

# The Effects of Ethiopian Investment Policy Implementation Process on Smallholders: Adama and Bosat Districts, Oromia, Ethiopia

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## Abstract

This research explores investment policy implementation process's effects on Ethiopian smallholders, its problems and solutions. International communities experience, related research conducted on the area, theories and models of policy implementation dealt with in conducting this study. Researchers applied quantitative methodology and used questionnaires for collecting data. The internal consistency reliability of the questionnaires recorded 0.789 and 0.927 Cronbach Alpha. The data is collected from 313 respondents selected out of 1475 total population by quota random sampling and analyzed quantitatively using descriptive statistics-frequency, percentage, mean, median and standard deviations.

The research findings show that effects of investment policy implementation process are: encouraging investor and expropriation (.000\*), staffing (.001\*), tax privilege (.011\*), land tenure (.045\*), and compensation (.048\*). This exposed smallholders to high debt, low saving and income, poverty, bad livelihood change, unemployment, crime, health problems,

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human rights and identity violation, conflicts, protests and resistance, seizure of property and high food insecurity.

Results reveals that problems investment policy implementation process caused best solved by 1) making smallholders; shareholders, co-owner and co-founder for any projects/investments carried on their farm land, 2) government should conduct prior policy assessment, 3) integrate smallholders with government and investor in the policy implementation to attain the maximum social gain and achieve policy objectives.

**Keywords:** Adama and Bosat, Oromia, Ethiopia, smallholders, investment, policy implementation, process

## 1. Introduction

The economy of Ethiopia which generates over half (56%) of the country's GDP-more than double the average for Sub-Saharan Africa-and over 80% of the country's export earning is an agricultural based economy of which the production is predominantly in the hands of smallholding farmers (Wiggins, 2009 &Financial Times, 2016). A mere 5 percent of agricultural output comes from big commercial farms trusted important plank as government's strategy to complete a journey from famine to prosperity by the middle of this century (Financial Times, 2016). In the name of poverty eradication, generating foreign exchange, technology and experience share the country opened smallholding farmers' land to both local and foreign investors (Ministry of Finance and Economic Development, 2010).

Investment policy implementation process is a clearing way for the policy implementation. The government takes some activities in order to attract investors in by legislating favorable rules and regulations, coding

fetching motto and slogan, favoring investor than smallholders and local people shifting small-scale to large-scale farming dominated by foreign capital with privileged status (Rahmato, 2011 & Oakland Institute, 2011). Government proclaimed laws and rules for processing investment policy implementation providing several incentives for investors in different forms (Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia, 2012 & 2003). This policy and conditions of leasing land to foreign investor for large scale-commercial farming is labeled as “open door” policy for it favors coming in investors than smallholders and local people by encouraging investors, giving them tax privilege, making smallholders have weak land tenure, ousted land value, paid minimum compensation, if any, and partial expropriation laws (Oakland Institute, 2010; Deininger et al., 2011; Rahmato, 2011; Keeley, M. Seide, Eid, & L. Kidewa, 2014; Gebresenbet, 2016). The rural communities and smallholders are dissatisfied with the low-quality consultation, compensation, land tenure, dispossession and its transaction (Kachika, 2010). More, the motives of Ethiopian policy implementation processes, contrary to the success of Asian’s Green Revolution experience, have been driven by increase in land area cultivated while decreasing in productivity and labor (Chapoto, Mabiso, & Bonsu, 2013).

Leasing out the land to both domestic and foreign investors as investment policy implementation process are not technical rendering for the betterment of the country as the government claims, it is the question of dispossessing, disempowering, making them powerlessness to make their own fortune by evicting smallholders (Gebresenbet, 2016). States involved in a multidimensional areas of land investment. They make a systematic policy and administrative issues targeted at capturing ‘marginal lands’ and convert them into investable commodity (Demissie, 2013). They involve also in the formation of cadasters, land records and titles as a means of

simplifying a complex land-based social relation (Scott 1998; cited in (Borras & Franco, 2013:6- 7). Under land grab discussion the researcher dealt with the expropriation of smallholders on the process of investment policy implementation. Subsequently, as Akram-Lodhi argued land grab as a 'market-led' processes that involves 'the expropriation of producers from their assets through imperfect markets'. This is similar with Harvey's Accumulation by Dispossession (ABD) while labeling it as Possession Accumulation (PA) which is 'the expropriation of producers through extra-economic means. The Ethiopian government re-locates the local people using political power and lowers the land lease rate for the purposive dispossession of people using land reforms that has systematically weakened smallholders (Demssie, 2013; (Zoysa, 2013).

Past studies on foreign and domestic investors investing on smallholders' land reflect lack of attention from government. The domination of smallholders and pastoralists with privileged investors posed a serious threat to long-term sustainability of rural economy, smallholders' livelihoods, and to the goals of achieving food security (Rahmato, 2011). Rahmato's objected to the investment policy because handing over huge land and water resources without making adequate safeguards that the investment projects will contribute to the food security needs of its own people to investors who have energy and food security interests back home will not help the government of one of the most food insecure countries in the world (Rahmato, 2011).

