policy does not seem to have been foreseen by the government of Ethiopia.

Access to land is an important issue for the majority of Ethiopian people who, one way or the other, depend on agricultural production for their income and subsistence. Land tenure issues therefore continue to be of central political and economic importance, as they have been at several junctures in Ethiopia's history. The decisive significance of the land question was perhaps most explicitly expressed in the course of events leading to the Ethiopian Revolution of 1974. 'Land to the Tiller' was the rallying cry of the student and opposition movement, which eventually prevailed and toppled the old regime

(Helland, 1999). Historically, as in contemporary Ethiopia, the issue of rural land is primarily a political or social question. The land question of the 1960s or early 1970s was primarily a political question aimed at ending the feudal form of exploitation of peasants by a few landlords, especially in the southern part of the country. The 1975 radical land reform accomplished this objective and was applauded at the time as it seemed that the question of rural land had got an adequate answer. However, the level of poverty and food insecurity has been worsened and failed to subside, despite fundamental changes in the land tenure system. This situation has called for development experts to revisit the role of the over three decades old land policy to foster/hinder rural development. The fact that farmers have only usufruct rights to land has sparked a debate among Ethiopian and foreign scholars regarding the effect of the tenure system on land investment and management, factor mobility and the development of the non-farm sector (Gebremedhin and Nega, 2005).

## The Land Issue in Ethiopia

Rural land is both an economic and a political/social question in the present-day Ethiopia. The insertion of the issue of land in the Ethiopian constitution in the early 1990s, however, may indicate that rural land has increasingly become a political affair. By inserting the land policy in the constitution, the current government has effectively eliminated the possibility of flexible application of policy. Even worse, it has eliminated all meaningful debates about efficient utilization of land (Nega and Degfe, 2000). However, there are growing criticisms of the existing land policy. The United Nations Economic Commission for Africa's (UNECA) 2002 economic report on Africa, for instance, stated that land tenure, along with the issue of governance, were "the most pressing areas requiring institutional reforms in Ethiopia." The report suggests that "Land policy has not yielded the expected results. Moreover, it has been heavily criticized for not being participatory. The policy was the result of a centralized, top-down approach rather than being developed through consultations with all concerned parties (farmers, civil society, businesses). The report suggests that, though the land issue is politically difficult, it needs to be resolved quickly since it impedes the development of several key sectors" (UNECA, 2002)."

One of the arguments provided by policy makers to keep rural land under public ownership is the assumption that rural land plays a social security role (i.e. in terms of guaranteeing some form of livelihood through granting free access to a piece of land). Ethiopian policy makers voted for a constitution (in 1994) that grants free access to land to every rural residents who wants to farm and earn income from farming. Even though this can not be an entirely rejected argument, it is not possible that rural land could play a social security role indefinitely, as the supply of farm land is physically fixed and subjected to decline because of misuse. The supply of productive land in Ethiopian highland areas has diminished as productive lands are decreasing due to land degradation and soil erosion that caused by a combination of different factors including lack of technical know-how or their affordability, declining labour productivity and high population

pressure, coupled with low migration and lack of non-farm employment options<sup>2</sup>.

Recent literatures on the causes of long-term agricultural stagnation in Ethiopia have started to widen the thinking on Ethiopian agriculture. Some argue that rural residents have increasingly become more-or-less equally poor. Authors like Holt and Rahmato (1997) mention that the land tenure system, through its egalitarianism of land division policy and impeding long-term migration, has gradually thinned economic and social differentiation within rural communities. Critics argue that the extent of rural homogeneity has gone too far, undermining the effort that has been made to bring about rural development through hindering the process of dynamic economic change that could happen in an economic environment that provides reasonable levels of incentives and allows competition among people.

The frequent state-sponsored land distribution and redistribution programmes that have been very common at least until a decade ago, coupled with intra-household land distribution has, many argued, increased rural poverty and peasants' vulnerability by compelling them to convert their assets to food and overuse their contracting land to compensate lost production through mismanagement that could lead into the gradual conversion of productive lands into waste or barren land. This process has contributed for the creation of egalitarian social structure in rural areas. The land tenure system has also contributed to the creation of this social structure indirectly through its effect of discouraging rural-urban migration, especially long-term migration. The land tenure system discourages migration because people can't sell their land, because they risk losing their land if they leave it unfarmed for a season or more for one or another reason including migration in search of non-farm employment. Moreover, ethnic federalism that the current regime adopted could make difficult for farmers to access land in other regions<sup>3</sup>.

The land policy and secondary problems generated from the policy have led the majority farmers to operate farms too small to make sustainable and profitable use of technologies difficult. Moreover, some argue, given the current level of farm productivity and investment, the average farm size becomes 'unviable' as a farm unit and so unable to support the livelihood of people dependent on it. Apart from the land policy, the fast growing population coupled with lack of migration has significantly contributed to 'sub-economic' holdings and tenure insecurity.

