ECCSA AACCSA Sida

Private Sector Development Hub

Final Report-2

on

CHALLENGES OF COMMERCIAL FARMS ENGAGED IN THE PRODUCTION OF FOOD AND FIBER CROPS IN ETHIOPIA

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Addis Ababa

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ACRONYMS/ABBREVIATIONS

ADLI	:	Agriculture Development Led Industrialization
CSA	:	Central Statistical Agency
EAILAA	:	Ethiopian Agricultural Investment Land Administration Agency
ECCSA	:	Ethiopian Chamber of Commerce and Sectoral Associations
EIC	:	Ethiopian Investment Commission
EPEZ	:	Environmental Protection and Economy Zone
FDI	:	Foreign Direct Investment
FMARRD	:	Federal Ministry of Agriculture and Rural Development
GTP	:	Growth and Transformation Plan
LM	:	Land Management
MoFED	:	Ministry of Finance and Economic Development
NCC	:	National Civil Code (NCC)
PRC	:	Principal Registration Certificate
PSD	:	Private Sector Development Hub
RDCO	:	Regional Diaspora Coordinating Offices
RGICA	:	Regional Government Investment Commissions and Agencies
SDPRP	:	Sustainable Development for Poverty Reduction Program
SNNPR	:	Southern Nations and Nationalities Region
TIN	:	Taxpayer Identification Number

EXECUTIVE SUMMARY

Despite Government of Ethiopia's ambitions and favorable polices for the development of commercial farms along with the smallholder agriculture, the performance indicators measured by the size of allocated land and utilization , level of production and productivity, have not been to the desired level. Even though this may be due to lack of roads, bridges, power and other infrastructure in investment areas; high costs of land development; poor technical and financial capacity of investors; the security situation in some regions; and deliberate abuse of land investment licenses or land lease agreements by some investors, the challenges confronting commercial farms with respect totheir unsatisfactory performance, particularly in the area of crop production in the low land areas where much is expected are not well known. It is in light of this that the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA), through its technical arm i.e. the Private Sector Development Hub (PSD) engaged ITAB CONSULT PLC, to conduct this rapid assessment on the challenges of commercial farms and prepare a private sector position paper that can be tabled for consultation with the government.

The objective of the rapid assessment is therefore; to develop fact-based issues for consultation with the government relating to factors that limited the capacity of commercial farmers to develop the land leased and come up with solid proposals to remove the constraints.

Because of the complex nature in terms of range of products, size and location of land of commercial agriculture, and limited time and financial resources, the study is limited to and focused on large-scale mechanized private commercial farms engaged in food and fiber annual crop production in selected outlying regions of Ethiopia, namely Gambella, Beneshangul Gumuz, Afar, Southern Nations and Nationalities Region (SNNPR) and some zones of Oromia.

The methodology used in the assessment included document review, discussion with government institutions directly engaged in the provision of services to commercial farmers, discussion with purposively selected 57 commercial farms and informal discussion with the communities, and field observations at the farms.

The major findings are that despite investment policy and strategy, procedures, institutions involved and their respective mandate have been clearly stipulated for agricultural investment business, much of them have not been communicated, well understood and properly implemented by the lower organs of the investment offices in the country. Challenges that have emerged from this are primarily, overlapping of allotting the same land to different investors, insufficient community consultation thus resulting in negative consequences to the relationship between the investors and local communities.

The critical gaps requiring immediate policy attention are the feeble policy implementation to support investment projects, unsecured operating environments, under-developed infrastructure in commercials farm areas, and defective investor selection.

Actions needed to address the challenges are: i) designing specific policies and strategies for the development large scale commercial farming, ii) capacity building of institutions/offices responsible for agricultural investments in general and large scale commercial farms in particular at all levels, iii) strengthening linkage mechanisms among institutions involved in agricultural investments, iv) development and application of a stringent investor selection criteria, v) introduction of the industry zone development approach for agricultural investment projects, vi) strengthening monitoring and evaluation of commercial farms, vii) enhancing security and protection of commercial farm projects, viii) keeping the balance between the production of food commodities and that for export in commercial farms and ix) promoting the establishment of commercial farmers associations and their apex organization for strengthening their bargaining capacity.

I. INTRODUCTION

This draft report is prepared by ITAB CONSULT PLC based on the Consultancy Contract signed with the Ethiopian Chamber of Commerce and Sectoral Associations, Private Sector development Hub dated13/03/15for rapid assessment of the challenges of private commercial farms engaged in food and fiber annual crops.

1.1 Background

The Government of Ethiopia is committed to rapid growth of agriculture as a means of accelerating the economic transformation and reducing poverty with the understanding that a high rate of agricultural growth has far-reaching positive implications for increasing employment and accelerating poverty reduction. To this end, the FDRE's GTP adopted a rapid agricultural transformation plan that involved innovation in the smallholder sector and the development of the large-scale commercial sector.

Fundamentals of the GTP strategy include; a shift to production of high value crops, a special focus on potential high-productivity areas, intensified commercialization, and support for development of large-scale commercial agriculture where it is feasible.

Though, the commercialization of smallholder farming continued to be the major source of agricultural growth, the agricultural development strategy was to develop land that is perceived as under-utilized. It is believed that even though nearly 67 percent of the land in Ethiopia is suitable for agriculture, only 13 percent is being used by smallholders, while only 23 percent of the potentially irrigable land is irrigated at present.

It is against this background that the government has been promoting large-scale land deals for the development of large-scale commercial agriculture, with major

emphasis on the lowland areas of the country. The Government perceives that large-scale commercial agriculture is profitable, promotes food security, creates job opportunity and transfers technology.

Even though land delivery to investors was intensified with this perception, the expected increase in production and supply of food crops, industrial raw materials and export commodities were not realized to the anticipated level. As indicated in the terms of reference for the assignment, the contribution to; employment, technology, capital accumulation and efficient land use is also negligible.

Furthermore, even though considerable amounts of land have been allocated to investors, performance to date in terms of production, employment, and development of land has been disappointing for the most part. This is due to, in part, that the program has failed to attract foreign investors with the highest quality international agricultural land development companies.

Available data indicate that only an average of 20% of land leased is currently farmed and only 1% of investors hold 10,000 hectares and above. The expected increase in production and supply of food crops, industrial raw materials and export commodities were not realized. The contribution to employment, technology, capital accumulation and efficient land use is also negligible.

Government representatives at all levels acknowledge that, while considerable amounts of land have been allocated to investors, performance to date in terms of production, employment, and development of the land has generally been disappointing. The performance of domestic investors has also been poor in many cases. The land investment situation led the federal government to declare a moratorium on further land leases in 2011.

Given that commercial farming will be given more focus in GTP II, there is an urgent need to look into what is not working in the system and find ways of rectification. Performance indicators measured by the size of allocated and

utilization of land rate, level of production and productivity and signal of exiting even without starting production are some of the major concerns to many stakeholders. This may be due to lack of roads, bridges, power and other infrastructure in investment areas; high costs of land development; poor technical and financial capacity of investors; the security situation in some regions; and deliberate abuse of land investment licenses or land lease agreements by some investors. There is scanty information on the challenges confronting commercial farms with respect to the above factors except sign of failure reflected in unsatisfactory performance particularly in the area of crop production in the low land areas where much is expected. It is in this light that the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA), through its technical arm i.e. the Private Sector Development Hub (PSD) engaged ITAB CONSULT PLC, a consultancy firm to conduct a rapid assessment on the challenges of commercial farms and prepare a private sector position paper that can be tabled for consultation with the government.

1.2 Objective of the Study and Scope of Work

1.2.1 Objectives of the Study

The objective of the rapid assessment is to develop fact-based issues for consultation with the government relating to factors that limited the capacity of commercial farmers to develop the land leased and come up with solid proposals to remove the constraints.

1.2.2 Scope of Work

Commercial agriculture has complex nature in terms of range of products, size and location of land. There are also financial resources and time constraints to cover all sectors, all crops and all regions in the current rapid assessment. As a result, it has been has been necessary to delimit the scope of the study and focus on selected issues and products. Hence, the current assessment focused on large-scale mechanized private commercial farms engaged in food and fiber annual crop production in selected outlying regions, namely Gambella, Beneshangul Gumuz,

Afar, Southern Nations and Nationalities Region (SNNPR) and some pockets of Oromia.

II. METHODOLOGY USED IN THE STUDY

2.1 Description of the Study Areas

Based on the terms of reference, data were collected for the rapid assessment from sampled farms in Gambella, Benishangul-Gumuz, Afar, Oromia and SNNPR, the brief descriptions of which are indicated below.

The Gambella Regional State is largely flat and its climate is hot and humid. Annual rainfall of the region averages 600 mm while the minimum and maximum temperatures are approximately 21C and 36C, respectively. Agro-ecologically, the region is predominantly lowland with a few midlands. Riverside agriculture is common, particularly maize and sorghum production is practiced along the Baro, Gilo and Akobo rivers. As the region is generally not cereal self-sufficient, alternative income sources such as fishing are important sources of food.

Administratively Gambella consists of six districts and one "special" wereda administered by the Federal Government. Estimate puts Gambella's population at 259,000 ninety percent of which is rural and thus subsistence farmers, selling some of their produce on local markets. Other economic activities include coffee cultivation, exploration for gold (Dimma Wereda), continued work on the remaining state farms (primarily cotton in Alwero-Peno Wereda), and exploration for oil by Malaysian and Chinese companies. Though relatively small, Gambella is quite diverse, ethnically ; Nuer , Agnuak , Amhara, Oromo, Mezhenger, Keffa , Mocha, Tigraway and other ethnic groups predominantly from Southern Ethiopia being the major ones.

Benishangul-Gumuz Region has a total human population of about 784,345 and covers an estimated land area of 49,290 km^2. The region is divided into three

zones, i.e. Assosa, Kamashi and Metekel. The main ethnic groups in Benishangul-Gumuz are; Berta, Gumuz, Amhara, Oromo and Shinasha.

Over 60% of this Region is covered with forest, including bamboo, eucalyptus and rubber trees, incense and gum forests as well as the indigenous species. However, due to increased population, there has been a widespread destruction of the canopies that forced the region to the extent of announcing a campaign for re-forestation.

The Afar Regional State is characterized by an arid and semi-arid climate with low and erratic rainfall. The altitude of the region ranges from 120m below sea level to 1500m above sea level. Temperatures vary from 20ºC in higher elevations to 48ºC in lower elevations. Rainfall is bi-modal throughout the region with annual mean below 500 mm in the semi-arid western escarpments and decreasing to 150 mm in the arid zones to the east.

The region is increasingly drought prone and its production system is dominated by pastoralist (90%) from which agro-pastoralist (10%) is now emerging following some permanent and temporary rivers on which small scale irrigation is developed. The main crops under irrigated farms among others are dates, cotton, maize and vegetables like tomatoes, green and red pepper and onions. Cotton is grown mainly by commercial farms with the land leased from clan chiefs. Administratively, the Afar Regional State consists of 5 administrative zones (Sub-regions), 32 districts, 28 towns, and 401 rural and urban villages.

Oromia has an estimated area of 363,136 km^2 accounting for about 34 of the country's total area and the most populous region contributing to more than one third of the country's total population. Classified into 18 zones and 304 districts, it is the region with better infrastructure and good access to the local and international markets. In terms of climate, it lies within an altitude range of between 500 and 4,377 m.a.s.l with about 49% of its land surface being highland (Above1500 m.a.s.l).

The region, in particular, Bale, Arsi, East Wollega, West Shewa and South West Shewa zones have huge potential for crop production (Cereals, pulses and oilseeds), while East Shewa, Arsi, Guji and Borena zones have potentials for livestock production. In this rapid assessment of the challenges of commercial farmers engaged in food and fiber production, samples were taken from Bale, Arsi, East and South West Shewa Zones.

SNNPR is one of the largest regions in Ethiopia, accounting for more than 10 percent of the country's land area and about a fifth of the country's population. The region is the most ethnically diverse region of Ethiopia, inhabited by more than 80 ethnic groups, of which over 45 (or 56 percent) are indigenous to the region (CSA 1996) .Divided into 13 administrative zones, 133 districts and 3512 villages, the region is overwhelmingly rural.

SNNPR is endowed with arable highlands, midlands) and lowlands, and pastoral rangelands. But, the most characteristic environment of the region is a relatively fertile and humid midland which contains the densest rural populations of Ethiopia. The most characteristic product of SNNPR is "Enset", a food unique to Ethiopia. Cereals are also everywhere and are dominant in relatively high- or low-altitude arable areas, together with smaller amounts of pulses and oilseeds. Annual root crops such as sweet potatoes, Irish potatoes, taro and cassava are important particularly, in the mid areas.

2.2 Data Collection Methods

2.2.1 Document Review

Review of legal documents collected from various sources such as proclamations, government regulations and published and unpublished reports written on investment issues has been made. Policy and strategy documents such as the Growth and Transformation Plan (GTP I) were also reviewed. In addition,

operational plans and achievements of sample commercial farms have been collected and reviewed for identification of variations and the reasons behind (Annex 5).

Besides the secondary data collected so far, previous studies made on the development of commercial farms in Ethiopia, collected from various sources including studies made by concerned relevant organizations such as the Federal and Regional Investment Offices, were also examined.

2.2.2 Development of Data Collection Instruments

Following the review of available documents for preparation of this inception report, questionnaires and checklists were developed and used to collect relevant information from government bodies at all levels and sample commercial farms. In addition field observation checklists were also developed and used. The checklists focused on the issues of the availability of natural resources, physical infrastructure; such as means of communication, technological inputs such as seed, fertilizers and chemicals, availability of skilled and unskilled labor resources, financial institutions and availability of finance and markets. The checklists were designed in such a way that they could enable the firm to identify, the real problems/issues that impede the development of commercial agriculture engaged in food and fiber crop production.

2.2.4 Sample Frame and Sampling of Commercial Farms

The commercial farms visited were sampled purposively, in view of the short time and limited resources. Accordingly, of the total 829 (626 domestic plus 203 foreign) operational commercial farms, engaged in food and fiber crop production in the five assessed regions, a sample frame, from which 87 samples were planned for the rapid assessment Table 1. In the selection of the samples, efforts were made to include diverse crops as the problems may also vary. Four directions were planned for the field data collection. These included, Western Region (West Oromia,

Benishangul-Gumuz and Gambella) Southern Region, (SNNPR), Eastern Region (East Oromia) and Afar. The actual samples taken were 57 farms in discussions with Regional and Zone Investment Offices. Variation between the planned and executed sample size was due to unavailability of owners and/or managers on farm sites at the time of the visit. The distribution of farms visited by region were six in Afar, 12 in Benishangul-Gumuz, two in Gambella, 20 in Oromia and 17 in SNNPR.

Table 1: Total Number of Domestic and Foreign Food and Fiber Producing Projects in the Assessed Regions by Status and Planned Sample Size

Region	Domestic			Foreign			Planned Sample		
							Domestic	Foreign	
	Implemented	Operational	Total	Implemented	Operational	Total	Implemented	Operational	Total
Afar	35	20	55	5	4	9	6	1	7
B. Gumuz	118	127	245	11	6	17	24	2	26
Gambella	2	5	7	3	4	7	1	2	3
Oromia	86	251	337	104	163	267	20	10	30
SNNPR	175	223	398	17	26	43	16	5	21
Total	416	626	1042	140	203	343	67	20	87

Source: Compiled from Ethiopian Investment Commission data, 2015

2.2.5 Discussions with Relevant Bodies

Three bodies were targeted in the discussions. These included government bodies involved in the implementation of the strategy, investors involved in commercial farming and the community in which the commercial farms are operating. The discussions were made using the questionnaires and checklists developed following document review (Annex 2 and 4).

Accordingly, discussions were made with officials of the Federal, Regional and Local government bodies, namely: The Ethiopian Investment Commission, Ethiopian Agricultural Investment Land Administration Agency, Regional Government Investment Commissions and Agencies as well as appropriate Zonal and District Investment Offices and the Development Bank of Ethiopia.

In addition, discussions were made with selected individual commercial farms, using the checklists developed focusing on their current problems of the management and staff of sample commercial farms selected for the study. The intended discussion with communities living around the commercial farms failed because of difficulty in pinning them down.

2.2.6 Field Observations

Observations were also made on the availability of natural resources such as suitable topography and climate, water for irrigation and soil fertility, physical infrastructure, such as means of communication, financial institutions and health services and distance from markets.

2.2.7 Limitations of the Study

The Consultant has faced the following few challenges in the course of field data collection;

- **Avoidance of the consultant team by farms**- few farms avoided the study team putting various lame excuses that were not good enough to believe. Though this compelled the team members to cover less farms than initially intended in all regions, efforts have been made,wherever possible, to replace those unwilling farms as much as possible to keep the planned and executed sample sizes closer and minimize its impact on the final output.

- **Absentee investors**- it was certainly disappointing when farm managers or their representatives fail or become reluctant to furnish most of the required information to the team irrespective of an accompanying letter of cooperation from relevant Federal and Regional Offices. There were a few district administrators who blocked the interview process claiming that the letter of cooperation was not addressed directly to them.

- **Off season survey period**- the rapid assessment was conducted during the dry season when much of the farm operations were not underway and important farm personnel were away. Had this survey work been undertaken during the crop season, it would have been possible to find the important technical farm personnel. The team, hence,had to gather required information through telephone in certain instances in Gambella and Oromia regions.

- **Non-responding telephone addresses of some farms**- Though telephone addresses were received from investment and district offices of the Bureau of Agriculture, some of the telephones were not responding. Hence, there were cases where the team failed to meet investors or their representatives after travelling over long distances and driving for hours. Such occurrences were frustrating to the team members. Timely updating of the contact address of investors by the relevant regional offices is necessary to avoid such problems.

- **Failure to conduct communities meeting around commercial farms-** irrespective of much effort made to identify and talk to communities living in and around many commercial farms; it was not possible to arrange meetings with them within a short notice. However, the team tried to get the understanding of the situation through informal talks with a few individual members of the community and extension workers of Bureau of Agriculture.

- **Rough road to farm sites**- road connections between most district towns and farm sites were not in good conditions for driving and the team had to travel on foot a few kilo meters in certain places to reach farm sites, for instance, two farms in Metekele Zone of Benishangul-Gumuz region.