This policy paper will look at these issues in general and the argument that smallholder agriculture is constrained by the existing land tenure system in particular, exploring the variety of options and scenarios proposed in current policy debate, and teasing out the assumptions, trade-offs and challenges based on the available evidence from existing secondary sources. It will also analyze existing informal land markets and their possibilities to grow and facilitate the consolidation of plots into larger, more commercial farms. The study will also try to analyse and evaluate government's assumptions that led it to keep land under its ownership and the implication of this policy has on the agriculture sector. First, let us highlight issues considered by the wider

literature as desirable characteristics of land and land tenure policy.

## **Desirable Characteristics of Land Tenure reform: issues from the literature**

Land tenure systems are defined by societies. Within such systems, rights in land are identified that, among others, to determine access to specific uses of a certain piece of land and the distribution of the benefits that accrue from these (Groppo, 2003). Although there is wide recognition regarding the importance of land policy in agrarian development, there is no clear and universally applicable blueprint as to what an appropriate land policy should be. This is partly because the efficacy of land policy in encouraging agricultural development depends on socio-cultural and geographical variables that significantly differ from country to country and region to region. Despite such differences, however, using established theories, behavioural assumptions regarding economic agents and drawing on experience from other countries, researchers have tried to define certain basic principles and thereby achieve a land policy that will generate a higher level of productivity in agriculture, while also maintaining considerations of equity (B. Nega et al, 2003).

The 1975 World Bank Land Policy paper (World Bank, 1975; cited by B. Nega et al, 2003) shows that the following three basic principles should be considered in informing any land policy. At that time, the World Bank believed that (a) owner-operated family farms were efficient and thus desirable, (b) there should be freely operating land markets to permit land transfers to more efficient and productive users, and (c) there was a need for a more equitable distribution of assets (Deininger and Binswanger, 1999; B. Nega et al, 2003). These principles are still considered to be largely valid. However, based on experience from various countries that have subsequently implemented land reforms, a number of amendments were made to this position including: (a) a recognition, under certain circumstances, that communal tenure could be a cost-effective mechanism for land allocation compared with formal titling; and (b) that formal titling, when desirable, should be evaluated in terms of both its potential efficiency benefits and its implications for equity and the significance of expanded land rental markets on productivity and agrarian developments in general (B. Nega et al, 2003).

Property rights in land need to have a time horizon long enough to provide investment incentives and to be defined in a way that makes them easy to identify, enforce and exchange. They need to be administered and enforced by institutions that are accessible and accountable and have both legal backing and social legitimacy. Even if property rights in land are assigned to a group, the rights and duties of individuals within this group, and the way in which these rights can be modified and will be enforced, have to be clear. Finally, as the physical and/or legal precision with which property rights are defined will generally increase in line with rising resource values, the institutions administering property rights need to be flexible enough to evolve over time in response to changing requirements (Groppo, 2003).

Security and transferability of property rights are key issues that need to be addressed properly in the process of land policy formulation. Property rights to land that are secure and easily transferable have long been identified as a key element to bring about higher levels of investment and access to credit, facilitate reallocation of production factors to maximize allocative efficiency in resource use, and allow the development of an off-farm economy. In fact, the way in which property rights to land are allocated can have far-reaching impacts on other social outcomes and there is agreement that providing the basis for secure and transferable land rights is an important function of the state. However, the literature on this issue in Africa has yielded inconclusive results (Deininger et al, 2003). This is partly because the efficacy of land policy in advancing agricultural development also depends on other variables including socio-cultural, political and geographical variables.

The objective of Ethiopia's three decades old land reform was to abolish the exploitative landlord-tenant relationship through nationalization of all rural lands. It, however, failed to address wider agrarian issues. Moreover, no major revision has been made to revisit and address important issues overlooked during the 1975 land reform or new problems emerging since the reform. The structural problems of agriculture in Ethiopia that includes shrinking of small and largely less productive farms, high farm fragmentation, high population pressure, low migration, scarcity of productive farm lands, environmental degradation, lack of investment in land including investment on irrigation, low farm income and productivity are all related either directly or indirectly to the land tenure system that the country adopted since 1975. In addition to current government efforts to address the issue of tenure insecurity through the provision of land certificates, many agree that the land policy should be discussed in order to address challenges of low farm productivity, stagnant agriculture, increasing environmental degradation and food insecurity. The following sections outline some of the key challenges and the available evidence for such a debate.

## **Land and Smallholder Agriculture in Ethiopia: issues and challenges**

Three key issues are raised in relation to Ethiopia's land policy – farm size and fragmentation and the question of what is a 'viable' farm unit<sup>4</sup>; tenure security and whether lack of land registration/certification or titling undermines investment in productivity improvements; and finally the issue land markets and whether imperfectly functioning markets constrain opportunities for land consolidation, investment and agricultural growth. These issues and challenges are discussed in turn in the following sections, which lay out the evidence and debates in the highland Ethiopian context.

### **Farm Size, Land Fragmentation and Smallholder Production**

Ethiopia is a country of smallholder agriculture. In the 2000 cropping season, 87.4 % of rural households operated less than 2 hectares; whereas 64.5 % of

them cultivated farms less than one hectare; while 40.6 % operated land sizes of 0.5 hectare and less (CSA, 2002; Negatu, 2005). Such small farms are fragmented on average into 2.3 plots. A study by Nega et al (2003) shows that landholding is one of the factors that constrains farm income and the level of household food security. As landholding declines, per capita food production and farm income also decline, indicating that extremely small-sized farms cannot be made productive even with improved technology and certainly not enough to address rural poverty issues by the extension programmes that primarily focus on technology diffusion<sup>5</sup>. Such farmers have little or no surplus for investment and for input purchase. Because of high vulnerability to food and income insecurity, farmers with relatively small farm holdings turn frequently to trading crop residue and animal manure as a source of fuel, rather than applying them for soil fertility improvement. The increasing decline of farm size also leads to a reduction of fallowing practice or shortening of fallow cycles, and rotation, with a consequence of declining soil quality and fertility in some highland areas.

The average farm size is considered by many too be small to allow sustainable intensification of smallholder agriculture. Empirical evidence shows that the probability of adopting fertilizer and improved seeds decreases with declines in farm size (Croppenstedt, et al., 1998; Mulat et al., 1998; Wolday, 1998; Mulat 1999). The BASIS/IDR study in South Wollo, for instance, has found that farm size has a positive and statistically significant impact on fertilizer use. In the study, the relation of technology use and farm size was observed by categorizing farm holdings into three size groups: (i) small size farms, 0.50 ha and less; (ii) medium size farms, 0.51 ha - 2.0 ha, and; (iii) large size farms, above 2.0 ha. Large size farm holders were found to be significant users of fertilizer, improved seeds and manure (Negatu, 2005). This implies simply that the size of the operated farm is a crucial factor in the intensification of smallholder farming systems. According to Negatu (2005), a unit change in size of farm operated entails more than two and half times higher chance of using chemical fertilizer, other factors remaining constant. Those farm households with larger farm size benefit from economies of scale in using chemical fertilizer as they can better afford to purchase it. Households with relatively small farm size are generally poor in cash income, have less access to extension services and credit, and have less risk coping opportunities to take risks of rain failure, and less profitable technologies given higher transaction costs of acquisition and application of fertilizer per unit of operated land (Negatu, 2005). Based on recent literatures, Negatu (2005) recommends policy makers to find ways for increasing the size of farms cultivated by farmers to an adequate level for which technology use would be rewarding and sustainable.

The diminishing farm size has not only affected the profitability and level of technology use, but also the sustainability of rural livelihoods. A study carried out at national level, for instance, indicates recently that, the average farm size can generate only about 50% of the minimum income required for the average farm household to lead a life out of poverty, if current levels of farm

productivity and price structure remain constant (see EEA forthcoming report on Agricultural Extension). The average land holding size in the Ethiopian highlands would thus be insufficient to feed a family of five, even if production could be successfully increased three times using improved technologies (Masefield, 2000, cited by EEA, 2004). Policy intervention, such commentators argue, to stop the process of further contraction of farm size and the initiation of the consolidation of existing miniscule farms is also indispensable.

### Farm fragmentation

Farm fragmentation has increasingly emerged as one of the key problems of subsistence farming of Ethiopia. According to a recent national survey data (N=4589), the average farm size in the highlands (in 2004) was fragmented into 2.3 plots, each with 0.35 hectares. About one third of surveyed farms consisted of 3 or more plots (Table 1). The process of farm fragmentation has been in part induced by farmers' voluntary actions of sharing part of their farm to children reaching working age and forming their own family farm but without securing any additional alternative livelihood. This process has, however, increasingly become infeasible as depicted by official rural employment data. The 1984 and 1994 population and employment data, for instance, indicates that parents increasingly incorporate their children who reach working age into family labour, rather than partitioning their land and allowing them to run independent farms. Between 1984 and 1994, the size of family labour in Ethiopian smallholder sector increased from 38% to 55%. This implies that smallholders reach to the point where they can not redistribute their already miniscule and fragmented land to the growing labour within their family.