- **Location of farm sites far from district towns**- when farms were located too far from district towns (more than 80 km), where team members were forced to stay at night due to lodging amenities, hardly more than one farm

could be covered in a day. This problem was further aggravated by failure to make pre-arranged appointments with the farms due to absence of telephones addresses and at times missing the required personnel on arrival. Such kind of difficulty prolonged the time of field work.

- **Harsh climate**- the time of data collection was in a season that was highly hot in most of the farm areas. Temperatures in Gambella, Afar and lower districts of Metekel zone were unbearable to some members of the team and created uncomfortable working environment.

III. GOVERNMENT DEVELOPMENT POLICIES AND STRATEGIES

3.1 Overall

In Ethiopia, a series of development policies and strategies have been pursued since the economic liberalization of 1992. The Sustainable Development for Poverty Reduction Program (SDPRP), which was built on the then existing policies, strategies, and programs was among such development strategies (MoFED, 2010). The SDPRP was integrated within existing policies and strategies to sharpen the focus on poverty through coordinating the efforts of all stakeholders under the leadership of the Government. It also rested on four pillars: namely; i) Agriculture Development Led Industrialization (ADLI) ii) Decentralization and Empowerment iii) the Justice System and Civil Service Reform and iv) Capacity Building for both the Private and Public Sectors. SDPRP being medium-term program (three years, covering 2002/03-2004/05) served as a vehicle to achieving the Millennium Development Goals (MDG) which are long term, spanning the period 1990-2015. Accordingly, the SDPRP goals, targets, and indicators were fully integrated with the MDGs.

This was followed by the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), which was the First Five Year Plan Phase(2005/06-2009/10)to attain the goals and targets set in the MDGs at a minimum. The main objective of the PASDEP was to lay out the directions for accelerated, sustained, and people-

centered economic development as well as to pave the groundwork for the attainment of the MDGs by 2015.

The Eight Pillar Strategies developed under PASDEP were those pursued under SDPRP and also embodying some bold new directions. Foremost among them is a major focus on growth with a particular emphasis on greater commercialization of agriculture and enhancing private sector development, industry, urban development and a scaling-up of efforts to achieve the Millennium Development Goals.

The Growth and Transformation Plan (GTP), has been under implementation since 2010/11, on the basis of the achievements of PASDEP and lessons drawn from its implementation during the period 2005/6-2009/10. Under the GTP, the country's vision in the economic sector is "to build an economy which has a modern and productive agricultural sector with enhanced technology and an industrial sector that plays a leading role in the economy; to sustain economic development and secure social justice; and, increase per capita income of citizens so that it reaches at the level of those in middle-income countries**."** As stated in the GTP document, the pillar strategies are; i) Sustaining faster and equitable economic growth ii) Maintaining agriculture as a major source of economic growth iii) Creating favorable conditions for the industry to play key role in the economy iv) Enhancing expansion and quality of infrastructure development v) Enhancing expansion and quality of social development vi) Building capacity and deepen good governance and vii) Promote women and youth empowerment and equitable benefit.

3.2 Agricultural Development Policies and Strategies

In Ethiopia, agriculture is viewed as the engine of growth based on its potentially superior growth linkages, employment and market creation, provision of raw materials and foreign exchange generation. The apparent domination of agriculture implies that growth of the Ethiopian economy heavily depends upon the speed with which agricultural growth is achieved. Accordingly, Ethiopia follows Agriculture Development Led Industrialization (ADLI) strategy that aims to strengthen the

dependence between agriculture and industry by increasing the productivity of peasant farmers, expanding large scale private commercial farms and by reconstructing the manufacturing sector in such a way that it can make use of the country's natural and human resources.

The stated strategic objective in this respect was to accelerate agricultural commercialization and agro-industrial development by helping farmers to graduate from subsistence farming to semi-subsistence/semi-commercial status, practicing farming as a business. This is in recognition of the fact that food security is a necessary condition for escaping poverty, but it is not sufficient – household cash incomes must also increase.The focus hereis clearly on the smallholder sub-sector, though greater private sector participation was to be encouraged**.** It is believed that the private sector plays a vital role, but, **t**he policy of the government regarding agricultural land development has always been based on the small-scale farmer, with the commercial sector playing a supplementary role.

3.3 Policies and Strategies Related to Large Scale Commercial Farming

Maintaining agriculture as a major source of economic growth (GTP, 2010) has been one of the pillar strategies of the GTP. Fundamentals of the strategy included the shift to produce high value crops, a special focus on high-potential areas, facilitating the commercialization of agriculture, supporting the development of large-scale commercial agriculture where it is feasible. The commercialization of smallholder farming was intended to continue and to be the major source of agricultural growth (GTP,2010). To complement this, concerted support was to be given to increase private investment in large commercial farms. However, there are no specific policies and strategies for the development of large scale commercial farming.

It is recognized by the government that "attracting private investment" is critical to successful rural commercialization (PIF, 2010). To this end, the Government needed to maintain a transparent system of agribusiness investment guidelines and

incentives; and to accelerate implementation of the policy framework for agricultural commercialization. The latter includes instruments such as warehouse receipts, other financial services such as Banking, insurance, the Ethiopian Commodities Exchange (ECX), and contract farming etc.

Despite the above policy framework, some gaps are still evident in the existing situations. While efforts have been made to put in place some of the above instruments, the development of agricultural insurance policy and contract farming system, have not materialized to date.

With respect to the development of agricultural insurance products, there has not been significant progress in the country. Despite the presence of seventeen Insurance Companies in the country, only insignificant number has attempted the developed of agricultural Insurance policy that is market-based approach and demand-oriented system in which few farmers, including smallholders, are able to access services supplied by the private sector. However, the high premium that reflects the true long-term cost of assuming those risks may not attract the use of these available products.

In this country, the insurance sector had minimum experience with agricultural insurance and lacks the technical know-how to develop index based products (World Bank, 2006). The state-owned EthiopianInsurance Corporation (EIC) has issued traditional agricultural insurance policies for largefarmers in some areas of the country that cover agricultural risks such as pests but excluded drought and other weather events. The remainder of the insurance companies, which are fairly fragmented and highly competitive, do not have experience with agricultural insurance products and focus on their core businesses such as auto and life in urban areas. Index-based insurance had also been a completely new product before the initiation of the pilot program by the Oromia Insurance Company in Southern Oromia. There was limited knowledge within other insurance companies to market or to design these products.

Given the current lack of supply of insurance products by the private sector, it is believed that there is a role for the government (Public sector) in catalyzing this market. Good practice for the role of the government in the development of agricultural insurance market is still evolving, but important implementation issues include: *Public sector initiation of agriculture risk management services. In this case, the role of the* public sector could be to finance a "layer" of risk. One example would be for the government to absorb the most catastrophic event such as drought that will be faced by the agricultural sector, and allow the private sector to develop commercial insurance products for less severe events. This would allow the government to absorb a layer of the risk in an objective fashion while making insurance products relatively more affordable to the end users, in this case large commercial farmers.

Keys to the growth for insurance market are government support in data collection and actuarial modeling, creation of a favorable regulatory environment, education of stakeholders, investment in weather data collection and infrastructure, investment in technical training on product development. These key responsibilities have not yet been discharged by the public sector in Ethiopia.

Moreover, although market system and infrastructure development, agricultural credit and private sector support were stated as strategic objective under rural commercialization, the modalities of infrastructure development and private sector support are not clear. Of course, the credit policies of the Development Bank of Ethiopia have been redesigned to address the financial needs of priority investment projects including large scale commercial farms.

3.4 The Legal Framework

The constitution of 1994 is the supreme law from which the legal system emanates. The legal system depends on codified laws including civil, penal civil procedures and penal procedures, commercial and maritime codes (EIC, 2015). The commercial code of 1960 provides the legal framework for undertaking business activities, while article 40 of the constitution of 1994 ensures the right of every citizen to ownership

of private property including the right to acquire, use and dispose property. Moreover, the investment proclamation No. 769 (2012) gives foreign investors the right to immovable property for investment. Hence, investments in commercial agriculture in Ethiopia take place within these legal frameworks.

3.5 Registration and Licensing

Foreign investors can be registered as a sole proprietorship or incorporated aboard or in Ethiopia. The capital requirement for wholly owned property by foreign investor is USD 200,000 for a single investment project, while it is USD 100,000 per project in areas of engineering works and consultancy. The minimum capital requirement for investment to be made in partnership with domestic investors is Birr 150,000 per project and USD 50,000 in areas of engineering works and consultancy services. However, no minimum capital is required for an investor who re-invests his profit or dividend generated from the existing investment.

The requirements for registration are clearly spelt out in the Brochure of the Ethiopian Investment Commission under different possible scenarios. The scenarios comprise conditions, where the investment is to be made by an individual person, a business organization incorporated in Ethiopia, the foreign investor is treated as a domestic investor, a judicial person or branch of a foreign judicial person is in the business organization, in Ethiopian branch of a foreign business organization incorporated abroad and jointly between domestic and foreign investor (Proclamation 769, 2012).

3.6 Loans for Commercial Farms

The Development Bank of Ethiopia provides loans for commercial-scale agriculture, as one of its priority areas. Commercial-scale agriculture projects that are in the list of priority are ; horticulture products, improved seed multiplication, food grain farming (Wheat, maize, rice etc.), coffee plantation & development, cotton farming, bio-fuel plantation, (Jatrophia, castor oil plant, etc.), tea plantation & development,

poultry framing & processing, palm oil plantation & processing, rubber tree plantation & development, silk worm farming, crocodile farming & processing, stock breeding with ranch development, oil seeds farming' sugar production and processing, apiculture, spices, medicinal plants including essential oil production, extraction & processing, sisal) crops & processing, bamboo plantation for pulp and paper production, fish & processing, swine farm & processing, and ostrich and duck farm & processing.

3.6.1. Requirements for Agricultural Loans

For foreign investors, temporary/permanent work permit/investment certificate, Principal Registration Certificate and Taxpayer Identification Number (TIN) are required for loan application.

With respect to land, contractual lease agreement that extends to 5 years after the full payoff period of the loan (if applicable), and Title Deed Certificate or proof of ownership are required for the engineering aspect of the agricultural project, approved construction plan (Blue print), bill of quantities, Approved site plan, Construction permit (for urban area) are required. In addition, one pro-forma invoice from multiple suppliers is required.

In the case of a sole proprietorship project, Ethiopian Nationals must submit marriage certificate, or written evidence of being single, for divorced applicants a divorce certificate and evidence of being single have to be presented.

Expatriates also will have to submit marriage certificate, authenticated by the relevant country's ministry of Foreign Affairs.

Physical & natural conditions of the project area such as rainfall & temperature data, availability & test for salinity of water supply, soil test for suitability for the intended crops to be grown shall be presented.

3.6.2. Type of Loans

3.6.2.1. Long-Term Loan

The maximum length of time the Bank advances as a long-term loan is fixed at 20 years including any grace period. Any additional loans or re-scheduling must also fall within the 20 years, but permanent working capital can be considered as part of the long-term investment loan of a project that will be recovered within the 5-15 years loan repayment period. Long-term loan is mainly used for the purpose of construction of building, acquisition of machinery and equipment, irrigation, plantation of crops, vehicles, communication equipment and for any other infrastructure related with the project to be financed.

3.6.2.2. Medium-Term Loan

This type of loan is repayable within three to five years including any grace period. Such loan is mainly used for the purpose of building construction, machinery, equipment, furniture and vehicles.

3.6.2.3. Working Capital Loan

In addition to the permanent working capital that is part of project cost, working capital loan serves as a bridge-finance and is availed on the bases of the cash flow of the project itself. The purpose of working capital finance is for extension of inventory cycle, increased capacity utilization and to cover the occasional short-term cash flow problems of existing customers.

3.6.3. Lending Conditions and Equity Contribution

3.6.3.1 Equity Requirement

Borrowers who wish to obtain financing for new priority area projects are required to provide the minimum equity contribution of 30% of the total project cost in cash. The cash contribution shall be placed upfront or gradually over a period not to exceed 6 months from the loan contract signing date. The Bank will finance the

remaining balance up to a maximum of 70% of the total project cost after utilization of the 30% equity contribution by the borrower. However, strategic projects that are implemented phase by phase over a long period of time and face difficulty to put upfront contribution at once may be considered for presentation to the Board of Managers for consideration

3.6.3.2. Collateral Requirement

The Bank relies primarily upon the financial viability of the project itself. However, in order to safeguard the loan, the Bank requires first- degree collateral security for all loans. The Bank revalues collateral assets every year as per the Bank's guideline. Projects operating on rented premises are required to present additional collateral outside the project amounting to 100% of the loan. However, if the premise is rented from government organs and written undertaking is obtained to enable the Bank transfer the renting right to a third party in case of default, additional collateral outside the project will not be required.

3.7 Challenges in Financing Commercial Farms

According to the information obtained from the DBE, the challenges are from both the Bank as well as from the commercial farmers. The Bank lacks adequate branch distribution to address the demand for loans from peripheral regions such as Gambella and Benishangul-Gumuz. Overlapping of boundaries of some farms requesting loans, particularly, from Gambella Region has been a big challenge.

As opposed to plantations, financing of annual crops such as cereals and pulses, involves high risk to the Bank as most of the loan is used for land clearing and labor cost, which leave little marketable infrastructure on the land that can be held as collateral and sold for recovering of the loan when the borrowers fail to repay..

The other challenge is the absence of crop insurance policy in the country. Crop insurance is a financial tool to transfer production risk associated with farming to a third party risk off taker via payment of a premium that reflects at least the true

long-term cost of the insurer assuming those risks. Agricultural insurance is a way to attract private sector investment in commercial agriculture through credit markets, but such amenity is lacking in the country.

The commercial farmers lack the capacity or equity capital to set up the upfront contribution of 30% of the loan amount required. They also fail to put in place the skilled management staff required by the Bank. According to the information from the Development Bank of Ethiopia (Personal communication), this resulted in poor planning and management of the farms and misuse of the loans allocated for farm operations.

IV. INSTITUTIONS DIRECTLY INVOLVED IN THE DEVELOPMENT OF AGRICULTURAL INVESTMENT

4.1 Ethiopian Investment Commission

The Ethiopian Investment Commission (EIC) is a government agency established to promote, encourage and facilitate private investments in general and foreign investment in particular in Ethiopia. EIC operates as a one-stop-shop to enhance prompt services with the following functions: i) providing pre- and post-investment services to investors ii) collect, compile, analyze and disseminate information about investment opportunities in the country and advise upon request on the availability of partners for joint-ventures iii) identify specific projects and invite interested investors to participate iv) register and keep records of all technology transfer agreements relating to investments v) initiate, organize and participate in investment promotional activities such as exhibitions, conferences and seminars, vi) issue all legal permits including; investment, work, residence and expatriate posts vii) review, evaluate and forward policy recommendations to the concerned government body for approval; and viii) perform such other functions that would enhance the attainment of its objectives.

4.2 Ethiopian Agricultural Investment Land Administration Agency

A new agency responsible for large-scale agricultural investments was established by Council of Ministers Regulation No. 283 (2013). The objectives are to: i) administer agricultural investment land entrusted to the Federal Government on the basis of the power of delegation obtained from Regional States ii) enhance, facilitate and support expansion of agricultural investment and sustainable growth of production and productivity, and iii) create favorable conditions for production of agricultural investment products in sufficient quantity for export and local market that meet the demand of consumers.

The agency is mandated to: i) identify and survey agricultural land and develop land Bank system, collect data on agro ecology, topography and geography and socio-economic ii) takeover the agricultural investment land, demarcate the borders and prepare site plans iii) prepare agricultural suitability document of the agricultural investment land, introduce crop suitability document to investors through EIC and Ministry of Foreign Affairs iv) enter into contract with investors and transfer the agricultural investment land, issue site plan, monitor and provide advice and technical support on land use system and take corrective measures v) monitor the implementation of the business plan of the investor to whom investment land has been transferred vi) study and organize and administer agricultural economy zone to strengthened agricultural investment vii) facilitate the efficient supply of inputs necessary for agricultural investment in cooperation with other stakeholders viii) provide capacity building support so as to increase production and productivity ix) encourage and provide comprehensive support for agricultural products that can be used as inputsand xi) study local and international best practices in relation to agricultural investment. The agency is organized into four Directorates, namely; Land Management, Follow-up, Environmental Protection and Economy Zone. There is also plan to establish branches in Benishangul-Gumuz, Gambella and SNNPR.

To date about 82 investors with more than 460,000 hectares of land that had been registered with the Regional Government for agriculture investment have been transferred to the Federal Government for administration on behalf of The Regional government (Table 2). Many of these investors are not performing as expected. According to information obtained from the Legal Directorate of the Investment Agency, 24 of the investors have already been served with warning.

Table 2: Land Transferred from Regions for Federal Administration

Region	Number	Hectares	Registered Initial Capital (Millions of Birr)	Employment Generated		
				Temporary	Permanent	Total
SNNPR	13	89,363	3,506.19	1020	169	1189
Gambella	36	241,312	3,891.21	1140	551	1691
Benishangul-Gumuz	31	128,808	2,697.61	4000	547	4547
Somali	2	6,000	266.00	0	0	0
Total	82	465,483	10,361.01	6160	1267	7427

Source: Data obtained from Ethiopian Agricultural Investment Land Administration Agency

The agency is constrained by shortage of staff for follow up, due to high turnover. Even though about 198 staff members are required by the agency, only 50% is fulfilled so far (Personal Communication). The agency is also constrained by lack of facilities and vehicles.

4.3 Ministry of Foreign Affairs

Diaspora Engagement Affairs General Directorate was established in January 2002 within the Ministry of Foreign Affairs with a view to working closely with Ethiopians in the Diaspora and facilitating their activities in Ethiopia. Its aim is to ensure that Diaspora issues are seriously considered in the country's development endeavors. The stated objectives of the General Directorate are to serve as a liaison between different Federal Ministries, Regional Diaspora Coordinating Offices and Ethiopians in Diaspora and encourage the active involvement of the Ethiopian in Diaspora in socio-economic activities of the country. In addition, all Ethiopian Missions abroad

have the duty to promote Foreign Direct Investment (FDI), through the introduction of potential investment areas and opportunities in the country.

4.4 Regional Investment Agencies

Regional States in the Federal Democratic Republic of Ethiopia have all, out of necessity, established and operate Commissions/Agencies to deal with issues relating to investment in their respective administrative localities. The structures of these entities in principle stretch down from the coordination center at regional level via zonal to district offices. Nevertheless, the stage of development and organizational strength of the agencies vary among regions. Some regions have just opened the agency office with the necessary support staff and organogram yet to develop while others have put all essential components in place and only awaiting enhancing the performance capacity with skill development.