Even though the process of further farm fragmentation has become less practical, the current level of farm fragmentation is high, especially considering together with existing farm sizes and level of land productivity. This may hinder sustainable intensification of smallholder agriculture in many ways. The incentive to apply sustainable land management practices like rotation, agroforestry, inter-cropping and soil erosion control is generally affected negatively by farm fragmentation and diminution of farmland. Small farm households face higher overhead costs of application of technology and

sustainable land management practices. Moreover, smallholders are less risk tolerant and the opportunity cost of participation in sustainable land management practices is not high, when compared to farmers with relatively higher farms.

### How small is 'sub-economic'?

Many Ethiopian policy makers, however, disagree with the argument presented above that widespread and sustainable use of agricultural technology is constrained by sub-economic holdings. They cite the experience of China where farm size and public ownership of farm land did not hinder agricultural growth. Even though rural land is owned by government both in China and Ethiopia and there are similarities of the average farm size in both countries, the smallness of farms in China did not seem to contribute to agricultural stagnation as the case in Ethiopia. This may indicate that more could be learned by analyzing the differences than the similarities between the two countries.

Any inferences derived from direct comparison of the average farm size in two different countries could lead to the wrong conclusion. This is because it is not the size of farm but its true economic value that matters. The economic value of a given farm size is affected directly by the level of farm labour productivity and indirectly by the availability of non-farm employment which affects the level of rural people dependent on land and agriculture. Despite similarities in the size of the average farm, China and Ethiopia are different in respect of these other factors. Moreover, the remarkable agricultural growth in China since its 1978 land reform can not of course only be attributed to the land reform. The land reform was just one but major aspect of the overall agrarian reform in China. For example, the late 1970s reform was accompanied by widely developed irrigation, introduction of high-yielding varieties, abundant chemical fertiliser produced locally, and heavy investment in agricultural research. Later elements of the agrarian reform included expansion of free markets, a rise in government procurement prices, diversification of the rural economy, and product specialisation and crop selection in accordance with rural comparative advantage (Alemu, 2005; Groppo, 2003; Fafchamps, 2000). In short, Chinese land reform must be considered as one of the elements in its wider agrarian reform<sup>6</sup>.

This has lessons for Ethiopia. By narrowing the issue of land and land tenure reform, the Ethiopian debate perhaps misses these wider dimensions of agrarian reform. If smallholder agriculture is to persist, even on plots which are deemed sub-economic for sole reliance on agriculture, wider agrarian and rural development changes need to accompany land related policy measures. These include, drawing from the China example – and indeed many others – public investment in productivity enhancing technologies suitable for smallholder farming; investment in encouraging marketing of farm producing and fostering growth linkages to the non-farm economy; and a detailed assessment of rural comparative advantage and associated promotion of niche agricultures which may offer decent returns. Such agriculture focused reforms of course need, as in China, to be linked to a wider support of the rural

**Table 1. Farm fragmentation in Ethiopia**

Number of plots per farm	Number of farmers (percent)	Average farm size per plot (Ha)
One plot	44%	0.34
Two plots	23%	0.37
Three plots	13%	0.36
More than 3	20%	0.33
More than 4	11%	0.32
Average number of plots (=2.3)	50%	0.35
N	4589	

Source: Samuel, 2005.

economy. Here high population densities may have advantages if an agricultural base is secured, as markets, small towns, and infrastructural development more generally becomes more effective. A parallel growth in the non-farm economy is thus critical if rural livelihoods are to rely on agriculture as only one component of a portfolio of activities. Moreover, the issue of environmental degradation and persistent poverty should be addressed to prevent the process that has locked subsistence agriculture in most Ethiopian highland areas into a process of stagnation and decay – of consuming its own assets – that includes the gradual conversion of productive lands into waste or barren lands

Unfortunately because of the polarized nature of the land debate in Ethiopia, between government, donors and academics alike, such a wider consideration of land and its relationship to livelihoods has not been explored, and remains an urgent area for further enquiry and debate.

### Tenure Insecurity and Smallholder Production

One of the major land-related problems in Ethiopia is insecurity of tenure. Given the absence of any contractual or lease agreement with the government and the general belief that the next round of land redistribution will take place any time, the incentive to invest in land improvement is often minimal. However under certain circumstances extensive investment in land improvements have occurred (e.g. Mitiku Haile et al, 2001, on Tigray and Alemayehu et al, 2001 on Wolayta). Smallholders also face perceived tenure insecurity as the proportion of people with no land or alternative livelihood has been growing in every village. Tenure insecurity, coupled with the subsistence nature of farming, has discouraged long-term investment and exacerbated the problem of land degradation many argue (Alemu, 2005; Berhnu Gebremedhin and Berhanu Nega, 2005; Fafchamps, 2000; Samuel, 2005), particularly in the 'outfield' areas away from the home and garden areas (Alemayehu et al, 2001). The soil in many areas has thus lost some biological productivity and physical properties needed for optimal plant growth (FDRE, 1996; Mulat, 1999).