In regions where investment commissions are fully operational, mandates of issues; policies, regulations, directives and other core investment matters fall under the decision of Regional Administrative Council. Regional Investment Board has been entrusted with matters of land allotment and follows up of the implementation of issues pertaining to investment activities. Coordination, promotion of investment ventures and delivery/facilitation of all necessary services and support fall under the jurisdiction of the Regional Investment Commission. Zonal and district investment committees are organs mainly responsible for the provision of land.

4.5 Land Lease Procedures at Federal and Regional Levels

4.5.1 Steps in the lease procedure

Step 1. Provision of information about agricultural investment land potential and other relevant issues. In order to get the service, the investor has to present his investment license, support from the company and ID card or passport.

Step 2. Facilitation of filing the land lease request format, endorsement of the request and provision of feasibility study format. For these, the investor has to

present i) ID card or passport ii) power of attorney if the investor is from foreign country that is authenticated by the Ministry of Foreign Affairs iii) memorandum and articles of association, if the company is incorporated iv) investment license v) company profile vi) support letter from respective Ethiopian Embassy for foreigners and the Diaspora vii) letter of intent to pay one year land lease down payment viii) Bank statement for at least a year showing a balance of 30% of the investment and audit report prepared by an external auditor ix) letter of intent to conduct and submit an environmental impact assessment study report x) Tax payers identification number xi) clearance for the current year income tax xii) resident and work permit for foreigners and xiii) confirmation letter for the suitability of the proposed land.

Step 3. Evaluation and approval of the business plan.The investor shall submit business plan prepared as per the issued standard format and incorporate feedback and submit final version of the business plan.

Step 4. Provision of draft lease agreement and geographic coordinate.Comment on the draft lease agreement , provide final confirmation letter on the suitability of the land upon visiting the area as per the coordinates given on the provision of site plan, sign lease agreement, receipt for down payment within 20 days after signing the agreement.

Step 5. Provision of ownership certificate (Site plan).Signing minutes of land handing over, paying the agreed upon land lease and starting the development activities.

4.5.2. Requirements for Additional Investment Land for Further Expansion

In order to get guidelines on procedures and requirements, evaluate requests and documents submitted the investor and provision of land for expansion of agricultural investment, the agency requires that the investor must submit written documents about the existing investment on project performance including existing land lease agreement, business plan of the existing project, accomplishment of

100% of development work and site plan of the project.It is also required that the site plan includes overview of the cultivated land, labour quarters and lounges for workers, storage for agrochemicals and seeds, incineration place for waste and the distance of the project from water bodies.

In addition, the investor must also submit any loan taken from Banks or any financial institutions to run the ongoing project, documents showing proportion of paid loan, receipt for paid land rent and other government payments book keeping and audit report lists of duty free imported machinery and their utilization. Regarding expansion, the investor is also required to submit a business plan for the expansion project.

4.5.3 Service Delivery Time

The estimated service delivery time for potential investors by institutions involved in the process is summarized in table 3. The estimated time is meant for guiding potential investors.

Table 3: Service Delivery Time for Investors

Type of Service	Delivery time (Hours)	Remark
Issuance of investment permit for new investment and expansion	4	All investors
Renewal of investment permit for new investment and expansion	1	All investors
Substitution of lost or damaged investment permit	1	All investors
Issuance of principal and summary trade registration	4	All investors
Issuance of Business license	4	All investors
Issuance of work permit	1	Foreign investors
Notarization of memorandum and Articles of Association	4	foreign Investors
Investment permit amendment	3	All investors
Registration of technology transfer agreement	2	Foreign Investors
Investment Permit Revocation	2	All investors
Issuance of domestic status certificate to foreign investors	1	Foreign investors

Source: Investing in Ethiopia: A guide for new investors

As indicated in the above table, the services are assumed to be provided within hours. However, the plan seems too ambitious and unrealistic. This fact is supported by a World Bank draft report (Doing Business in Ethiopia, 2015), in which some of the procedures also relevant to investors are estimated to take one or more days (Table4). Furthermore, investors who have passed through these processes also confirmed that, each of them took them triple time more than what is written in the guide books. Though situations have been in progress in recent years, much still remains to overcome bureaucratic hurdles.

Table 4: Doing Business in Ethiopia, 2015

Procedures	Time to Complete in Days
Reserving a unique company name	1
Authentication of the company documents and the lease agreement at the Documents Authentication and Registration Office (DARO)	2
Submit documents and obtain a letter from the Commercial Registry to open a bank account	1
Open a bank account	1
Register and obtain the Commercial registration certificate	1
Make a company seal	3
Register with Ethiopian Revenue and Customs Authority for income tax and VAT	2
Obtain a business license	1
Install a cash registration machine	3

Source: World Bank: Doing Business in Ethiopia, 2015

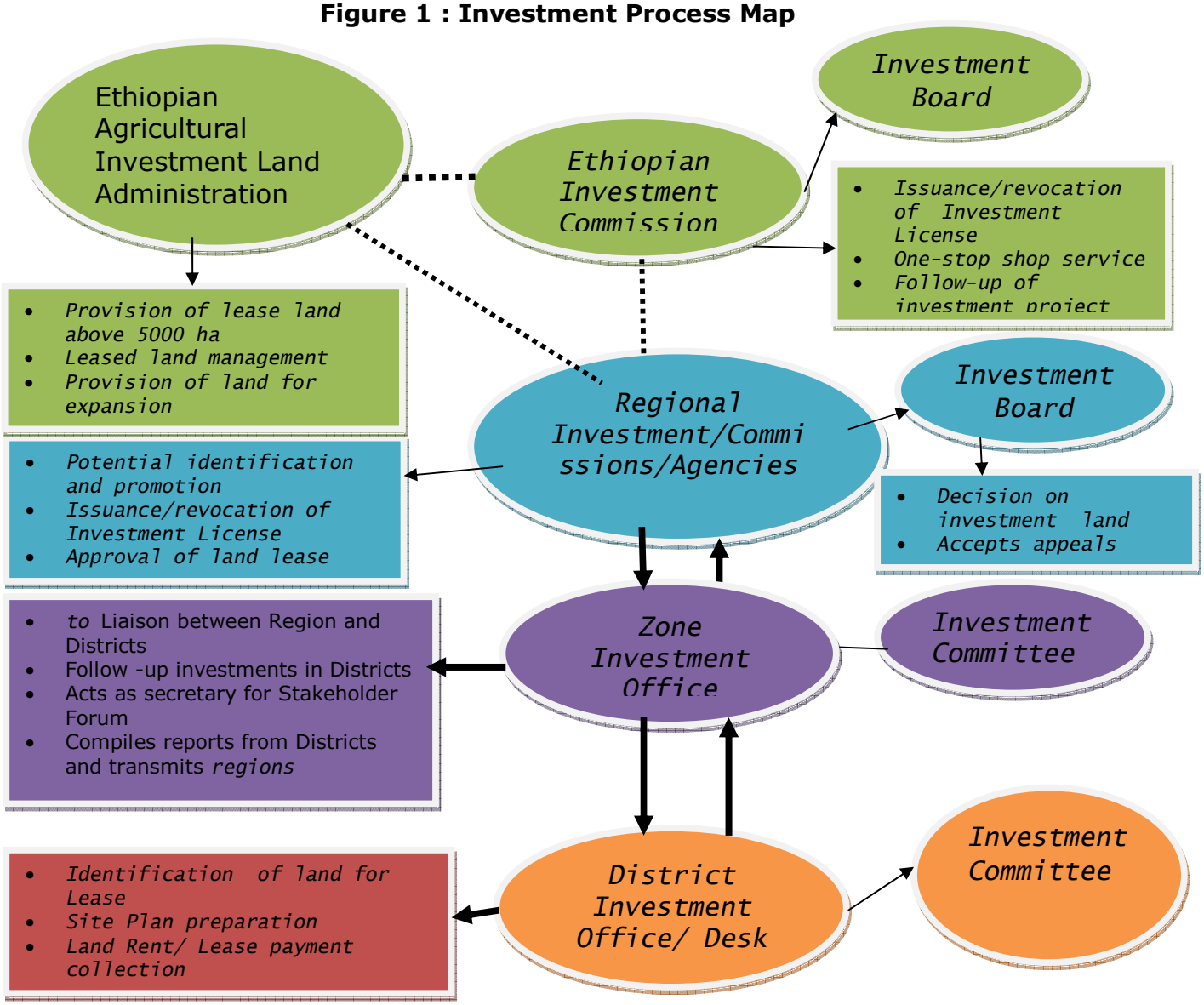
4.6 Agricultural Investment Licensing and Implementation Process

4.6.1 Investment Process Map

The investment licensing and process map is shown in figure 1. As depicted in this figure, the two important organs at the Federal Government level are the Ethiopian Investment Commission and the Ethiopian Agricultural Investment Land Administration Agency. At regional levels, the corresponding organs are Regional Investment Commissions or Agencies as the case varies in different regions. The structure extends through Zonal to Districtlevels as investment office or desks in certain cases. Almost throughout all levels,decision-making regarding investment issues are supported by established Boards at higher levels or committees at lower levels. Furthermore, a stakeholder forum that had been functional at the Federal Ministry of Agriculture earlier has recently been expanded to regional as well as zonal levels to support in the identification and addressing problems relating to

agricultural investment. Included in this forum, for instance, at zonal level are; Zonal Administrator (Chairperson), Investment Officer (Secretary), representative of private agricultural Investors (Deputy-chairperson), Bureau of Agriculture (Member), Branch of Revenues and Customs Authority (Member) and Bureau of Security (Member) etc.

Figure 1 : Investment Process Map



In figure 1, functions and relationships of the directly involved organs are indicated. Discussions made with these organs at the various levels in the studied area indicated that the licensing process is relatively smoother and faster at the higher

levels, i.e. Federal and Regional levels. However, the process gets much tougher and slower when it comes to District and Village levels. Complaints at these levels revolve around lack of clear delineation of investment land boundary, sluggish process of fulfilling license requirements and security issues in the course of project implementation. These constraints seem to be largely the result of low capacity due to lack of skills and facilities. Weakness in the monitoring and evaluation of the system also contributed in exacerbating this problem.

4.6.2 Process Steps in Land Lease for Commercial Farming

The following are the process steps, through which the investor has to go to obtain the land required for commercial farming.

i) Expression of interest for investment in commercial farming to Federal or Regional Investment Licensing body

ii) Obtaining the license by fulfilling all requirement needed such as business registration, business plan, initial deposits if foreign investor and etc.

iii) Visit to zone for identification of potential districts for the assessment of suitable land for commercial farming;

iv) Upon recommendation from the Zone, visit to Districtfor identification of potential land; where the investment in commercial farming is to be made

v) Assessment of the availability of land suitable for the production of intended crops with the assistance of District Agricultural and Investment offices and identification of sites;

vi) Submission of application to Districts after assessment and identification of potential land for commercial farming;

vii) Evaluation of the application and recommendation by the District Investment Committee of the identified land for commercial farming;

viii) Collection of recommendation letter from District for submission to Zone and getting further recommendation to the Region;

ix) Preparation of Business plan including environmental impact assessment study and submission of letter of request for land lease;

x). Evaluation of the recommendation letter by the Zone Investment Offices including the business plan and environmental impact assessment study and further recommendation to Region for further evaluation and approval by the Investment Board or referral to Federal Level if the size of land requested is above 5000 hectares.

xi) Consideration and approval of the recommendation by Boards at region or Federal level for leasing the land identified by the investor;

- Payment of land lease cost at District Land Management Office
- Signing of Lease agreement at Federal/ region level as the case may be

xii) Takeover land allocated at district level

As shown in the investment process map under 4.6.1 above, functions and relationships of the directly involved organs are indicated. Discussions made with these organs at the various levels in the studied area indicated that the licensing process is relatively smoother and faster at the higher levels, i.e. Federal and Regional levels. However, the process gets much tougher and slower when it comes to District and Village levels. Complaints at these levels revolve around lack of clear

delineation of investment land boundary, sluggish process of fulfilling license requirements and security issues in the course of the project implementation. These constraints seem to be largely the result of low capacity due to lack of skills and facilities. Weakness in the monitoring and evaluation of the system also contributed in exacerbating this problem.

V. MAJOR FINDINGS OF THE ASSESSMENT

5.1 Positive Policy Steps of the Government

Positive policy steps taken by the Government to support and promote the expansion of private investments in general include the formulation of legal framework for the ownership of private property (1994 Constitution & Investment Proclamation 769/2012), the development of registration & licensing procedures, the framing of land lease regulations & procedures, the establishment of bank loan provisions & requirements .

Moreover, the positive policy stems included the establishment of the necessary federal and regional government organs to handle investment projects such as the Ethiopian Investment Commission, Ethiopian Agricultural Investment Land Administration Agency, Ministry of Foreign Affairs (Diaspora Engagement Affairs Directorate), Regional Investment Agencies/Commissions and Development of specific mandates/tasks for each of the established bodies

5.2 Policy Downsides

Despite the above positive steps, the institutions mandated/tasked with, to effectively implement existing policies & strategies at various levels did not measure up to the expected level due to various internal and external factors such as lack of capacity jn terms of material and human resources and lack/low level of understanding of the policies and strategies**.**

The Government was also unable to design specific policies and strategies focusing on large scale private commercial farms engaged in the production of food and fiber crops.

5.3 Total Area Cultivated by Commercial Farms and Productivity

In 2010/11, the Central Statistical Agency undertook a survey of 2,289 medium- and large-scale farms in the country and assessed total area covered by major crops and the overall achieved harvest. Accordingly, country level total cropland under the major categories of crops (Grains, vegetables, root crops and other temporary crops) amounted to 466,781.4 hectares.

Grains covered the lion's share (97 %) of the total cultivated area while vegetables, root crop and other temporary crops all accounted only for 3 %. Total yield harvested from all crop categories in the surveyed year was 11, 824, 821 quintals. Grains, vegetables, root crops and other temporary crops contributed 79 %, 12 %, 8 % and 1 %, of the total harvest in the year, respectively (CSA, 2011). The overall productivity for grains, vegetables and root crops were low in general averaging 21, 192 and 225 quintals, respectively. These achievements were not much higher than what the small holder could harvest under the traditional cultural practices.

Region-wise, Oromia accounted for 41 % of the total area put under cereal crops of 181, 773 hectares in the country in 2010/11. Amhara, SNNPR, Tigray and Benishangul-Gumuz contributed 18 %, 16 %, 14 % and 10 %, respectively whereas Gambella, Afar and Somali together accounted for less than 1% of the total land covered by cereal crops (Table 5). Pulse crops were largely produced by farms in Oromia and SNNPR while Tigray, Amhara, Benishangul-Gumuz and SNNPR cultivated larger areas of oilseeds than the rest of the regions. Vegetables and root crops appeared to be cultivated more by Oromia and SNNPR than other regions. Cash crops such as coffee, tea, cotton and sugar cane are cropped more at Oromia, SNNPR and Afar. However, these data are about five years old and need to be taken just as indicative figures than reflecting the current situation on the ground in each region.

Table 5: Total land Area (ha) under Large and Medium Scale Commercial Farms in Regional States in Ethiopia (2010)

Crops Type	Regions							
	Afar	**Amhara**	**Benishan. Gumuz**	**Gambella**	**Oromia**	**Somali**	**SNNPR**	**Tigray**
Cereals	510.0	32,229.9	17,825.7	521.5	75,029.1	446.1	29,315.6	25,895.2
Pulses	-	1,190.9	2,348.5	156.1	4,774.5	57.1	4,457.3	61.0
Oilseeds	125.4	75,646.2	55,439.2	1,617.6	9,213.6	11.8	36,884.0	111,688.1
Vegetables	4.8	577.1	256.8	-	3,846.8	15.2	2,116.6	491.7
Root crops	37.8	370.2	252.2	-	2,253.9	45.2	988.3	471.1
Other crops	-	279.0	837.1	9.9	729.1	6.9	808.3	138.4
Cash crops	29,755.3	1,970.9	17.9	5,499.6	53,030.7	-	50,151.5	-
Total	30,433.3	112,264.2	76,977.4	7,804.7	148,877.7	582.3	124,721.6	138,745.5

Data Source: Compiled from CSA, 2011

According to EEA Annual Report (2015), the total area cultivated by commercial farmers in 2013/14 was 957,481 ha for the production of food/grain, permanent and vegetable crops. While food/grain and permanent crops together accounted for 99 % of the total cultivated land, vegetables only contributed to 1 % alone.

Agricultural farm lands managed by commercial farmers as % share of total agricultural farm lands grew by 4.9 % & 27.6 % for grain & permanent crops, respectively from 2010, the beginning of the GTP 1 Period to 2013/14 (the end of the GTP period).

The overall productivities of the grains, vegetables and root crops over the same period were; 2.1 ton/ha, 19.2 ton/ha, and 22.5 ton/ha, respectively.

These achievements were not much higher than what the small holder could harvest under the traditional cultural practices.Land productivity between the beginning and ending of GTP for commercial farms declined from 2.1 ton/ha to 1.9 ton/ha for food crops and from 23.1 ton/ha to 1.9 ton/ha for permanent crops. Over this same period land productivity for smallholder has improved by 14.7 %.

5.4 Regional Distribution of Large-scale Commercial Farms in Ethiopia

Ethiopia possesses a suitable climate and soil type with a diverse agro-ecology for the production of a variety of food and industrial crops. The major food crops produced are; cereals, pulses, and oilseeds. An extensive range of vegetables, fruits, root crops and cash crops are also grown. Forty five percent of the country's land mass is arable (EIC, 2015).

Over the last 24 years a total of 9780 domestic and 854 foreign agricultural investment projects have been licensed for commercial farming in the country. Their regional distribution is depicted in Tables 6 and 7 and Figure 2. The projects deal with the various components of agricultural business ventures such coffee production, bio-fuel, dairy, fattening, food processing, etc., apart from food and fiber production which is the concern of the current assessment.

Table 6: All licensed Domestic Agricultural Investment Projects by Region and Status, 22 July 1992-16 Jan. 2015

Region	Imple-mentation	Operation				Pre-Implem entation	Total No of Projects
	No of Projects	No of Projects	Capital in '000' Birr	Permanent Employment	Temporary Employment	No of Projects	
Addis Ababa	35	15	102,658	528	374	371	421
Afar	35	20	145,953	845	6,292	163	218
Amhara	58	345	848,102	7,163	94,218	2,081	2,484
B. Gumuz	118	127	887,246	6,458	24,254	442	687
Dire Dawa	12	6	16,198	123	0	220	238
Gambella	2	5	41,541	2,139	4,268	158	165
Harari	2	7	4,709	192	15	79	88
Oromia	86	251	1,392,376	8,491	15,704	2,841	3,178
SNNPR	175	223	1,435,179	13,669	24,160	565	963
Somali	13	16	206,729	623	300	123	152
Tigray	95	665	1,650,934	8,768	284,534	426	1,186
Grand Total	**631**	**1,680**	**6,731,625**	**48,999**	**454,119**	**7,469**	**9,780**

Source: Ethiopian Investment Commission, 2011

Table 7: All Licensed Foreign Agricultural Investment Projects by Region and Status, 17 February 1993- 09 March 2015

Region	Implementation	Operation				Pre-Implementation	Total No of Projects
	No of Projects	No of Projects	Capital in '000' Birr	Permanent Employment.	Temporary Employment.	No of Projects	
Addis Ababa	12	22	275,887	1,223	422	13	47
Afar	5	4	285,376	680	1,400	4	13
Amhara	23	16	491,305	11,847	10,025	25	64
B. Gumuz	11	6	124,904	233	924	15	32
Dire Dawa						4	4
Gambella	3	4	294,662	274	1,250	17	24
Harari	1					1	2
Multiregional	31	28	2,544,840	83,778	189,740	19	78
Oromia	104	163	5,736,984	22,523	39,505	210	477
SNNPR	17	26	1,334,845	1,817	14,626	35	78
Somali	4	1	15,000	2,000	2,000	12	17
Tigray	5	5	102,160	909	5,400	8	18
Grand Total	**216**	**275**	**11,205,963**	**125,284**	**265,292**	**363**	**854**

Source: Ethiopian Investment Commission, March 2015

Looking at tables 6 and 7, it could be seen that domestic and foreign commercial farms concentrated more in Oromia, Amhara, Tigray and SNNPR than other regions (Figure 2). These regions are relatively served with better infrastructure including road networking and a well-organized investment services than Gambella, Benishangul-Gumuz, Somalia, Harari, Dire Dawa and Afar, that might have been reasons for the more attraction of investors.

Figure 2. Comparison of investment project by region

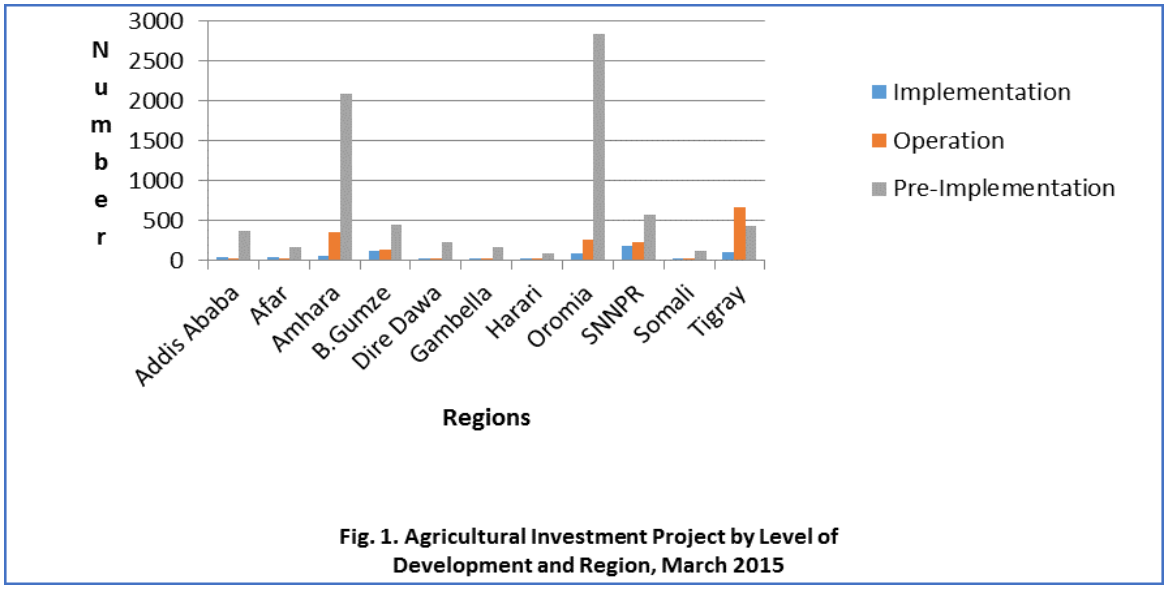


Fig. 1. Agricultural Investment Project by Level of Development and Region, March 2015

Figure 3. Trend in the number oflicensed projects by year

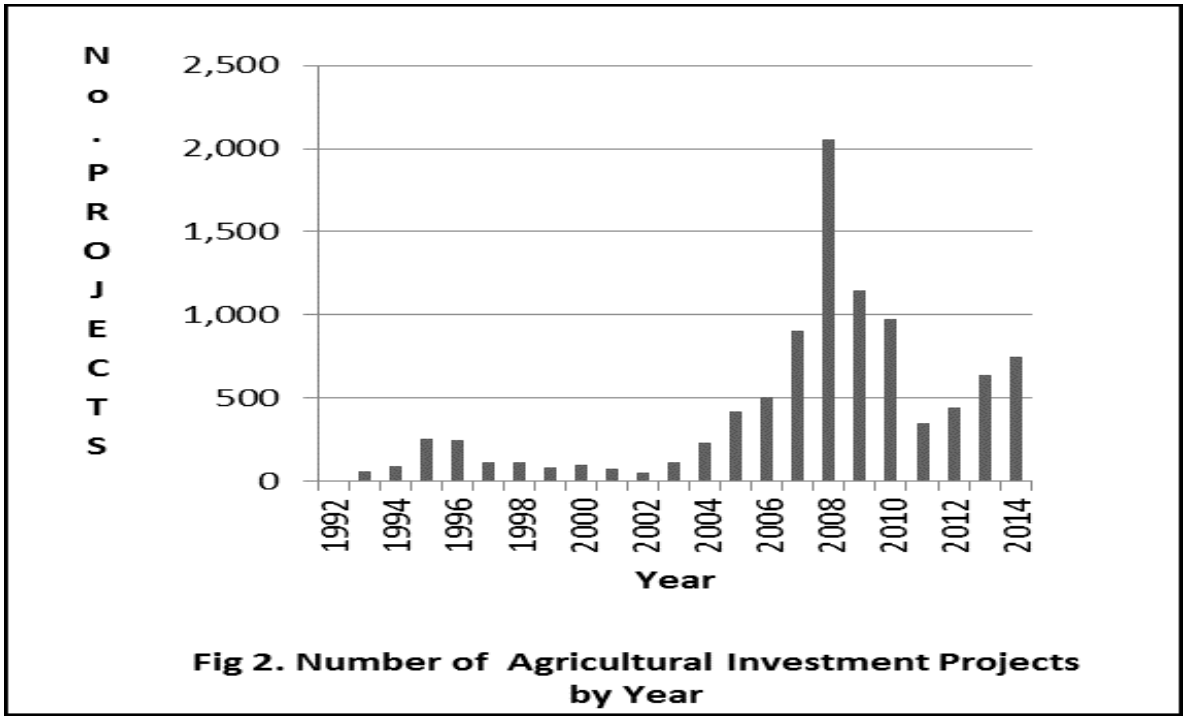


Fig 2. Number of Agricultural Investment Projects by Year

Investment in domestic large-scale farms in Ethiopia began in July 1992 (Figure 3) and grew by an average of 134 farms per year over the first four years until the

growth rate slowed down to 91 farms a year between 1997 and 2002. The growth rate then picked up between 2003 and 2010 scoring an average of 796 farms per year. From 2011 to 2015 the growth per year slightly slowed down to 438.

Foreign large-scale commercial farm investment in the country took off by a very slow rate of 3 farms a year between 1993 and 2002. Trends in the growth rate improved to 69 farms per year between 2003 and 2013 where it started decelerating to an average of 31 farms a year over the last two years.

Of the total licensed 9780 domestic all agricultural investment projects (EIC, 2015); only 17 percent were operational while 76 and 7 percent were at the stages of pre-implementation and implementation respectively. With respect to the corresponding foreign investment projects, which were 854 in number, 32 percent were made operational whereas 25 percent were at the status of implementing and 43 percent were in pre-implementation position by 2015. It was generally found out that the larger the size of leasehold, the greater the percentage of unutilized land. Foreign investors with greater than 10,000 hectare of land utilize not more than 1 percent of the total land leased (UNDP, 2013).

The fact that only a small proportion of the licensed farms were able to become functional under both domestic and foreign projects, does not give the country a pleasant performance picture in its agricultural venture. Many of the challenges that have contributed to such a poor performance largely stemmed from absence of a strong policy for the development of commercial farms and weaknesses in implementation of existing agricultural development policies in general.

5.5 Physical Characteristics, Profile and Performance of Sample Farms

5.5.1 Physical Characteristics

Topography, vegetation coverage, and types of soil of the studied farms are shown in Table 7. As observed by the consultant team and confirmed by the farms, most farmland fall under flat and undulating slope (About 82 %) regarding topography and more than 70 percent had vegetation cover consisting of different trees and

shrubs. Soil types of these assessed farms are largely clay-loam (76 %) and alluvial, nitosol and light vertisol comprise a minor portion (24 %).

Table 8:Physical Characteristics of Farms Covered in the rapid Assessment

Topography	Frequency	Valid Percent
Flat	29	52.7
Slightly slope	6	10.9
Undulating	16	29.1
Flat & Undulating	4	7.3
Total	55	100.0
Vegetation coverage of the area		
Yes	39	70.9
No	16	29.1
Total	55	100.0
Soil Type		
Clay-loam	42	76.4
Alluvial	6	10.9
Nitosol	5	9.1
Light vertisol	2	3.6
Total	55	100

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

In commercial farming, these physical characteristics of the land have implications for the management of the farms. The implications are in terms of the need for farm planning and crop rotation, determination of the type of crop and nutrient requirements, date of planting, type of machinery to be used, and the composition of skilled labor and experiences of farm managers/owners. The lack of knowledge of these implications results in poor decision making with respect to machinery and equipment selection. Such problems are observed, particularly, with foreign investors, where thousands of dollars have been spent in accessories, and millions of dollars in tractors and earth moving equipment that were not really necessaryas only a fraction of their potential is currently in use.

5.5.2 Profile and Behavior

The current survey work covered domestic (91 %) and foreign (9 %) of commercial farms operating in five regions of the country. The forms of business ownership fall under three categories, i.e. sole proprietorship (51 %), share company (47 %) and association (2 %) Table 9.

Table 9: Form of Business of Sample Farms

Form of Organization	Frequency	Valid Percent
Sole proprietorship	29	50.9
Share company	27	47.4
Association	1	1.8
Total	57	100.0

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

Nationalities of the foreign investors were Indians, Americans, English and Saudi Arabians (Tables 10). Though, nationalities of foreigners involved in the rapidly assessed areas are as indicated in this table evidence shows that other nationalities such as Turkeys, Brazilians and Israelis also participated in the agricultural investment sector in the country.

Table 10: Nationality of the owners (investors)

Country of origin	Frequency	Valid Percent
Ethiopian	52	91.2
UK	1	1.8
Saudi Arabian	1	1.8
Indian	2	3.5
American	1	1.8
Total	57	100.0

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

With respect to performance, investors in this assessment were observed to be at three distinct stages of business characteristics and profiles. The first group includes those farms that are relatively well-organized in terms of; preparation and execution of annual business plans, adequacy of farm machineries, development of farm infrastructures and recruitment of staff with relevant education and agricultural experience. At the time of the team's visit farmlands belonging to this

group of investors were by and large plowed and ready for planting only awaiting rains to fall.

The second group of investors comprises those who made little or no fixed investment expenditure on the leased land. As discussions with Bureau of Agriculture Land Administration personnel in Benishangul-Gumuz indicates, most of these are absentee investors focusing mainly on maximizing short-term profit through either adopting" low input" and "low output" farming system and/or renting their lease land to migratory laborers. While they generate income from renting the land, the investors engage themselves in other non-agricultural businesses usually in Addis Ababa or big regional town centers using the Bank loan money borrowed for the agricultural investment. The land lease agreement prohibits the renting of investment land to a third party and requires the submission of action plan to the investment office. Such right could only be exercised after developing 75 percent of the total leased land and upon submitting a permission request and getting a written approval from the concerned authority. Had there been a strong monitoring and evaluation work and provision of the necessary support services on the part of the local government, this group of investors could have been made more productive and useful similar to those in the first group of investors

The third group of investors consists of those who were in the course of completing the lease process. This group spends most of the time in hotels painfully waiting for the completion of the lease process. The team met investors belonging to this group who reported of staying in a hotel in Gambella for more than three months. They spend time running between regional and district investment offices and regional Bank at Jimma town to make ends meet in the processing of the lease procedures. Understaffing, lack of appropriate filing of project documents and absence of a proper transferring mechanism of documents between assigned personnel upon the transfer of staff are some of the complaints made by investors met by the team at Gambella.

A large number of investors lack an appropriate education and experience for modern commercial farms and adopt a traditional farming with an undesirable consequence of low productivity. They fail to understand the necessity for modern farm implements, inputs such as improved seeds, chemical fertilizers and herbicides/pesticides for enhancing crop productivity and usually harvest low yields for their crops.

A further common phenomena of the investment ventures is the destruction of natural habitat and ecology of the investment lands. The extent of deforestation and loss of biodiversity in most areas of the commercial farm operation is striking. Although provisions for the protection of the natural environment and appropriate land use plan were clearly indicated in the land lease agreement, investors and illegal farmers (Usually migratory laborers from highland regions) take advantage of the weak land administration situation to make huge irreversible losses of flora and fauna biodiversity resource damages. These losses have economic and social implications on the local communities as well as the nation.

Survey results by Shete (2011) in Benishangul-Gumuz and Desalegn (2011) in Gambella and Oromia, for instance, indicate that commercial farm investments have disrupted the traditional livelihood strategies of the local people. Farmers in these regions practice shifting cultivation to enrich soil fertility. They burn the farm lands to remove grass and plant seeds with hand tool-aided zero tillage activities. The most important components of their food system are wild foods and forest honey collected from bee keeping and hunting of animals. The burning, clearing and cutting of trees associated with agricultural investments have adversely affected these livelihoods. Moreover, land deals have accelerated the loss of wildlife resources, biodiversity and forest reserves. Investors need to be guided and supported by all necessary rules and regulations to keep the safety of the environment in the course of implementing their agricultural investment activities.

5.5.3 Performance

Means for leased and developed lands for the production of food and fiber crops are

shown in Table 11. As it is evident from this table about 1718 ha was leased out on average. Performance on average was, however, only 561 (33 %) hectares. Major reasons for this low performance are shown in Table 11.Among the assessed farms 77 percent reported lack of machinery, skilled and casual labor, shortage of capital and credit and unsuitability of leased land to be the major reasons for the low performance.

Table 11: Extent of Leased and Developed Lands (ha)

	N	Minimum	Maximum	Mean
land leased initially (hectare)	55	40.00	50000.00	1718.4
Land developed (in hectare)	55	10.00	6000.00	561.3

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

Currently crops produced by investors at the time of the rapid assessment are depicted in Table 12. About 67 percent of the investors produce more than one type of crop as can clearly be seen from this table.

Table 12: Crops Produced by Visited Farms in the Rapid Assessment

Crops	Frequency	Valid Percent
Wheat	12	21.8
Maize	1	1.8
Haricot bean	2	3.6
Sesame	1	1.8
Cotton	2	3.6
Mixed (Cereals, Pulses and Oil Seeds)	37	67.4
Total	55	100.0

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

Disputes with farmers in the area and failure to entirely transfer the investment land, though of low incidence, have also accounted for around 11 and 6 percent of the problems (Table 13). This again reflects on the prevalence of the policy weakness for the support of the development of the commercial farms.

Table 13: Farms by Factors for Low Performance in Land Development

Factors	Frequency	Valid Percent
Lack of machinery, lack of skill and casual labor, shortage of capital &lack of credit	18	38.3
Rocky and gully Land	18	38.3
The land was taken by farmers	1	2.1
It is on the process of land clearing	1	2.1
Total land size was not transferred to investor	3	6.4
There is conflict with the farmers on the land	5	10.6
Flood	1	2.1
Total	47	99.9

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

5.5.4 Management of the Surveyed Commercial Farms

Commercial farming is a large-scale farming geared towards producing a specific commodity, in this case annual food and fiber crops such as; wheat, maize, soybeans, cotton and etc. The ultimate goal is to achieve the highest possible production level using modern technology and knowhow at the lowest possible cost. This implies the need for refined organizational structure and placement of qualified management equipped with the necessary skill and experience. With the exception of a few farms, this has not been the case in the situation of the assessed farms in this study.

As discussed under section 5.2.3 Some of the commercial farms were managed by owners and/or employed managers without adequate skill and experience in the management and appropriate farm planning and had, hence, poor performance and output. Farms operating their business by remote control via telephones living at a distant places such as Addis Ababa, Adama, etc. were encountered (E.g. Osman Abdulahi farm representative). Commercial farms in Oromia like; Walda Shafila, Walda Dambel Anole, Maro Abrudahiman, Osman Abdulahi and Hamza Tahir do not

only luck trained managers/staff but also operate without office and farm other structures. They have tractor operators, farm controller and guard alone.

Moreover, some of the commercial farms surveyed do not use the recommended amount of agricultural inputs (Improved seeds, fertilizers and chemicals) per hectare due to absence of professional staff at the farm site. Best examples of such farms are Osman Abdulahi, Hamza Tahir and Maro Abdurahiman, all of them in Oromia region.Similar trends with foreign investors farming in this country with a weak management team that lacks experience of operating commercial farms have also been observed. The negative consequences of weak and inexperienced management team have been reflected in the selection of inappropriate farm machineries for the soil types on the farms prevalent in some of the areas of the studied commercial farms.