The Ethiopian government has in recent years tried to address the problem of tenure insecurity through issuing certificates of land use rights to peasants<sup>7</sup>. Moreover, some regional governments (like Tigray and Oromia) have land administration laws that limits the possibilities of distribution/redistribution of land to only certain specified categories of land. However, a draft proclamation dispatched for public debate by the outgoing parliament last year, proposed many conditions that could lead to the deprivation of land use rights of peasants<sup>8</sup>. It states that land use rights could be disposed if holders are deceased and have no heirs, have gone for resettlement or left the locality on their own accord, and stayed over a long-period of time. It also states that upon the wish and resolution of peasants and where land redistribution becomes the only alternative, land will be redistributed, taking into consideration the minimum desired size of holding<sup>9</sup>. It also states that land distribution will be undertaken on irrigable land in order to use irrigable land equitably.

Tenure insecurity in Ethiopia could not only triggered by fear of future land redistribution. Weak land administration which the government has been struggling to address through the issuance of land certificates could also lead to arbitrary violation of farmers' land use rights by local authorities or institutions, in which farmers' usually have low confidence. As discussed earlier, the growing poverty, high unemployment and lack of alternative livelihood (non-farm employment) among the farming community could also trigger perceived tenure insecurity. Studies also indicate the difficulty of ensuring tenure security in societies that suffer from high levels of poverty and unemployment. Deininger et al (2003b), for instance, documented a link between higher levels of off-farm employment and lower levels of tenure security in the form of farmers' fear of being affected by future land redistribution. According to a land tenure study conducted in 2002, for instance, over three-quarters (76%) of farmers did not feel secure in their claim to their existing holding over the next five years. Despite the fact that most regional governments have publicly dissociated themselves from possible future land redistribution, only a minority (27%) are convinced that this will not occur in the future (Nega et al, 2003).

Insecurity of tenure has prevented farmers realizing economic and non-economic benefits that are normally associated with secure property rights in land. A recent study by EEA/EEPRI and World Bank researchers (Deininger et al, 2003) confirmed that improving security of land ownership and transferability of land in Ethiopia could have a significant impact on overall output and household welfare. Econometric analysis of the data indicates that, through its impact on investment in terraces for soil conservation alone, abolition of further administrative redistribution of land is estimated to have the potential to increase annual output by about 1.5%. Adding transferability of land rights would increase output by an additional 4.4% (Deininger et al, 2003).

A key challenge then in the land debate in Ethiopia is to find mechanisms for land transfer which allows some consolidation of land while offsetting the dangers of a rapid growth in landlessness through dispossession or unproductive accumulation of land. An exploration of formal land markets, existing and potential, is one element of this debate, and the subject of the next section.

### Land Markets and Smallholder Agriculture

After being discussed for a decade and half, the ban on land rental market (fixed cash rental and sharecropping) was partly lifted in 1990. However, the land rental market has been restricted, at least formally, since then (see above). For instance, farmers in Oromiya may not lease out more than half of their allotted land (which is about half a hectare)<sup>10</sup>, and only for up to three years (Fafchamps, 2000). The rental period has, however, been relaxed in recent years. The most recent land use and administration proclamation (No.56/2002) of Oromia region again permits farmers to lease out of up to half of the land holding for up to 15 years if 'modern technologies' (usually defined in terms of use of fertilizer and improved seeds) are used and three years otherwise (Bezabih, 2005).

There are two points that deserve attention in this policy. First, every land rental agreement allows a maximum of half a hectare per land transaction<sup>11</sup> which force the lessee to operate small farm sizes that could make difficult a sustainable and profitable use of modern farm technologies. The policy implicitly implies that the major objective of land rental market is to provide chance for a renter to produce for their own consumption. Second, the policy forces subsistence farmers to tie to their land (as they are allowed to rent only half of their land) to sustain their livelihoods, rather than contemplating alternative, non-farm and migration choices.

Despite the high egalitarian nature of land holding, especially in respect of farm size and in the northern Ethiopian highlands (see discussion above) and the relatively homogeneity of the social structure among most of the 11.5 million farm households that are said to be engaged in agricultural activities in Ethiopia, there is some heterogeneity. For example, there are some marked variations in agricultural resource endowments, including ownership of oxen and access to draft power. A considerable portion of farm households do not own oxen at all, or only in part shares. CSA indicates that the number of draft oxen per crop holder is 1.02 (CSA, 2003). There are households with an insufficient labour force (due to inadequate labour supply because of lack of energy, health or small number of adult members). Adult labour may also be constrained in some farm households due to the emerging effects of HIV/AIDS and also the increased proportion of female headed farm households. Capital in terms of seed, cash to purchase modern inputs and other services are also problems that constrain production in a differentiated way across households. Under such circumstances, despite small land holdings and clear land pressure overall, there is no doubt that part of the country's agricultural land is underutilized because of lack of one or more of the essential inputs for production. There are also differences among smallholder farmers in terms their potential to invest in modern farm technologies and bear risks that are as important as physical resources at farmers' disposal.