5.6 Internal Weaknesses and Positive Aspects of Commercial Farms Visited

5.6.1 Internal weakness

Internally, the visited commercial farms lack: strong organizational structure and hence, long term vision, the required infrastructure such as office, storage facilities, machinery and equipment, and also do not have operational plan and budget, data management system, skilled manpower and the like. Some promoters of the farms also lack proper code of conduct.

5.6.2 Positive Aspects

Despite their institutional weaknesses in general, there are, however, some genuine Commercial farms which solely supply their product to the local market and help to stabilize market price. They also create job opportunities and pay tax to the government. There has also been positive linkages with the smallholder farmers resulting in technology transfer. In particular, the contribution of those engaged in improved and hybrid seeds production can be underlined. There are also some commercial farms whose social

contribution in terms of building schools, clinics, roads and other social activities are significant.

5.7 Challenges Faced by Large Scale Commercial Farms in the Studied Areas

5.7.1 Absence of National Policy and Strategy Specific to Large Scale Commercial Farming

Though large scale commercial farms are recognized as playing a vital role, the rural and agricultural development policies and strategies including support intuitions are in favor of the small holder agriculture, while commercial farming is viewed as complementary. Hence, the policies and strategies specific for the development of large scale commercial farming are not clearly specified. Both the legal framework and incentive system are for investments in general under which large scale commercial farming is also governed. Most of the root causes for the challenges confronting commercial farms are primarily associated with the absence of such policy and strategy. Government service providers are expected to render the necessary support from the general investment directives in the absence of a clear policy specifically targeting commercial farms.

5.7.2 Policy and Strategy Implementation Related Issues

5.7.2.1. Clarity of Policies and Strategies Implementation

Agriculture makes the basis for the economic development of Ethiopia. This has been attested by the plain fact that it accounted for about 43 percent of the gross domestic product (GDP), 90 percent of foreign currency earnings and 85 percent of employment in 2012/13 (EIC, 2015). The strategic land use plan envisioned by the government in the country has been to focus on high value crops such as horticulture and floriculture that require a small unit of area per commodity in highland areas where land availability is limiting. Emphasis would be put on the expansion of commercial farms, however, for the production of food crops for food security, and provision of raw material for domestic industries and commodities for

export market in the lowlands where extensive land availability and labor shortage prevail.

As spelled out under section III above, investment policy and strategy, procedures, institutions involved and their respective mandate have been clearly stipulated for agricultural investment business. Nevertheless, these policies and strategies not only tangentially address issues of commercial farms and how much of these have been communicated, well understood and properly implemented by the lower organs of the Investment Commission in the country remains a controversial issue. According to Shete (2011), land transfer to investors differ prior to and after 2009. Before this period an investor would submit business plan to the regional investment office for the verification of the feasibility of the project. The investor would then negotiate with community elders and representatives to ensure that interests and livelihoods of the local communities are safeguarded. The regional investment office would oversee the process and outcome of this negotiation.

After 2009, nonetheless, the Federal Ministry of Agriculture and Rural Development prepared lease contract prove for ownership and map of transferred land and arrange the signing of the contractual agreement. At present, all investment lands above 5000 hectares in the regions are put under the national land Bank and administered by the Federal Government and those below this figure are handled by the Regional States.

There are challenges emerging from this kind of two different administrative arrangements. Primarily, overlapping of allotting the same land to different investors has been reported from regions and Development Bank of Ethiopia. According to the latter, the problem of overlapping in land allocation primarily occurred in Gambella and Benishangul-Gumuz Regional States and investigation was underway to identify the exact number of the overlapping farms at the time of this study. Secondly, failure of insufficient community consultation in the case of transferring those lands reported to the national land data Bank leading to the

occurrence of problems now and then with negative consequences to the relationship between the investors and local communities.

5.7.2.2. Inadequacy of the Incentive System

The government of Ethiopia has promulgated investment incentives in Proclamation No. 769/2012 and Regulation No. 270/2012 in order to make provision for encouraging domestic and foreign investment. Proclamation No. 769/2012 allows ownership of immovable property, remittance of funds and gives investment guarantees and protection for foreign investors. Regulation No. 270/2012, however, determines the type and entitlement to incentives.

In this Proclamation, it has been stated that notwithstanding the provision from article 390-393 of the national Civil Code, a foreign investor or a foreign national treated as domestic investor shall have the right to own a dwelling house and other immovable property necessary for the investment. The Proclamation also leaves room to include those investors devoted an investment prior to its issuance. In rendering investment protection and guarantee, it has been specified that no investment may be expropriated or nationalized except for public interest. Under the latter case, adequate compensation, corresponding to the prevailing market value shall be paid in advance.

Provisions made for remittance of funds for foreign investors include;

- Profits and dividends accruing from the investment
- Principal and interest payments on external loans
- Payments associated with a technology transfer agreement registered in accordance with article 21 of Proclamation No. 769/2012
- Payments related to a collaboration registered in accordance with Article 22 of Proclamation No. 769/2012
- Proceeds from the transfer of share or partial ownership of the enterprise to a domestic investor
- Proceeds from the sale or liquidation of the enterprise, and

- Compensation paid to an investor pursuant to Article 25 (2) of Proclamation No. 769/2012

Based on these provisions, any foreign investor shall have the right, in respect of his approved investment, to make remittance out of Ethiopia in convertible foreign currency at the prevailing rate of exchange on the date of remittance.

Irrespective of the presence of such seemingly attractive incentive mechanisms especially for foreign investors, the performance of many commercial farms had generally been poor. Cases of farms already liquidated, before paying loans due from them can be cited. The in depth analysis of this controversial issue holds both the government and the investors responsible. It fully rests on the shoulder of the government to ensure an efficient implantation of the existing incentive mechanism and develop and apply more attractive mechanisms to make the investment environment conducive. At the same time, it is up to the investors to make full use of the incentive provisions to their advantages on the one hand and make a unified maximum effort twisting the harms of the government to get more and new incentives approved.

Regulation No. 270/2012, proposes agricultural investment incentives based on location of projects and type of investment business. Growing of annual crops such as cereals, legumes, oilseeds and fiber crops in Addis Ababa and Special Zone of Oromia surrounding Addis Ababa(Table 12) does not make an investment venture eligible for an income tax exemption. Nevertheless, cropping of vegetables and/or herbs, certified seed and other annual crops (animal feed, medicinal crops, aromatic, spices) at the same locations allows freedom from income tax payment for 3, 3, and 2 years, respectively. Producing all annual crops in other areas of Ethiopia than Addis Ababa and Oromia Special Zone, permits exemption from income tax payment varying from 3 to 5 years. Table 14 shows the existing agricultural incentive mechanism under implementation.

Table 14: Provision of Income Tax Exemption in Different Locations

Investment area	Addis Ababa and Finfine Special Zone	In other areas
Agriculture		
Annual Crop Production		
1. Growing of cereals, legumes crops, and/or oil seeds and rice	Exemption from income tax for three years	Exemption from income tax for three years
2. Growing of vegetables and/or herbs	Exemption from income tax for three years	Exemption from income tax for four years
3. Growing of fiber crops	Not eligible for income tax exemption	Exemption from income tax for five years
4. Growing of other annual crops such as animal feed, medical crops, aromatic, species and similar crops	Exemption from income tax for two years	Exemption from income tax for three years
5. Production of certified seed	Exemption from income tax for three years	Exemption from income tax for Four years

Source: Council of Ministers Regulation No. 270/2012

The logic for the delineation of production locations in such a broad categorization lacks clarity and fairness. Treating business investments in districts of Gambella or Benishangul-Gumuz with those in the central highlands out of Oromia Special Zone, for instance, could not be rational, without feasibility study which shows profitability differences and risks involved. There are big variations; in physical location from the central governance, availability and quality of public services (Hospitals, clinics, schools, power supply and communication facilities, etc.), infrastructure development, access to production inputs, market outlet and risks faced. The argument of lack of fairness should, therefore, be evaluated against these major differences in the production environments through feasibility studies and risk assessment. Areas that fall under places outside of Oromia Special Districts around Addis Ababa need to be further stratified for the development of new various incentives.

5.7.3 Inefficiency of Investment Services and Weak M&E System

Review of the efficiency process and procedure of investment in the country shows that it takes on average a year for an investor to complete the steps from the

expression of interest and application to receiving leased land (UNDP, 2013). This delay is a common occurrence regardless of the provision made by the government to distribute land to investors within two months of registration. The government's intention is to render efficient and smooth services at all levels of the investment processes. However, observation and discussions of the team with investors in the pre-investment stage indicates that there is lack of coherence and integrity between the different service providers, under capacity of the personnel involved and the bureaucratic hurdles which prevent them from receiving efficient services.

Interviewed investors indicated that they will have to provide transportation services and other additional benefits or side payments to get their investment requests processed at some of the regional investment offices.

As detailed elsewhere under the profile of investors in this report, performance of commercial agricultural business in the country were in varying levels. While a few were making relatively encouraging efforts as per initial agreed upon business plans, others still will have to struggle to get round the various bureaucratic hurdles preventing them from starting the execution of the investment projects. Conditions for losing the right of using leased land has clearly been stated in the land lease agreement format. Investors failing to start developing leased land in six months, do not develop one-third of the land in the first year and do not complete the development of the whole leased land in three years are legally liable to lose the investment right.

The prevalence of investors failing to start up the implementation of investment projects above and beyond the specified allowable time span should attract the attention of the concerned authorities to re-assess the contract situation. Measures are required by government offices to understand factors responsible for the delay both on the side of the government and investors in order to make the necessary corrective steps. Examination of the Ethiopian Investment Commission (EIC, 2015) data, for instance, indicates that there were 34, 54, 110 and 125 domestic investment projects in Oromia, SNNPR, Benishangul-Gumuz and Gambella,

respectively licensed between 1996 and 2012 that were not made operational in 2015. Apparently there have certainly been a complete failure of the monitoring and evaluation of the system at national, regional, zonal and district levels. Regional investment offices are generally not strong as a result of; new establishment, inadequate facilities, understaffing, high staff turnover, inadequate capacity building and a chronic lack of transportation facilities.

5.7.4 Weak Policy Support and Protection for Investors

Essential prerequisites for domestic and foreign investment to flourish in a country are political stability and the level of protection offered by law for investment projects. Political stability in Ethiopia has been, one among the several reasons, for the recent growth in the attraction of numerous foreign investors to the country. Though this should remain an advantageous opportune the country has to continue enjoying, parallel improvements in ensuring the safety and protection of investment projects is critically important. Investors spend their capital and human resources in the anticipation of the existence of a well-protected working environment. Starting from the point of putting seeds into the soil up until crop harvesting and threshing, agricultural practices are exposed to various natural- and man-made challenges that require attentive follow up both on the parts of the producer and government.

Commercial farms covered by this rapid assessed survey were found to face several problems. Quite a significant number were challenged by various unpredictable man-made threats evolving from an individual, a group of individuals or communities residing around project farms. Thefts, burning of products, crop damage by domestic animals, bickering and fighting guards, fighting over land ownership, delineation of boundaries, unlawful snatching of investment land by local administrations for numerous purposes are the most frequently occurring challenges faced. In this regard, those investors who took the former commercial farms belonging to the State Farms in some Regional States were the once that suffered and were exposed to most of these problems. The best example of such farms are those located in Bale Zone of Oromia region (Gololcha and Ginir

Districts), taken over by investors from the previous state farms. In these areas, there are push factors from the surrounding farmers in the form of ownership right, border conflict, narrowing the road by ploughing, letting cattle to eat crops of the commercial farms, setting fire in the name of farm land preparation, etc.). The cause of the problem is grievance rooted in the initial development of the state farms, where grazing or farm lands of the community were taken over by the government in the name of socialism. Though part of the land under state farms have been redistributed to farmers, the regional government has once taken the side of the farmers and fulfilled their demands by slashing away part of the land leased to investors from time to time. As population grows and number of households increase and the land gets fragmented, the surrounding community pressures the regional government for more land and hence the problem perpetuates. Of Course, Other commercial farms were not free from these challenges as well.

Arbitration or court processes at district and zonal levels over disputes arising from such extortions are usually cumbersome, time consuming and frustrating. It should have been the major duty of government offices responsible for handling investment issues to safeguard the smooth running of projects via providing the necessary protection against such problems. But, reports from 46 % of the respondents in this study indicated that conflict with the surrounding community due to lack of protection from the nearest responsible government bodies is the primary source of insecurity for many investors (Table 21).

Investment offices and/or committees at the lower organs of the government, in many locations of commercial farm operations, do not perform at their best level in this regard. This probably has been due either to failure to understand the disastrous negative implications their irresponsibility would have on the achievement of government's agricultural development policy and strategy or because of deliberate negligence to open up new channels to serve the egos of corrupted individuals and/or officials serving in the investment offices.

5.7.5 Inadequate Community Awareness Creation Effort

Challenges arising from communities residing around commercial farms have different causes. Firstly, there is lack of sufficient effort made on the awareness creation of people on the need and importance of commercial farms to the economy of the country in general and the people surrounding them **prior to** Investment Land Distribution. The misconception of people in the commercial farm areas that they are not useful and their presence around only serves to grab the community's land develops largely from lack of this awareness. The farms are potential sources of employment opportunities and income generations for the community when exploited properly. Creation of job opportunities for the jobless should not be measured from the income generation point of view alone but, it also assists in reducing social anarchy fueled by poverty. Poverty is the result of absence of sustained means of income. Commercial farms also serve as a demonstration for the operation of modern agricultural practices and technology transfer. As much as communities benefit from the farms, they could also be a basis for social chaos when their relations with communities become rough.

Prior to the transfer of any land for investment purpose, issues that may be a cause for the creation of disturbance between the investors and the community need to be resolved. This is the task of relevant regional, zonal, district and village authorities. Problems of disputes; over boundaries, unlawful settlements in investment project lands and the like are usually outcomes of failure of these authorities to do their home works ahead of land distribution to investors. It is important that a community awareness creation plan and program be put in place continuously for cultivating a healthy relationship at the farm environment. This program should also target those working in the lower administrative government organs.

On the other hand, the behavior of some investors could also trigger hatred among the communities. This could be things like giving promises that may not be met. In fact, it has almost become the rule of the day in some of the places to expect the

investors to make some extra investments into something meant to the community's collective use. Before investors are expected to do so, the working environments have to be made safe for undertaking their businesses and make profit. In principle, investors are out there to make business and not to make charity. If business is done according to plan without hassle it would then be natural to expect some humanly welfare assistance to the benefit of the community from investors which are not obligatory at all.

5.8 Problems of Access to Land and Farm Development

Table 15 summarizes factors related to problems affecting access to land and farm development as reflected by visited farms during the rapid assessment.

Table 15: Problems of access to land and farm development

	Number	Yes (%)	No (%)	Total (%)
Poor Road	55	54.5	45.5	100
Lack of Bridge	55	41.8	58.2	100
Lack of water SUPPLY	55	70.9	29.1	100
Power supply	55	78.2	21.8	100
Prevalence of malaria	55	60.0	40.0	100
Lack of knowledge of land profile	55	56.4	43.6	100

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

5.8.1 Road Connection and Bridges

The road connection network in the country has been tremendously improving over the recent years. As a result, the majority of commercial farms visited were not far from all-weather roads. Some had difficulty in connecting themselves to the nearest all-weather road and networking within their farms. This has proved to be a more

limiting challenge than a connection to zonal or district towns. This has been demonstrated by the fact that the coverage of asphalt road reduces the further the distance from the capital city of the country (Addis Ababa).

Table 16: Roads Leading from District to Farm Center

Type of Road	Frequency	Valid Percent
Dry weather (earthen)	24	43.6
Gravel	19	34.5
Asphalt	5	9.1
Gravel and dry weather road	6	10.9
Asphalt & dry weather road	1	1.8
Total	55	100.0

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

All regional towns are connected to Addis Ababa by asphalt road while only 80 percent of regional towns are connected to zonal towns, 36 percent of zonal towns are connected to district towns and 9 percent of district towns are connect to the farm centers by asphalt roads. Earthen (44 %) and gravel (35 %) dry weather roads become the major means of connection for commercial farms surveyed in the current study work (Table 16). Of the covered 57 commercial farms in the study area about 55 and 42 percent, respectively, reported facing a challenge in accessing their farms due to poor road connection and lack of bridges (Table 15).

For instance, S and P Solutions PLC, which has leased 50,000 hectares for developing biofuel and other crops such as maize, sesame, soybeans and cotton, in Benishangul-Gumuz and located at 80 km from the District Town (Dangur) suffers from poor road connection and lack of bridges, as the result of which its activities are limited during the rainy season. Similarly, Yilma Amenu Agriculture Development PLC and Gebre Michael Farm owned by a private individual leased 137 and 515 Hectares for growing soybeans, sesame, sorghum and maize in Bambassi District, same region, are located at 72 and 80 km away, respectively, from the district town. These farms also suffer from poor roads and lack of bridges during

the rainy season. Most of the sample farms visited in SNNPR are also located at more than 50km distance from District towns and suffer from poor roads and lack of bridges.

Generally, target set for the road sector in the GTP in the country has been to reduce the average time to reach the nearest all-weather road from its current 3.7 hours to 1.2 hours by the end of the plan period. More over provisions were also made to reduce areas that are located further than 5 km from all-weather roads to 29 percent by the end of the plan period from its present 64 percent. All districts in the country were planned to be connected to nearby all-weather roads by the end of the plan period (GTP II).

The Government of Ethiopia has formulated the following implementation strategy to put its above targets into effect:

i) Splitting of regulatory and operation departments as independent institutions,

ii) Improving institutional set up of regional road agencies and district road bureaus, train human power in road agencies and district road bureau,

iii) Strengthening integrated road network planning and improve the effectiveness of road maintenance,

iv) Capacitating the Road Fund Office and building the capacity of local contractors,

v) Introducing and expanding intermediate equipment technology in road construction, improve equipment maintenance services and use alternative road project facilities

vi) Utilizing labor-based technology

vii) Improving enforcement of axle-load regulation,

viii) Improving environmental management system and mainstreaming HIV/AIDS activities with road projects

Irrespective of the existence of the above promising and attractive national plans and implementation strategies, investors by and large are discouraged by the low rate of infrastructure development in their farm operation areas. About 55 percent of investors in this study identified ease of road connection as a constraining factor to their farm sites (Table 13). The problem becomes critical especially during the rainy seasons and requires a solution.

5.8.2 Water Supply

A sustained supply of water system is one of the essential factors for smooth operation of farms. Water is important for consumption, sanitary functions and irrigation activities. Seventy one percent of the assessed commercial farms identified lack of water supply as a major constraint to the development of their business (Table 13). An overwhelming majority of the interviewed farms do not use irrigation (73 %) for same purpose and rely on annual rainfall similar to the smallholder farmers in the country. Sole dependence on rainfall for a commercial farm entails not only quite a number of risks that could hamper the operation of a stable agricultural farming but also obvious low land productivity per year. The land lease agreement format gives the investors the right to construct dams and develop irrigation canals and systems with their expenses after getting permission from the concerned authorities. It is doubtful that most of the investors would be in a position to achieve such huge and capital-intensive goals without getting support from the government given their current precarious operating environments for making sound profit from their business ventures.

Due to lack of potable water, farms depend on rivers for drinking and sanitary purposes. As indicated in Table 13, about 71 percent of the visited farms reported that they face the problem of lack of water supply. An insignificant number of them have dug boreholes within the compound of their residence while others transport

water from nearby rivers using tractor-trailed tanks. Depending on water from rivers directly for human consumption is unhygienic and could be a source of health threat. Some of these farms have expressed the necessity and importance of developing an irrigation facility for a more enhanced and reliable crop production and described future plans and preparations underway towards achieving this goal. Bringing these future plans to bear fruits may not be achievable without some kind of support and facilitation from the government.

5.8.3 Power Supply

Invariably all visited farms that were able to get power rely on diesel generators while the vast majorities do their business without any power supply. About 78 percent of these farms indicated lack of access to power supply constrained their farm operations (Table 13).

Within the GTP period Ethiopia has the vision of going beyond becoming self-sufficient in power supply and exporting the surplus energy to neighboring countries. Within a similar period, the country envisions to increase its current power supply from 2000 MW to 8-10, 000 MW. In fact further concrete plans set forth for the GTP period have been increasing the existing 41 % electric coverage of the nation to 75 % and doubling the number of customers having access to electric power from its current level of 2,000,000 to 4,000,000 (MoFED, 2010). In spite of this massive national effort, benefits accruing from this work have not yet trickled down to the remote corners of the country where most commercial farms operate. The farms still heavily depend on diesel generators or carry out their businesses without any power sources.

5.8.4 Disease Hazard

In view of their geographical locations in the lowlands of the country where human and livestock diseases are intensively and commonly rampant, it would be natural to expect the existence of disease challenges. Among the several multiplicities of such challenges malaria for humans and trypanosomiasis (Tryps.) for animals would be the most commonly prevalent. Accordingly, 60 percent of the visited farms

(Table 15) noted malaria as an important human health threat for the development of business venture. Moreover, the study team observed a high concentration of donkeys in nearly all farm sites, particularly in western part of Ethiopia, as a preferred beast of draft for a better tolerance to Tryps than oxen as a mitigation strategy by the communities.

5.8.5 Knowledge of Land Profile

A full knowledge of the weather condition, soil type and general land profile of an area is crucially important for any successful agricultural endeavor priority to committing a capital investment. In this regard, little effort had been made to undertake a land suitability study in many of the commercial farms operating in the country before distributing them to investors.

More than half of the visited farms (56 %) pointed out that lack of knowledge of the land profile of their farm affected their agricultural operations with adverse consequences (Table 15). In fact, a few reported a total loss of production of certain crops in certain years either due to failure to perform or as a result of disease attack and devastation. A further 15 percent highlighted the study team that a greater portion of the allotted farmland was unsuitable for the production of the major target commodities of their projects. They were, thus, undeservedly engaged in a continuous dialogue of land replacement requests that were not to come to an end. Most investors, however, seem to be pleased with the suitability of the land for their projects though lack of knowledge of the profile still remains important.

5.9 Communication Facilities

Problems commercial farms face, as respondent indicated in the rapid survey with respect to communication facilities are summarized in Table 17.

Table 17: Availability of Means of Communication

Facilities	Number	Yes (%)	No (%)	Total %
Telephone	55	25.5	74.5	100
Internet Facilities	55	3.6	96.4	100
Postal Services	55	12.7	87.3	100

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

The majority of commercial farms covered under this survey work were disconnected from any form of modern communication services. About 75, 96 and 87 percent described they were without telephone, internet and postal service, respectively (Table 15). In the current highly globalized world and given their remote and isolated environments, it would not be difficult to contemplate how challenging could be operating business ventures without these facilities.

5.10 Weak Technical Support from Research and Extension

It is well recognized that agricultural research and extension institutions are critical in the implementation of agricultural policies and strategies at both federal and regional levels. To this end, Government has invested heavily in the development of the National Agricultural Research System (NARS), including the Ethiopian Institute for Agricultural Research (EIAR), Regional Agricultural Research Institutes (RARIs) and affiliates of the CGIAR. New research centers have been established for previously uncovered agro-ecologies, particularly in lowland, pastoral and agro-pastoral areas. In addition, efforts have been exerted to boost capacity for agricultural research and partnerships have been developed among research, universities and colleges in the different regions and agro-ecological zones. However, the link between large scale commercial farms and these institutions remains weak. There is no forum in which these institutions can share experiences in new technologies and get feedback on research outputs.

Commercial farms can benefit from the findings of agricultural researches done at national and regional levels on annual and perennial crops and also provide feedback for further research. Nevertheless, slightly more than half of the surveyed commercial farms operating in the study areas maintained linkage with research mainly for seed supply and consultation on crop diseases and pests alone.

However, nearly all research centers in Ethiopia have limited capacity in the multiplication and supply of improved seeds. Thus, obtaining bulk crop seeds adequate enough to attract a constant visit from commercial farms is certainly a remote possibility. Whenever available, research center could provide small quantities of startup seeds for customers who would be expected to multiply them to gradually satisfy their needs. But this could not work for hybrid seeds that have to be bought every year.

The agricultural extension system is a major element of the agricultural and rural development strategy for the dissemination of appropriate technologies. The lead technologies in this regard are improved seed and fertilizer with respect to crop production. The extension system has federal and regional dimensions with the core institutions being the Agricultural Technical and Vocational Education and Training (ATVET) centers and the Farmer Training Centers (FTCs). These institutions are currently functioning to produce and use Development Agents (DAs). ATVETs trains DAs and the DAs in turn use FTCs to train small holder farmers. In addition, Research-Extension-Farmer Linkage Councils have been established to oversee technology generation, packaging and dissemination. These Councils are structured from district up to the federal level, but are not inclusive of large commercial farmers. Though graduates of ATVETs can be employed in large scale commercial farms at middle level professional, there is no institution that trains professionals for the management and operation of large commercial farms.

In principle, commercial farms need not expect support from extension services that are designed for small holder farmers, as they are assumed to be technologically better equipped. In the survey, about 64 percent of the visited

private commercial farms operating in the study areas maintained linkage with extension services (Table 18). However, this linkage is mainly limited to seeking advices only on incidences of crop disease outbreaks and purchasing of improved seeds of limited crops.

Table 18: Farms by Linkage with Research and Extension

	Frequency	Yes (%)	No (%)	Total (%)
Linkage with Research	55	52.7	47.3	100
Linkage With Extension	55	63.6	36.4	100

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

Linkage mechanism of private commercial farms with regional extension system might be slightly better than the research scenario though there appears a loose relationship between the two entities here too (Table 16). Farms could pay occasional visit to the extension services to seek extension advices and chemical fertilizers. In contrary the staff of district Bureau of the Ministry of Agriculture might pay a visit to the farms whenever data are required for report writing purposes. The Environmental Protection and Land Administration section of the Bureau of Agriculture rather seems to maintain a relatively better link with the farms. This linkage emerges from the section's mandate as investigation of any dispute between the farms and communities residing in their vicinity are primarily the mandate of this division. Disagreements that go beyond the negotiation of the two parties usually pass on to the arbitration of the district cabinet where the land administration division takes the lead in the narration of the report of the dispute for the cabinet's consideration. Otherwise, there is no planned extension services tailored to serve the needs of commercial farms in the country. This scenario indicates that technical support given by the public institutions to the commercial farms is generally weak.

In the Growth and Transformation Plan it has been envisaged that 3 million hectares of land would be prepared and transferred to investors with a tangible

support to enable them to achieve their business targets (MoFED, 2010). Nevertheless, situation on the ground at visited farms do not indicate adequate provision of such support. Business undertakings of many of the farms are stifled by complex factors stemming from the farms themselves as well as the minimal support on the side of the government. Assessed farms have filed serious complaint particularly on the availability of improved seeds of different crops. They reported that they fail to get seeds every year because local administrations always give priority to smallholder farms. No easy method has so far been established for them to get access to improved seeds in lieu of the national shortage of these commodities.

5.11 Availability of Farm Machinery and Mechanization Services

5.11.1. Availability of Farm Machinery and Spare Parts

About 51 percent of the assessed farms reported that they own adequate farm machineries required for agricultural operations while the balance reported shortage (Table 19)

Table 19: **Availability of Farm Machinery and Spare Parts on the Farms**

Response	Frequency	Valid Percent
Yes	28	50.9
No	27	49.1
Total	55	100.0

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

Frequency of farms reporting problems facing in importation of equipment and spare parts is indicated in table 20. About 53 percent identified various reasons whereas the balance reported no problem. Shortage of foreign exchange, delay in clearance in port and delay in customs duty appear to be the main problems.

Table 20: Farms by Problems Faced in Importation of Equipment and Parts

Problems	Frequency	Valid Percent
Foreign exchange shortage	6	17.6
Delay in clearance from port	5	14.7
Delay in clearance from customs	4	11.8
Delay in permit for duty free	3	8.8
No problem	16	47.1
Total	34	100.0

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

5.11.2 Mechanization Services

Large-scale commercial farms in Ethiopia are operated in remote districts far from major regional towns and Addis Ababa. Such remote physical location makes their operation a challenging task when it comes to accessing mechanization services such as the availability of spare parts for vehicles, farm machineries and equipment. Virtually, all visited farms reported that there was no service rendering agencies and they would travel to Addis Ababa and/or, as far as Humera from Gambella or Benishangul-Gumuz to purchase most spare parts for their machineries. On several incidences, machines had been reported to stay out of functions until missing parts were imported from abroad.

Absence of service providing agencies nearby the farm locations have had major adverse consequences on agricultural operations in delaying land clearance, field cultivation, crop planting and harvesting. This constraint has boldly been underlined by all interviewed farms as one of the top critical menaces affecting their business performances. In a limited location the presence of individuals renting farm machineries has been indicated. The kind of services given by farm machinery owners are revealed in Table 21. Taking advantage of the existence of these services by the commercial farms has been restricted by high rental cost, under-developed operational capacity and fewer numbers.

Table 21: Services Rendered by Individual Farm Machinery Owners

Activities	Frequency	Valid Percent
Land preparation	3	14.3
Land preparation, harvesting & Threshing/clearing	13	61.9
Land clearing, land preparation, harvesting & Threshing/clearing	3	14.3
Land clearing & Land preparation	2	9.5
Total	**21**	**100.0**

Many of the farms keep farm machinery mechanic of their own while a few depend on assistance obtained from neighboring farms for the repair and maintenance of farm machineries. In the utilization of scant resources such as mechanics, farms maintain good relationship and interdependence with their neighbors as a strategy for the benefit of co-existing in a harsh and unfriendly business operation environment. One could hardly be independent and productive under such isolated places where these farms strive to make a business venture without an enhanced interdependence.

5.12 Major Risks in Commercial Farming

5.12.1 General

Risk is an important aspect of the farming business. The uncertainties inherent in weather, yields, prices, Government policies, global markets, and other factors that impact on farming can cause wide swings in farm income. Therefore, risk management by commercial farms involves choosing among alternatives that reduce financial effects that can result from such uncertainties. This requires the knowledge of the sources of risk and their management in order to minimize their impacts.

The risks faced by commercial farming may be categorized as coming from two major sources. These are the external environment as it impinges on the farm and the internal operational environment of the farm itself. The major external sources of risk relate to uncertain incidents in the natural, economic, social, policy and political environments in which the farms have to operate.

Generally speaking, relevant and important to commercial farming are risks associated with the natural environment. Because of its time-dependent biological nature, agricultural production is directly dependent on nature with all its uncertainties. The occurrence of short-term weather conditions such as droughts, floods, frosts, storms, etc.), and long-term climate such as hazards like wildfires and the ever-changing incidence of pests and disease. All these factors from nature affect yields and then through their effect on market supply, also affect market prices, both locally and globally.

Risks associated with the commercial farms' economic environment relate to uncertainty about1) market (demand and supply) conditions and hence, prices for both inputs and outputs (2) inflation and interest rates (relevant to long-term planning) and (3) productivity through the availability and merit of new technology. New technology is an interesting source of risk in that commercial farmers may lack experience of it and are likely to subjectively assess it as more risky and less profitable than it possibly is.

The social environment is not, in general, a major source of commercial farms' risk. Over time, however, change in education and lifestyles can affect the availability and competence of farm labor supply. More important is the possible risk of social upheaval and - in the extreme case– war/tribal conflict may devastate commercial farms and put farmers at a great risk of loss of the whole investment.

It also important to note that, even within a stable socio-political environment, changes in the government policy environment, may be a significant source of risk to farmers in general, and commercial farms in particular. Policy or institutional areas of particular relevance are those relating to: commodity prices and marketing, the availability and cost of credit, water rights and other inputs, the availability of public infrastructure, environmental standards, safety and health standards, labor laws, land tenure, export and import regulations, exchange rate controls and general government reactions to ongoing market globalization with

increasing competition and pressures for deregulation and economic restructuring. There are two dimensions to such policy-risk possibilities: first, uncertainty about what changes may be legislated and second, uncertainty about the extent to which legislated changes will be enforced. Policy risk may impact on commercial farmer's income either through effects on yields, on total output level, or on input or output prices.

The final broad external source of farm risk comes from uncertainty about the political environment, i.e., from any marked change in the political ideology holding sway such as, e.g., moves from a socialistic centrally planned to a capitalistic free-market system or vice versa. Such changes are likely to be dramatic in their effects on the type and scale of farming systems in use. Ethiopia is the best example, where flourishing private commercial farms, were converted to state farms during the takeover of the Derge, and vice versa, following the takeover of the political system by EPRDF.

The major internal sources of risk relate (1) to the health of the farm owners when the owners are natural persons (2) changing values, attitudes and aspirations of owners and (3) to the approach followed by the farm managers relative to (a) the conservation or degradation of farm resources (leading to resource and ecological risk) (b) the use of credit to finance the farm's operation and development (leading to financial risk) and (c) the inter-generational transfer of the farm (leading to succession risk). While the first two of these internal sources of risk (i.e., health and family relationships) relate particularly to the short term, the third set of sources is of more long-term relevance.

Understanding the nature and the sources of these risks is of paramount importance in the sustainable management of private commercial farms. The actual risks as perceived by the sampled farms during the rapid assessment are discussed in the following section.

5.12.2 Major Risks in the Sampled Farm Areas

Major natural risks in the study areas as perceived by respondents during the rapid assessment are summarized in Table 22.

Table 22: Farms by Major Natural Risks Perceived in their Areas

Type of Risk	Frequency	Yes (%)	No (%)	Total (%l)
Flood	55	52.7	47.3	100
Heavy Rainfall	55	47.3	52.7	100
Drought/erratic rainfall	55	43.6	56.4	100
Pest outbreaks	55	65.5	34.5	100
Fire	55	25.5	74.5	100

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

Investors were interviewed on the prevalence of assumed risks under their localities. Major pre-assumed risks considered were flood, heavy rainfall, drought or erratic rainfall, disease/pest outbreak and wild fire. In this respect, sixty six percent of the investors isolated pest outbreak, 53 percent noted flood, 47 percent identified heavy rain, 44 percent showed erratic rainfall/drought and 26 percent specified wild fire as major risks to their farms (Table 22). The risk of a wild forest fire which appeared low in the overall survey outcome was a serious case at some places. For instance, it was the most dominant and devastating threat in the case of farms in Gambella and Benishangul-Gumuz Regional States. All visited farms in these regions attached a significant importance to this problem. According to their view, it was not uncommon to find homesteads or heaps of crops in the field suddenly ravaged by fire attack in the day or at night.

Table 23: Private Commercial Farms by Other Risks Perceived

Other risks	Frequency	Yes (%)	No (%)	Total (%)
Conflict by the community on the land leased	55	45.5	54.5	100
Lack of market for the product	55	35.0	65.0	100
Absence of transportation facility	55	27.0	73.0	100
Lack of skilled and unskilled labour	55	45.5	54.5	100
Shortage of input supply	55	51.0	49.0	100
Shortage of finance	55	27.0	73	100
Increased in production costs due to unforeseen costs	55	55.0	45.0	100

Source: Rapid Assessment of Private Commercial Farms, PSD Hub, 2015

Other risks experienced by investors in the course of their agricultural businesses like; lack of market for products, shortage of transportation facilities, and unavailability of finance have generally been of a minor problem to many farms. Only shortage of farm inputs and increased cost of production due to unpredictable factors were faced by 51 and 55 percent of the assessed investors (Table 23).

Furthermore, forty four percent of the farms indicated shortage of skilled and unskilled labor as a constraint to their farm operation. It may appear from this kind of response that shortage of human resource among the commercial farms is not a limiting factor. But aside discussions with individuals out of the structured interview revealed that seasonal shortage of unskilled labor at peak agricultural operation, particularly, in Gambella and Benishangul-Gumuz Regional States frequently prevail. It was also learnt that maintaining skilled labor for a long period under the harsh environmental conditions where most of the farms operate has been difficult.
More than 90 percent of the investors experienced one or more of the natural risks indicated in Table 22, on several occasions in the courses of their farm operations. The kind of mitigation measures varied from farm to farm. While 20 percent take no mitigation action, only 10 percent reverted to seeking insurance coverage and about 32 percent make various contingency plans to avert the risks. Thirty three percent of the investors employ different mechanical and manual prevention methods to overcome these problems.

Problems of conflicts with communities residing in the vicinities of the farms commonly stem from issues of land ownership, boarder delineation and unlawful settlements. Around some farms where most job opportunities for skilled and unskilled labor were entirely grabbed by migrant workers, communities show grievances against existing commercial farms. They see no advantage of the farms apart from taking away their grazing lands and destroying their forestlands on which their livelihood as source of food depends.