Many cases of land rental markets (sharecropping or fixed rent) that take place currently arise from such conditions. It helps land transfer from relatively old, resource poor farmers to young, healthier and/or relatively resource rich farmers. Hence, land markets, some argue, have important resource transfer and reallocation roles that can benefit the development of the agricultural sector and the economy at large (Berhanu, 2004). A key empirical question which remains difficult to answer is the size of existing land rental markets, and their option.

#### **Size of land rental markets**

Despite existing constraints that limit the free (and formal) operation of the land rental market, a recent study has found that the size of land transaction (both fixed fee rental and sharecropping) is high. Taking fixed rental and sharecropping together, 22% and 23% of households in Tigray and Amhara regions, respectively, cultivate someone else's land obtained through land rental market (Samuel, 2005). At national level, the figure is 13.4%. On the other hand, about 19% to 22% of total land owned by surveyed farmers was supplied to the land rental

markets in Tigray, Amhara, and Oromia regions. In comparison to the size of non-marketed land, land marketed constitutes 21.2%, 27.9% and 23.4% in Tigray, Amhara and Oromia regions, respectively. In general, survey data indicates that the size of land rental market is high both in terms of the number of market participants and size of land supplied to the market<sup>12</sup> (Samuel, 2005). Similar patterns occur in the southern highlands of Ethiopia. For example, in Wolayta in SNNPR (Carswell et al, 2000).

The Tigray/Amhara study also indicated the positive impact of land rental market in terms of improving the allocative efficiency of factors of production and expanding the use of purchased farm inputs like inorganic fertilizers and improved seeds. Farm households that rent-in or share-in lands have not only applied more improved technologies, but also get the opportunity to use labour and ox that otherwise could be under- or unutilized (Samuel, 2005).

The process and act of land transfer among land users, however, is often non-transparent. The transfer process usually takes place informally and usually confine among neighbours or relatives. The land lease market is constrained, inter alia, by lack of clear rules and regulations for secure and transparent transaction of land leaseholdings (see above). Lack of confidence among farmers in state agencies effectiveness in enforcement of transaction agreements is expected to influence farmers' decisions on use of new production technologies, and especially sustainable land management technologies on rented lands (Negatu, 2005).

#### **Dangers and limits of land markets**

An enhanced free operation of land rental market, some commentators argue, could compensate or minimize some of the negative effect of mounting scarcity of productive land, high fragmentation and high population pressure that continue to aggravate the problem of land degradation, low farm productivity and environmental problems. The land market could play some role in improving some of the drawbacks of the current land tenure system, and land reform that allows land markets to emerge will facilitate the consolidation of plots into larger, commercially viable farms. However, Ethiopian policy makers generally have a less positive view.

In addition to preventing the privatization of land, policy makers have restricted the free operation of land rental markets. According to public statements made repeatedly by senior politicians, a freely operating land rental market could lead to unproductive accumulation of land or translate immediately to the creation of a large landless class. Even though the level of rural and urban poverty are comparable in Ethiopia, the Ethiopian Prime Minister repeatedly said that privatization of rural land and the free operation of land rental markets could lead to the urbanization of rural mass poverty – something that could lead to a sudden destabilization of the social system. Moreover, despite the fundamental change in the socio-economic conditions in rural Ethiopia over the past three decades and significant changes on the magnitude and priority of problems of Ethiopia, policy makers frequently have made public statements<sup>13</sup> that associate a free transfer of land or land use right and the possibility

for rural land to be once again a means of exploitation of Ethiopian peasants by a few landlords or absentee landlords, as in the feudal past.

Even though policy makers' concern for the social and political consequences of land policy changes on rural land is an appropriate concern, two questions – the need for land reform and the social impacts of such reforms – should be treated separately argue proponents of policy change. Any policy decision should be made based on information generated from these two different questions and they should be dealt with in sequence or their priority. The question whether freely operated land rental markets have a positive impact on agricultural growth should be answered first. Then the question 'does this benefit outstrip the status-quo – no change in land policy?' should be addressed, along with the costs of mitigating measures. For example, policy makers could interfere in the operation of the market to prevent distress sales or ensure the basic principle of the market ('the interaction between a willing seller and a willing buyer at an agreed price') through secondary policy and institutional interventions.

In order to avoid sudden, nation-wide changes with uncertain consequences, there is also a possibility to test the potential impact of any policy revision through pilot programmes in limited areas, commentators argue. This will allow time to make necessary adjustment for full implementation of any programme or its abandonment. Such pilot programmes will also create conditions to test empirically the validity of policy makers' fears that private ownership of land or unrestricted land rental market will encourage or force Ethiopian peasants to migrate en masse into urban centres due to distress sale of their land due to drought- or poverty-induced problems.

## Future Options and Scenarios

This paper has presented a number of different scenarios for the future of land and land reform in Ethiopia. Everyone recognizes that land is a critical issue, and developing an effective policy framework is vital for the future of agriculture in Ethiopia. However, the land issue, perhaps more than any other policy issue, is hotly contested. The previous sections have offered some of the evidence on the benefits and limitations of different options, and some of the views of different protagonists. A number of future scenarios are evident from this analysis which is outlined below.

As the evidence shows no single option will work in all settings, and a more context-specific approach will have to emerge. This paper has focused on the small-holder agricultural systems of the Ethiopian highlands where land constraints are most acute. Other issues of course arise in the pastoral lowlands, in the large-scale commercial farms and in less populated, more resource rich farming areas. Debates on options and challenges will have to take place in all areas before any sensible policy framework emerges. From the evidence discussed here however a number of different scenarios emerge. While not mutually exclusive, there are some important trade-offs between them, with implications for how policy is framed at both national and regional levels.

**1. Maintaining state ownership of land and facilitating agriculture-led growth.** This has been referred to in the Ethiopian debate as the 'China model' (see above) and is the favoured approach of the government. The argument runs that small farms are not necessarily 'sub-economic', as long as land productivity is boosted through external support and investments in new technology. Total reliance on a farm plot is also not advisable, and a diversification into other non-farm activities, fostered by farm-led economic growth makes sense. This reduces risk exposure and encourages a broader based growth in the rural economy, as has been seen in China. High population densities also encourage market linkages and the growth of rural business and small towns. State ownership of land under such conditions, so the argument goes, is not necessarily prejudicial to investment and productivity growth as long as land users trust the government and mechanisms for gaining finance are secured which do not require land ownership as collateral. This requires interventions by the state in increasing the trust levels of land management institutions and offering alternative methods for supplying credit and alternative employment for the growing landless population.

**2. Land privatization and titling.** Some policy commentators argue that the efficiency gains of land privatization and formal titling in Ethiopia are potentially highly significant. This would allow agricultural entrepreneurs to consolidate land holdings and manage economically viable land units on a commercial basis. This would encourage others to move out of agriculture and away from sub-economic 'starvation plots' and seek other forms of livelihood outside the rural areas, or within linked to new more commercial farming operations. With economic growth based on agriculture of this sort rural areas might have the chance of prospering with growth linkages fostered by a growth in the labour market, in agroprocessing, in trading and other activities. External investment would then flow in as those with capital saw that agriculture was providing a return. The reduction in social safety net costs and government support of the state managed model currently advocated could be significant, releasing government and aid funds for more targeted investment elsewhere. Proponents of this policy said if this policy, as claimed by the government, could lead to unproductive accumulation of land or translate immediately to the creation of a large landless class that could destabilize the social system, policy makers, as discussed earlier, could interfere in the operation of the market to prevent distress sales or ensure the basic principle of the market ('the interaction between a willing seller and a willing buyer at an agreed price') through secondary policy and institutional interventions.

**3. Encouraging land rental markets.** The full privatization and titling model, however is seen by many as potentially highly problematic and based on assumptions which are unlikely to be proved true. The consequences of rapid consolidation of farm areas and an increase in landlessness among those selling most or all of their land is seen as potentially catastrophic in both humanitarian and political terms. Others argue that a good compromise



between land privatization and titling and state ownership and redistribution already exists, but is constrained. As discussed above, rental markets exist in all areas of Ethiopia but have been constrained by government's reluctance to see them flourish for similar reasons to the aversion to land privatization and titling. Limits to land rental (including sharecropping and other arrangements) have thus been set which govern the amount of land that can be transferred and the length of time the rental agreement lasts<sup>14</sup>. The degree to which such government regulations are enforced is not known, and most case study evidence points to an existing and vibrant land rental market in highland areas, mostly, however, the leaseholders are neighbours and relatives, who could not make the best from the rented land and/or could not offer the best rental fee to the landlord. The policy challenge then is to provide a framework for encouraging and formalizing land rentals – and associated labour migration/exchanges and improvements of efficiency through scale advantages – while avoiding the downsides of rapid moves to consolidation and landlessness, perhaps as part of a phased approach that encourages a combination of off-farm diversification and migration (to farm and non-farm based livelihoods).