5.12.3 Risk Mitigation Strategies

The Surveyed commercial farmers mitigate risk of wild fire and flood by digging ditches or plowing a strip of land around the farms. They also plant trees or windbreaks for wind protection. Guarding of crops from wild animals and theft is also a common practice. These are traditional practices of risk aversion measures. However, there is no traditional mechanism for risk mitigation against drought, hailstorm, disease outbreaks and insect pests.

With respect to the development of agricultural insurance products, there has not been significant progress in the country. Despite the presence of seventeen Insurance Companies in the country; only a few of these companies are currently attempting to develop agricultural Insurance policy due to the high premium that is not attracting to the users.

Given the current under-development of insurance products by the private sector, it is believed that there is a role for the government (Public sector) in catalyzing this market. Good practice for the role of the government in development of agricultural insurance markets is still evolving, but important implementation issues include: Public sector initiation of agriculture risk management services. In this case, the role of the public sector could be to finance a "layer" of risk. One example would be for the government to absorb the most catastrophic event such as drought that will be faced by the agricultural sector, and allow the private sector to develop commercial insurance products for less severe events. This would allow the

government to absorb a layer of the risk in an objective fashion while making insurance products relatively more affordable to the end users.

Keys to the growth for insurance market are government support in data collection and actuarial modeling, creation of a favorable regulatory environment, education of stakeholders, investment in weather data collection and infrastructure, investment in technical training on product development. These key responsibilities have not yet been discharged by the public sector in Ethiopia.

Moreover, although market system and infrastructure development, agricultural credit and private sector support were stated as strategic objectives under rural commercialization, the modalities of infrastructure development and private sector support have not been made clear.

VI. CRITICAL GAPS REQUIRING IMMEDIATEATTENTION

Among some of the above highlighted challenges confronting investment projects, the following were considered as critical gaps, which call for urgent government attention:

6.1. **Absence of Specific Commercial Farm Policy and Weakness in the Implementation of the General Investment Policy to Support Investment Projects**

The country has sound policy and strategy for agricultural development and investment in general. Nevertheless, it lacks policy and strategy specifically targeting large-scale commercial farming despite the significant area of land and water resources being allocated. As argued under section 5.3.1, it appears that it had been taken for granted that the general policy and strategy put up by the Government for investment would address the challenges of the commercial farms. Evidences from the findings of this study revealed that food and fiber crop producing commercial farms have peculiar challenges emanating from the nature and location of their operations that warrant a specific policy and strategy. It could

fairly be debated that most of the other challenges confronting many of the assessed farms actually emerge from the absence of such policy.

Besides the lack of policy, the implementation of the existing general investment policy and strategy has even been weak. Weaknesses have been reflected in inefficient and insufficient service rendering that lacks transparency and expediency, particularly, at few regional and subordinate levels (E.g. Gambella, Benishangul-Gumuz and Afar). Under-capacity and under-staffing are common futures of investment offices in most regions. As a consequence, investment projects frequently are threatened with challenges of; unduly delay in the lease processes, unclear border delineation leading to unnecessary disputes with local communities and among the farms themselves, illegal claims to project lands, loss of property due to theft and purposefully set fire by unscrupulous individuals and a tendency of negligence to get quick response to their needs.

6.2 **Unsecured Operating Environments**

Agricultural business is a high risk operational area by its nature. This risk increases with business operation executed in locations with unpredictable climates, poorly developed infrastructural facilities and a weak policy backing. Investors frustrate and refrain from accomplishing a fruitful investment endeavors if there is a big discrepancy between their expectations and the reality on the ground. Illegal claims on leased land, endless boundary disputes, looting of properties, damages of crop fields by domestic animals, fire intentionally set on harvested or unharnessed crops are frequent events at many commercial farm places as already stated under item 6.1 above.

The above risks might have emanated from m the fact that establishing large scale commercial farms involves acquisition of land and related resources such as irrigation water that had been used by local people. The land at most risk of dispossession through commercial farming could therefore be communal farming or grazing land, seasonal grazing lands and livestock corridors, farms owned by the

poorest members of society, farmland and forests used by women, ethnic minorities and newcomers or migratory farmers to an area, who tend to resist investor takeover. In Benishangul-Gumuz, for instance, A.F Faizal Abdulkadir Agricultural development, S and P Energy solutions PLC and Meseret Agricultural Development had problems with local community who set fire on the farms and from migratory farmers who destroyed farm boundaries, wind breaks and trees and used the farms' land illegally for sesame production.

Similarly, there were incidences of conflicts of commercial farms with the community in areas where the previous state farms were distributed to investors, in Bale, Arsi and the Didessa valley of Oromia. The causes of conflicts reported were former state farms employees residing in the project lands together with the surrounding farmers setting fires on crops and looting properties.

District government organs like; administration, police, court, attorney, Bureau of Agriculture and investment committee which were supposed to give the obligatory protection for investors lacked the skill and will of conflict resolution schemes. In many areas of the country, there is a general trend of taking investors the local community as invaders to their resources.

6.3 Under-developed Infrastructure in Commercial Farm Areas

A good proportion of commercial farms operating in the country are placed in regions where the basic infrastructure is not yet developed well (Table 13). In view of their remote location from the regional towns, the majority of commercial farms are more at a disadvantage even than those near the regional towns in accessing infrastructure facilities. Lack of power and water supply, insufficient/absence of communication services (Transportation, telephone, internet, fax and post office), poor road connection and total reliance on rainfall as a result of lack of irrigation facilities were few of the important infrastructural downsides of the assessed commercial farms.

6.4 Failure to Make Some Licensed Projects Operational on Time

Over the last two decades, about 10634 (9780 domestic and 854 foreign) investors have been operating in the country engaged in the various components of agricultural activities, including those involved in the production of food and fiber crops. The overall goal of the government in supporting the establishment of medium and large scale agricultural farms was to enable the country to produce sufficiently enough products for food security, export market and import substitution. Benefits realized in this respect so far have been unsatisfactory. Complex factors were responsible for this outcome and failure of follow up and taking corrective timely measure is one among these intricate factors. At the time of this assessment, more than 500food and five crop producing licensed projects were still at the stage of pre-operational status (Table 1) of which more than 300 of them were licensed between 1996 and 2012.

In the performance of investment projects, while there are strong, genuine and successful investors, there would also be few that could easily succumb to existing bureaucratic hurdles and become unsuccessful in their business operations. In addition to lack of entrepreneurship, the situation of this group of investors was worsened by absence of timely follow up, identify constraints and provide the necessary support and guidance from the concerned investment entities to make them operational and more fruitful. Most investors lack the necessary training and experience in agricultural businesses and commercial farming. This shortage is further aggravated by doing farming by remote control. As it emerged during the team's discussion during the rapid assessment with the concerned offices (E.g. Benishangul-Gumuz), few of the investors take Bank loans and re-invest the money in other non-agricultural side businesses with less risk. It is a natural human behavior to try to make the best possible profit in a business venture even if it entails the involvement of some unlawful steps. In cases where investors go astray and/or delay the beginning of the projects as per the contract agreement it should be assumed that they would be shaped appropriately by applying existing regulations and provision of guidance and support.

6.5 Use of Deficient Investor Selection Criteria

One of the important reasons for the unsatisfactory results of the performance of implemented commercial farms in the country has been attributed to failure in the identification and selection of prospective investors in both domestic and foreign cases. As the result of this rapid assessment reveals, some of the investors participating in commercial farming have been lacking not only background and experience in agricultural farming business, the necessary capacity for undertaking such operations, the required appropriate personnel for managing the operation but were also engaged in some illicit acts. These illegal acts include, re-renting of leased lands, destruction of natural resources, miss utilization of loan money and fail to develop leased land. The prevalence of such miss conduct behavior emerged largely from the use of defective or failure of developing the appropriate investor selection criteria on the part of the licensing agencies.

6.5 **Absence of a Legal Body Representing Agricultural Investors**

Various groups of common interest in the country are in the process of establishing associations here and there in their corners, e.g. Ethiopian Seed Producers and Processors Association and Oromia Crop Producing Farmers Association and Gambella Investors Association. These associations are; firstly very few, secondly, are at their infant stages, thirdly, lacking the legal framework and generally isolated and scattered with no or little wider base of the group they are supposed to represent. Hence, there is a need for promoting the establishment of legal bodies or association representing agricultural investors distributed widely in the country and strengthening their capacity. Besides, efforts in their strengthening should include measures like the formulation of an apex body that could represent their interests at a national level and developing code of conduct.

VII. CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

The Government of Ethiopia has put major emphasis on the commercialization of smallholder farms and the establishment and operation of medium/large commercial farms as tools for the transformation of the agricultural sector and accelerated poverty reduction. Major strategic ingredients of this endeavor are hastened intensification of the smallholder farming practices via an aggressive scaling up of best achievements by few farmers and a wide establishment of commercial farms through attracting domestic and foreign investors.

The Government had a perception and ambition that large-scale commercial farms would be profitable, assist in technological transfer, bring opportunities for job creation and enhance national food security. To this effect, hundreds and thousands of hectares of land resources have been committed to several investors in regions where these resources were considered under-utilized. Furthermore, efforts have been made to put in place the necessary investment support services through; establishing new investment institutions, developing incentive mechanisms, arranging Bank loan systems and formulating land lease procedures.

Despite high ambition and good will on the part of the Government, review of available literature and the outcome of this rapid assessment of the food and fiber crop producing farms do not indicate encouraging results. The anticipated break-through in the provisions of; improvement in food crop production, industrial raw material supply and enhanced export commodity growth was unsatisfactory. Besides, the overall contribution of the commercial farms to the efficiency of land utilization, improvement of commodity production, provision of job opportunity creation, capital accumulation and protection and judicious use of the natural resource has been inadequate. Out of the overall 10,634 licensed agricultural domestic and foreign combined investment projects over the last 24 (1992-2015) years in this country, only less than 25 percent on average had been made

operational. A further disaggregated analysis of the total 1385 (1042 domestic + 343 foreign) food and fiber crop producing farms, the concern of the current study, only 829 projects (About 60) percent were made operational. Productivities of commercial farms for grains, vegetables and root crops were not far from what smallholder farmers could harvest averaging 21, 192 and 225 quintals, respectively.

The unpleasant performance of the commercial farms assessed in this report has been the resultant of a combination of a couple of constraining factors. Some of these factors were largely attributed to absence of appropriate policy and weaknesses in the implementation of existing policy support to investors while a minor portion were associated with the behavioral profiles of the investors themselves. Scrutiny of objective ground realities in the places of many of the commercial farms reveal the stark truth of unfavorable operation environments. Investors undertake business ventures where infrastructural facilities are poorly developed; power supply is lacking, absence of potable and irrigation water amenities, little or no provision for communication facilities and difficult road connection, particularly, during the wet seasons. These restraining factors were further exacerbated by risks of; looting and damaging of properties with little or no legal protection and natural calamities like flood and wild fire.

There appears little integration, commitment, coherence, follow up in the activities of institutions established for the support and implementation of the policy and strategy components. These problems get severe as one moves from federal, regional, zonal, and district and village levels. Organs at district and village levels and even, at times, zonal and regional stages are scantly equipped with the essential facilities such as GPS and surveying equipment, skills, experiences and commitment to create the required capacity to render effective and efficient services.

On the side of the investors, few of them had been in the trade sector prior to the agricultural investment with little or no experience on farming. Therefore, they have

more tendencies to stay in towns where chances could be high for doing other non-agricultural business reverting to undertaking their licensed agricultural investments by remote controlling. This attempt was made without; hiring an experienced staff and fulfilling the necessary farm machineries and implements. The combined effects of trying investment ventures without having the required knowledge and background, failure to be resident operator, showing low inclination to bridge the knowledge gap by hiring and motivating skilled and experienced personnel and running the business with scanty farm machinery would obviously lead to low business performance. The scenario has further been exacerbated by lack of the essential and specific policy support provisions.

7.2 Recommendations

In order to resolve the challenges identified in this rapid assessment of medium- and large-scale commercial farm operations (Food and fiber production) in this country and improve their contributions to investors and the nation, the following recommendations are made:

7.2.1 Need for Proclamation Addressing the Development and Operation of Commercial Farms- as debated in the various sections of this report, the government has recognized the crucial role large-scale commercial farms could play in the economic and social growth of this country without putting in place the required policy frame to support their development. The existing general agricultural development and investment policy and strategy which allegedly has been expected to cater for commercial farms failed to do so because their primary focus has been the smallholder agriculture and general investment, respectively. Commercial farms have specific challenges emerging from their nature of farm operations and in situations of operational locations that are neither shared by smallholder agriculture nor other non-agricultural investment components. Several of the threats facing the assessed commercial farms identified in this study have association with the absence of a policy proclaimed to particularly promote and safeguard the development of commercial farms. It is, hence, recommended that lobby should be made for such a proclamation.

7.2.2 Capacity Building of Institutions/Offices Responsible for Agricultural Investments- though the severity of the problem varies from regions to region, all investment offices particularly at regional levels are ill-equipped in office and transportation facilities, surveying equipment including GPS, personnel, work experience & discipline, documentation of investment projects, project data handling and processing skills, project monitoring and evaluation, client serving and commitment of expediting lease request processing. These problems get worsened at villages and districts levels. Therefore capacity building should be made via new recruitment of professionals, training and development of office and transport facilities. The outlying regions (Gambella, Benishangul-Gumuz and Afar) are where abundant unutilized investment land resources exist for agricultural projects and where these recommended actions are likely to bring an urgent improvement in service rendering. The issue of capacity strengthening becomes more critically important particularly at these regions.

7.2.3 Strengthening Linkage Mechanisms Among Institutions Involved in Agricultural Investments- efficiency in horizontal and vertical linkages and coherence in the coordination of investment activities among the different institutions responsible for one or another components of the venture are crucially essential for the productive agricultural investment job. Focusing on fulfilling their respective duties and responsibilities without fostering a sense of integrated and comprehensibly harmonized move towards achieving a common goal may not serve any good purpose. Currently, there is a nominal horizontal linkage among the federal and regional investment supporting bodies. Relationships between the Federal and Regional Investment Commission/Agencies and that of the regional agencies among themselves should be strengthened through establishing a common forum. Fostering an enhanced linkage among the different bureaus concerned with investment projects at district levels particularly could assist in expediting serves to commercial farms. The purpose of the common forum is to serve as a venue for experience sharing and learning from each other for the agencies/entities. This is important since the agencies/entities are at different stages of development.

7.2.4 Need for Utilizing the Industry Zone Development Approach for Agricultural Investment Projects- as clearly identified under the challenges and risks sections of this assessment, undertakings of investment projects were by and large muffled by drawbacks that could have been addressed prior to the signing of lease agreements and land transfer to investors. Means have to be worked out to neatly curve investment lands for commercial agriculture. These involve the proper identification and demarcation of commercial farm zones, land suitability studies for the production of various commodities, soil type identification, infrastructure development exceeding the capacity of the private investors, such as roads and bridge connections, irrigation dams, power supply and communication networks. Notwithstanding the difficulty of application of the industry zone development approach with agricultural investment projects distributed over vast land areas within regions and among different regions, the approach would ease the provision of services with a lower capital investment. Collaboration and dialogue among Federal and Regional Governments and investors would give a clue to how best this approach could be addressed. Issues of boundary, infrastructure development and protection should be agenda for discussion prior to land resources distribution and commitment to investment activities.

7.2.5 Development and Application of a Stringent Investor Selection Criteria- investors are meant to bring benefits to the country in the areas of food security, adequate supply of exportable commodities and raw materials for domestic agro-processing industries and creation of job opportunities and thereby contributing to poverty reduction. For achieving these goals provision of the essential support from the government alone is not sufficient enough unless it is complemented with a carefully designed screening criterion are developed and applied for selecting the appropriate/right investors. Those that develop various mechanisms to exploit the national wealth with little or no investment expenditures on their side remain parasites to the country than being genuine development partners. Therefore, licensing bodies for agricultural investment should review the existing selection criteria and develop a more stringent selecting method that takes

the background experience and management skill of the applicants in commercial farming into account

7.2.6 Strengthen Monitoring and Evaluation of Projects on Commercial Farms –The fact that commercial farms do not perform as expected and a good proportion of them were unduly delayed in starting licensed project activities signify the importance of the existence of a strong, efficient and responsive project evaluation and monitoring program. One of the key components lacking in the outlying regions such as Gambella, Benishangul-Gumuz and Afar with respect to the required support services for commercial farms is project M and E. This service is either non-existent or poorly established where efforts are made to put it in place.

7.2.7 Enhancing Security Protection of Commercial Farm Projects- investors have to gear more of their efforts to accomplishing investment activities than protecting themselves from man-made hurdles currently consuming most of their times. The investment working environments will have to be secured and adequately protected from emerging various social threats. It is the duty and responsibility of Regional Investment Offices at all levels to maintain and provide the required security and protection to investors. Nearly half of the assessed farms (Table 21) in this study highlighted facing intimidations of one kind or another from their surrounds due to lack protection. The problems take various forms such; looting of properties, setting fires on crops, encroaching project lands and controversy over demarcation of boundaries. A case in point has been detailed under item 6.2 of this report for Benishangul-Gumuz and Oromia regions. Awareness creation and capacity building (Facilities and skills) as indicated under Item No.7.2.2 in this recommendation are the key factors to address for enabling the offices to render a satisfactory service in this regard. Engagement of investors, through creating a sustained dialogue forum with communities residing in the vicinities of the farms, as an attempt of cultivating a healthy working relationship is also vitally important. Therefore, the concerned investment bodies at the local level should play a leading role in bringing all stakeholders to create such a dialogue

forum and foster a healthy working environment for investors operating in their localities.

7.2.8 Promotion of a Legal Body Representing Agricultural Investors- though there are initiatives in different places and situations for establishing local associations, there is no legal body to represent the common interests of the investors at a national level. These associations do not only lack legal frames but are also at a lower level of development and hence lack the necessary capacity and strength to promote their causes. Thus, such associations should be promoted through enhancing the existing ones and the establishment of more vibrant associations and apex body for their coordination and representation at a national level.

7.2.9 Assisting Association of Commercial Farms in the development of Code of Conduct- Following the formation of commercial farm associations specialized in similar production of crops, it is important to develop code of conduct based on the experiences of already organized associations in the country. This requires experience sharing visits and meeting with those already having the experience.

VIII. POTENTIAL ISSUES FOR CONSULTATION WITH GOVERNMENT

The major issues identified in this study revolve around the need for developing a policy supporting and protecting commercial farms and strengthening the implementation of existing investment policies and strategies. The issues are selected and presented as follows for consideration by the Client.