**4. Enhancing tenure security.** Some argue that it is tenure security not land ownership (through registered title, leasehold or rental agreement) that is the issue. Many studies have shown how perceived insecurity of tenure restricts people's incentives to invest in land improving technologies and management systems. The fear of redistribution, as discussed above, hangs over many people and is well remembered from the past. Despite government assurances that this will no longer occur, it is apparent that many smallholders don't trust the government on this. Recent attempts at providing systems of land registration through certification may be one route to providing such assurances. It will be important to find out whether this does change perceptions and result in greater investments, or whether the constraints in fact lie elsewhere, requiring more attention to physical land redistribution through other means.

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Overall, this paper shows that the closed and limited nature of the land debate is constraining options and discussion of future scenarios. While there are genuine and well articulated fears of alternatives to the status quo, there is an urgent need to encourage a wider debate, which considers the long-term role of agriculture in terms of igniting a dynamic and sustainable economic development, and locate these wider options and scenarios in the more local, context-specific settings. This will require further deliberation among key stakeholders, as well as close monitoring and evaluation of different pilot projects.

Everyone is agreed on the overall aim – to boost pro-poor agriculture-led growth – and this is echoed in policy documents and discussions from all sides of the debate, but what to do about land and land tenure remains a sticking point which urgently needs to be tackled. With the next phase of the Future Agricultures Consortium work in Ethiopia focusing on regional, state-level

discussions of future agriculture and livelihood scenarios, the content of this paper is intended to provide a sound information base for such discussions.

## End Notes

<sup>1</sup> However, a restricted short-term leasing of land use right has been allowed since 1991.

<sup>2</sup> These largely continued processes indicate the limitation of the social security role of land and the damage caused by this wrong thought.

<sup>3</sup> For instance, unlike the resettlement programs of the previous government, the recent government sponsored large scale resettlement program has been confined within a given administrative region which, claimed by policy makers as a factor that can facilitate the integration of settlers in the recipient community. However, it could also indicate the difficulty faced by Ethiopian farmers to access land outside their region.

<sup>4</sup> The question of farm size is related to the degree to which the size of landholdings can adequately support the livelihood of the farmer and a sustainable intensification of agricultural production. A number of researchers have raised the issue of the gradual conversion of Ethiopian agriculture from small-scale agriculture to micro-agriculture that cannot reduce the poverty of the farmers (Dessalegn, 1997, and 2005, Diao and Nin Pratt, 2005).

<sup>5</sup> A recent study carried out by IFPRI has found that the major constraint to food security especially in food deficit areas where more than Ethiopia's 25 million people reside is extremely small farmland (0.57 ha compared to 1.38 ha in food surplus areas). Of the 184 woredas constituting the food deficit area, per household farmland is less than 0.4 hectare in half of them and less than 0.3 hectare in one-third of them (Diao and Nin Pratt, 2005). The negative impact of minuscule farm sizes is also reflected by low land productivity. Diao and Nin Pratt (2005) indicate that the average cereal yield is about 1 metric ton per hectare, 20% below the national average, on food deficit areas where the average farm size is less than 0.6 hectare. Similarly, return from the use of modern inputs is also low in these areas (0.2 ton less per hectare when compared to food surplus areas) (1.24 ton versus 1.44 ton).

<sup>6</sup> As noted by Prosterman, Hanstad, and Ping (1994:10), the rate at which grain production per capita grew during the collectivisation period was only 1.3 kg per annum, while this was more than 7.2 kg per annum during the decollectivisation period (1981-90) (see Alemu, 2005). Despite some improvement in recent years, average per capita grain production has never been positive in Ethiopia since the 1974 land reform.

<sup>7</sup> However, there is no study that shows the rights the certificates provides to peasants and the impact of the certificate in enhancing farmers' confidence or investment on land. Moreover, the process of certificate issuance is not completed in most areas.

<sup>8</sup> The author has no idea whether the draft proclamation has passed as it is or with amendments on issues discussed here.

<sup>9</sup> In Ethiopia, minimum farm size usually defined as a size that will enable a household to feed itself as food security is the major objective of rural development programs. However, this definition usually leads to ambiguity as the in addition to the absolute size, the

quality of the land and farmers' investment on the land both through modern (usually through purchased inputs like fertilizers) and traditional methods affect the level of land productivity and hence food security.

<sup>10</sup>This means that the average size of land per transaction could not exceed half hectare of low productive land.

<sup>11</sup> This is because most farmers own one or less hectare of land.

<sup>12</sup> As land market is still not formally recognized or supported by institutions, the author expected the existence of some unreported transactions especially in regions where tenure insecurity is high.

<sup>13</sup> For instance, policy makers from the ruling party repeatedly raised this issue on different public forums organized during the May 2005 national election.

<sup>14</sup> It could also difficult for land renter (leaseholder) to engage into a long-term lease agreement with farmers with use right (the landlords) as the use right is not time bounded.

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