Critical Issues	Objectives	Responsible Bodies
1. Lobbing for the development and proclamation of a policy guide geared towards enhancement of the overall productivity and protection of large-scale commercial farms in the country	• Improve economic and social contributions of commercial farms to the nation and investors; • Address key factors constraining performance of agricultural investment projects in general and that of food and fiber crop producing ones in particular	Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA)
2. Building the capacity of investment offices at Afar, Gambella and Benishangul-Gumuz responsible for the promotion and support of investment in commercial farming. Enhancement of capacity should particularly focus on; office and transportation facilities, improving number and skills of staff in proper record keeping/ documentation of investment projects, project data handling and processing, project M and E, expediting lease request processing, including client servicing in all aspects of investment projects.	• Promoting efficiency in service delivery • Reducing risk and increasing profitability of investment in commercial farming	Federal and Regional Government bodies in collaboration with ECCSA

Critical Issues	Objectives	Responsible Bodies
3. Creation of forum for linking all organs involved in the delivery of services for the promotion of commercial farming at all levels for sharing of experiences and best practices	• Increasing the knowledge and capacity of institutions and their staff	Federal and Regional Government bodies in collaboration with ECCSA
4. Creation of secured environment for large commercial farms and protection of their boundaries	• Building the confidence of genuine investors in commercial farming	Regional Government Bodies in collaboration of ECCSA
5. Creation of commercial farming zones in potential areas of the country and development of infrastructure beyond the capacity of investors	• Easing of the delivery of services required and monitoring the activities of the farms • Reducing risk of investors	Federal and Regional States
6. Promotion of the establishment of associations of commercial farmers based on specialization and formation of an apex at national level	• Increasing their bargaining capacity	Ethiopian Chamber of Commerce and Sectoral Associations and investors themselves
7. Assisting in the development of code of conduct of commercial farm associations	• Inculcating discipline among members of commercial farm association	Commercial farm associations and Ethiopia Chamber of Commerce

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ANNEX-1: LIST OF PERSONS CONTACTED

No.	Name	Organization/Region	Responsibility	Telephone
1	Ato Samuel Assefa	Ethiopian Investment Commission	Director, Investment projects Follow-up Directorate	
2	Ato Assefa Amde	Federal Agricultural Investment Land Administration Agency	Head, Legal Directorate Director	
3	W/or Kibrwa Alemeseged	Federal Agricultural Investment Land Administration Agency	Director, Environment Directorate	
4	Ato Ahmed Hussein	Federal Agricultural Investment Land Administration Agency	Extension Expert	
5	Ato Mekonen Fufa	Oromia Investment Commission	Head, Public Relations	
6	Ato Behailu Tefera	Oromia Investment Commission	Civil Service Officer	
7	Ato Belay Dhufera	Oromia Investment Commission	Support and Follow-up	
8	Ato Abera Gelan	Oromia Investment Commission	Human Resources	
9	Ato Tsegahun Tekle	Oromia Investment Commission	Planning Officer	
10	Ato Hailu Fufa	Oromia Investment Commission	Investment Expert	
11	Ato Muhidin Esmael	Bale Zone (Oromia) Investment Office	Head	0911054221
12	Ato Sultan Abduro	Bale Zone (Oromia) Investment Office	Investment projects monitoring Expert	0910810099
13	Ato Husen Jemal	Gasera District (Oromia)	Irrigation Office head	0912250944
14	Ato Umar Abdurkadir	Dolomana Wreda Investment office	Head	0930108248

15	Ato Jemal Kadiro	Honqolo Wabe District Administration	Head	
16	Ato Medina Kedir	Arsi Zone Investment Office	Head	0911492518
17	Ato Natnael Hailu	Development Bank of Ethiopia	Head, Appraisal process	0911646473
18	Ato Afere	Gambella/Etang	Manager	914247790
19	Ato Kesete	Gambella/Etang	Manager	913470083
20	Ato Biniyam	Gambella/Etang	Manager	912915185
21	Ato Gizachew Yilma	Gambella/Etang	Manager	914741516
22	Ato Haile Addisu	Gambella/Etang	Manager	930017414
23	Colonel Kindiya	Gambella/Etang	Manager	913708492
24	Ato Amenu Geleta	Benishangul-Gumuz	A/Farm Manager	
25	Ato Abiyot Belay	Benishangul-Gumuz	A/farm Manager	
26	Ato Yilma	Benishangul-Gumuz	Supervisor	
27	Ato Biruk Amenu	Benishangul-Gumuz	A/Farm Manger	
28	Ato G/Egziaber Gessese	Benishangul-Gumuz	Farm Manager	
29	Ato Amenu Tsehay Gesese	Benishangul-Gumuz	Farm Manager	
30	Mr. Sunil Kumar Nair	Benishangul-Gumuz	General Manager	
31	Ato Alemu Meshesha	Benishangul-Gumuz	Farm Manager	
32	Ato Asfaw Assassa	Benishangul-Gumuz	Farm Manager	
34	Ato Hagoss Addisu	Benishangul-Gumuz	Farm Manager	
35	Ato Takle Abebe	Benishangul-Gumuz	Farm manager	930097761`

ANNEX-2 QUESTIONNAIRE FOR PRIVATE COMMERCIAL FARMS

I. IDENTIFICATION

1.1 Name of Owner …….

1.1.1 Age in years_____

1.1.2 Level of education, _____

1.2 Name of Farm …….

1.3 Owned by what type of Business Organization? ……

1.4 Nationality of the owner (Investor) ……

1.5 Location

1.5.1 Region……..

1.5.2 Zone…….

1.5.3 District……..

1.5.4 Kebele……..

1.5 Distances in Kilometers from:

Addis Ababa ……..

Regional Town ……..

Zonal Town ……..

District Town ……..

1.6 Total Farm Size in Hectares……

1.7 Major Crops Produced last crop year

Crop 1._____Crop2_____ Crop3_____ Crop 4_____

II. INFRASTRUCTURE

2.1 The nature of road infrastructure

Insert the number which correctly corresponds to each according to response 1= Dry weather (Earth) 2= Gravel 3= Asphalt	
2.1.1 Leading from Centre to Region	
2.1.2 Regional center to Zone	

2.1.3 Zone to District	
2.1.4 District to Farm center	

2.2 Problems of Access to land and farm development

	Insert 1= yes, 2= No
2.2.1 Poor roads	
2.2.2 Lack of bridges	
2.2.3 Lack of water supply	
2.2.4 Lack of power supply	
2.2.5 Prevalence of diseases such as malaria	
2.2.6 Lack of knowledge of land profile	
2.2.7 Others (specify)	
2.2.8	
2.2.9	
2.2.10	

2.3 Availability of means of communication

2.3.1 Telephone…….. 1= yes, 2=no

2.3.2 Internet facilities……..1= Yes, 2=No

2.3.3 Postal services……1= Yes, 2=N0

III. WHAT IS THE MAJOR RISKS IN FARM AREA?

3.1 Natural risks: 1= flood, 2= Heavy rainfall, 3= drought, 4=pest outbreaks, 5= Fire

3.2 Was there any conflict by Community on the land leased? 1=Yes, 2=No

3.3 If Yes, Source of Conflict: 1= on farm border 2= on issue of ownership 3= on Issue of water right, 4= Failure by the investor of not fulfilling social commitment

3.3 Shortage of irrigation water 1= Yes, 2=No

3.4 Did the farm experience any one of these natural risks in the past? 1=Yes, 2=No

3.5 How did the farm mitigate the risks? 1= Contingency plan, 2= Purchase of insurance policy, 3= other means

3.6 What other risks are experienced?

1= Lack of market for the products?
2= Absence of transportation facilities
3= Absence of skilled and unskilled labor at peak operation periods.
4= Shortage of input supply
5= Shortage of finance
6=Increased production costs due to unforeseen costs

3.7 Are there any Engineering related risks regarding farm business? 1=Yes, 2=No

IV. DEVELOPMENT OF LEASED LAND

4.1 Extent of leased land development

4.1.1 How much land was leased initially? _____Hectares,

4.1.2 How much land is developed? _____ Hectares

4.1.3 What are the major factors for the difference, if any?

1= lack of machinery 2= Lack of skilled labour 3= lack of casual labour, 4= shortage of capital, 5= Lack of credit

4.2 Did the Government provide adequate perennial access for the leased land for development? 1= Yes, 2=No

4.2.1 Major problem related with provision of access to the farm

1=Poor roads, 2= absence of bridges 3= lack of adequate maintenance of road, 4= Security problem

4.2.2 Was there any agreement with the Government to provide this infrastructure on time? 1=Yes, 2= No

4.2.3 If yes, did it honor the agreement? 1= Yes, 2= No

4.2.4 If No, how did it impact on the pace of development and farm?

1= Failure to start investment on the farm on time (delayed investment)
2= Increased cost on infrastructure development at the expense of farm development
3= Difficulty in supply of inputs to farm

4= Difficulty in marketing the outputs of the farm
5= Higher cost of production and diminished profitability of the farm

4.3 Are adequate farm development and operation machinery and spare parts available in the area? 1= Yes, 2= No

4.4 What problems were faced in importation of equipment and parts for the farm?

1= Foreign exchange shortage 2= delays in clearance from port, 3= delays in clearance from customs, 4= Delays in permit for duty free

4.5 Impacts on the farm? 1= Delayed planting time, 2= Reduced land under cultivation, 3= Higher cost of production 4= others (specify)……

4.6 Have the land development costs, had impact of the development pace? 1=Yes, 2=No

4.7 Was the land allocated for development by the Government, appropriate for development are reasonable cost and suitable for the intended crop? 1= Yes, 2=No

4.8 Are there adequate farm machinery service agencies in number and quality in the area? 1= Yes, 2= no

4.8.1 Are parts available in number and quality required? 1= Yes, 2=No

4.8.2 List the firms providing the service;

1=_____

2=_____

4.8.3 The type of services they provide.

1= Land clearing, 2= land preparation, 3= Planting, 4= harvesting, 5=threshing/cleaning

4.8.4 Impacts on pace of development and level of operation?

4.8.5 Constraints of using the services of these agencies,

1= High costs, 2= not available when required, 3= dependency 4= others (Specify).

4.9 Are professionals and skilled labour required by the farm for development and operation available in the area? 1= Yes, No

4.10 Where the staff available in the country possessed the required experience?

1= Yes, 2=No

4.11 Are there staff employed from abroad? 1= Yes, No

4.12 Has the shortage of local staff impacted on the pace of development of the farm? 1= Yes, 2= No

4.13 Does the farm use irrigation? 1= Yes, 2=No

4.14 If yes, should the Government construct major structures such as storage dam for providing water for development of the irrigation project? 1=yes, 2=No

4.15 Does the farm have any link with research institutions? 1= yes, 2= No

4.16 If, Yes, What does it get from the research institution? 1= Research advise 2= Improved seeds, 3= improved technology, 4= others

4.17 Does the farm have linkage with extension services? 1= Yes, 2= No

4.18 If yes, what does it get from the extension service? 1= Extension advise 2= improved seeds and fertilizers, 3= improved farm machinery, 4= others

4.19 Is the farm a member of any forum or farmers Association through which its voices can be heard? 1= Yes, 2= No

4.20 If not why? State reasons_____

4.21 What practical problems are faced by the investor in the development of the leased land?

1=_____

2=_____

3=_____

4=_____

Thank you

ANNEX-3 FARM OBSERVATION CHECKLIST

1. Topography of the land where the farm is located

2. Vegetation covers of the area

3. Soil Type

4. Crops grown

5. Is the farm divided into Blocks? If yes into how many blocks>

6. Is there weather station in the farm>

7. Is there any wind break around the farm?

8. Is there any means of fire protection, flood control system?

9. Are there input and output storage facilities?
10. Labor quarters
11. Farm machinery sheds
12. Is there any Community villages around the farm<
13. Others that may be sources of risk to the farm or an opportunity for risk aversion?

ANNEX-4 CHECKLIST FOR INVESTORS IN PRE-IMPLEMENTATION STATUS

I. IDENTIFICATION

1.1 Name of Owner …….

1.1.1 Age in years_____

1.1.2 Level of education, _____

1.2 Name of Farm …….

1.3 Owned by what type of Business Organization? ……

1.4 Nationality of the owner (Investor) ……

1.5 Location

1.5.1 Region……..

1.5.2 Zone…….

1.5.3 District……..

1.5.4 Kebele……..

1.5 Distances in Kilometers from:

Addis Ababa ……..

Regional Town ……..

Zonal Town ……..

District Town ……..

1.6 Total Farm Size in Hectares……

1.7 When was the investment license acquired_____?

1.8 When was the land acquired for investment_____?

II. IMPLEMTATION STATUS

Major Reasons for not starting implementation of the project_____
_____

III. Future Plan

_____
_____
_____

ANNEX-5 LIST OF SAMPLE COMMERCIALFARMS FOR RAPID ASSESSMENT

No.	Name of Commercial Farms	Locations of the Commercial Farms		
		Region	Zone	District
1	Maro Abdurahiman farm	Oromia	Bale	Gasera
2	Walda Shafila	Oromia	Bale	Gasera
3	Hasen Bushura Farm	Oromia	Bale	Gasera
4	Gasera-Dinkit Farm PLC	Oromia	Bale	Gasera
5	Walda Dambal Anole	Oromia	Bale	Gasera
6	Tadese Gena Farm	Oromia	Bale	Gololcha
7	Mekiya Gololcha Farm	Oromia	Bale	Gololcha
8	Chilalo Enterprise	Oromia	Bale	Gololcha
9	Harun Mamu Farm	Oromia	Bale	Dolomana
10	Abdo Haji Tahir Farm	Oromia	Bale	Dolomana
11	Highland grains and farms	Oromia	Bale	Gasera
12	Mohamed Amiru Farm	Oromia	Arsi	Merti
13	Osman Abdulah farm	Oromia	Arsi	Honqolo Wabe
14	Hamza Tahir Farm	Oromia	Arsi	Honqolo Wabe
15	WBB Agriculture Development	Oromia	Arsi	Sire
16	Bekoji Agricultural Dev't PLC	Oromia	Arsi	Lemu & Bilbilo
17	Mohamed Ibrahim Farm	Oromia	East Shewa	Awash
18	Kono Kulite	Oromia	West Shewa	Ameya
19	Mohamed Awel Farm	Oromia	West Shewa	Ameya
20	Abdulmajid Ibrahim Farm	Oromia	Bale	Dolomana
21	Tsegaye T/Mariyam Farm	Afar	Zone 3	Gewane
22	Debelayitu	Afar	Zone 1	Asayta
23	Amibara	Afar	Zone 3	Amibara
24	Lucy Agriculture Dev't	Afar	Zone 3	Gewane/Gelalo
25	Gebreselam	Afar	Zone 3	Gewane
26	Keberom G/Selam	Afar	Zone 3	Gewane
27	Kesete Agriculture Dev't	Gambela	Nuwer	Lare
28	Yfega Agri. Dev't	Gambela	Agnua	Dima
29	Balezaf Alchol AssociationFarm	Benishangul Gumuz	Assosa	Homosha
30	A.F. Fa'zel Abul Kadir Agri. D	Benishangul Gumuz	Assosa	Bambasi
31	Selam Alebel Agri. Dev't	Benishangul Gumuz	Assosa	Assosa
32	Yilma Amenu Agri. Dev't	Benishangul Gumuz	Assosa	Bambasi

33	Gebre Michael	Benishangul Gumuz	Assosa	Bambasi
34	Mesi Agri. Development	Benishangul Gumuz	Metekel	Dangur
35	S and P Energy Sdutions PLC	Benishangul Gumuz	Metekel	Dangur
36	Bruh Way Agro Industry	Benishangul Gumuz	Metekel	Dangur
37	Zeleke Agri. Mechanization	Benishangul Gumuz	Metekel	Dangur
38	Abrham Desta Agri Dev't	Benishangul Gumuz	Metekel	Dangur
39	Belay Agri. Dev't Plc	Benishangul Gumuz	Metekel	Dangur
40	Tracon Trading Plc	Benishangul Gumuz	Metekel	Dangur
41	Horizone Plantation	SNNPR	Keffa	Gimbo
42	ArbaMinch Agriculture	SNNPR	Gamo Gofa	Arba Minch Zuria
43	Vidya Baharati Agro Plc	SNNPR	Wolayita	Humbo
44	Dema PLC	SNNPR	Gamo Gofa	Kucha
45	Tegegn Gatisso Agro Farm	SNNPR	Wolayita	Damo Weydo
46	Borer Agricultural Development	SNNPR	Gurage	Absheha
47	General Agro Induustry PLC	SNNPR	Wolayita	Humbo
48	Hurebessa Farm	SNNPR		Alaba Special District
49	Wondafraw Endashaw Farm	SNNPR	Wolayita	Humbo
50	Halabi Nepi Metomata General T	SNNPR		Alaba Special District
51	Lucy PLC	SNNPR	Gamogofa	Arbaminch Zuria District
52	Abdella and his Family PLC	SNNPR	Silte	Lanfero
53	MMBAD Agro Industry PLC	SNNPR	Hadiya	Eastern Badawacho
54	Mohamed Awel Meda Agr. Dev't	SNNPR	Gurage	Abesheka
55	Gadco Enterprise PLC	SNNPR	Gamo Gofa	Merab Abaya
56	Jara Agro Industry PLC	SNNPR	Wolayita	Dugna Fango
57	Tinsay Zerfu Crop prod. and Me	SNNPR	Silte	Lanfero

ANNEX-6 List of Validation Workshop Participants

November 8, 2015 at Harmony Hotel

No.	Name	Organization	Telephone	E-mail
1	Dr. TeshomeBekele	Mekiya Enterprise	0911360659	teshe.mdv26@yahoo.com
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4	Betselot Samuel	Ethiopassion Agro PLC	0911502155	ethiopassion53@gail.com
5	SyobTolla	EPPCF	0944732318	eyobjobt@gmail.com
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13	SeifuRikete	Syngenta Agro Service	0911238683	seifu.rikti@syngenta.com
14	HailuMogos	Ethiopian Social Protection Initiative	0925923736	haps c19@gmail.com
15	AssefaDegefu	Chilalo Enterprise	0911212709	
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25	MafiBekela	RAMAB CO	0911236149	
26	BultiTerfasa	PSD Hub	0911668376	
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