With investment policy, in Ethiopia the already overly subdivided into small and uneconomic units land, resulted generally in fragmented production systems and low productivity (*Salami Adeleke, et al., 2010*). Most importantly, currently, smallholder farmers are being expropriated these pieces of land in the name of development and losing what they have been using for their

necessities diminished their future. As quoted in Araya, farmers hazarded little beyond the expenses which the returns of the year will defray; and not only will all great improvements, but even the most common works of the season, be imperfectly performed if a farmer cannot look to the future with security

Smallholding farmers in general, and Adama and Bosat districts' in particular exposed to massive investment after the coming into effect of the Growth and transformation plan (GTP) in 2010. The GTP focuses on foreign direct investment and industry. Despite the importance of smallholder agriculture, the strategic conceptual and empirical analysis which would guide policymakers and development practitioners in their efforts to revitalize agriculture is sparse. Ethiopian investment policy implementation has specific problems on smallholders' activities but no comprehensive view of the sector was taken (Liverpool-Tasie & Winter-Nelson, 2010).

With this regard, the researchers aimed to study, clarify and articulate effects of Ethiopian investment policy implementation process on smallholding farmers suggesting possible solutions to curb the problems, create conducive economic, political and social life for the smallholders and local communities which will result in the nations betterment.

## 2. Objectives

This study attempts to make contributions; first disclosing the effects of Ethiopian investment policy implementation process on smallholders. Second, revealing effects of investment policy implementation problems on smallholders and third . Third, findings from this study are expected to serve as a valuable and sustainable solutions to the effects of investment policy implementation process Ethiopia is undergoing and will undergo.

### 3. Literature Review

#### 3.1 Policy implementation

Policy implementation has a direct relationship with execution of the government programs laid down in its official documents (Pressman & Wildavsky, 1973). Accordingly, policy implementation is a process of interaction between the setting of goals and actions geared to achieve them (Pressman & Wildavsky, 1984). Mazmanian and Sabatier (1983) put policy implementation as the carrying out of a basic policy decision, usually incorporated in a statute, but which can also take the form of important executive orders or court decisions (Mazmanian & Sabatier, 1983). The analysis of these concepts connotes that public policy incorporates the goals and the aspirations of the government and how it intends to execute. Policy implementation, both one-time efforts to transform decisions into operational terms and continuing efforts to achieve the large and small changes mandated by policy decisions, encompassing actions of public and private individuals or groups directed at achieving objectives set forth in policy decisions (Edoardo & Sandra, 2017).

#### 3.2 Policy implementation theory

With the evolution of implementation researches, two schools of thought developed as to the most effective method for studying and describing policy implementation theory: top-down and bottom-up. The top down approach theorists see policymakers set certain goals and implementation is carried out by setting up certain mechanisms (Palumbo & Calista, 1990). On this, Barret and Fudge argued that, rather than treating implementation as the transmission of policy into a series of consequential actions, the policy-action relationship needs to be regarded as a process of

interactions and negotiation, taking place over time, between those seeking to put policy into effect and those upon whom action depends (Barret & Fudge, 1981).

On the other hand, bottom-up approach theoretic argues that a more realistic understanding of implementation can be gained by looking at a policy from the view of the target population and the service deliverer. The central government devises the program; local organizations react to macro level plans, develop their own programs, and implement them. During the investment policy implementation, a clear compromise to the rights of smallholding farmers is seen contrary to the Ethiopian government's claims posing a threat to the livelihood, income, wage, possession of smallholders (Araya, 2013). The central concern shared by theoretical perspectives on policy implementation, organization and governance is to understand how government organizations interact with their external environment in delivering policies (Conteh, 2013).

The idea is implicit in implementation theory that the actors who plan policy are different from the actors that are responsible for the implementation of policy. In Ethiopia, the power of making policy is vested on the house of people's representative believing that the house acts the will and whim of the people while the executive branch of the government implements. The implementation process is built up around an asymmetric relationship between the policymaker and the implementers of policy. The policymaker may not be the initiators of policy; be that as it may, the theory of implementation assumes that public policy becomes a legitimate concern for implementers once it has been decided upon in formally defined ways. It is accepted that the policymaker and the implementers may be national, regional or local bodies.

Investment policy implementation considers theories and models of policy implementation in handling implementation process. Accordingly, Political system theory treats the government like an organism which responds to inputs and stimuli and creates outputs. The outputs of the political system which is regarded as an authoritative allocation of values constitute public policy. The inputs are demands and support. Demands are the claims for action that individuals and groups like smallholders make to satisfy their interests and values alerting them to some important facets of the political process (Anderson, 2003). What are the demands of smallholders? What does the investment policy implementation process respond? Is it providing supply to their demand? This theory also alerts us to some important facets of the public process, such as these: How do inputs from the environment affect the content of public policy and the operation of the political system? How in turn does public policy affect the environment and subsequent demands for policy action? How well is the political system able to convert demands into public policy and preserve itself over time? (Anderson, J. E., 2003).

Rational-choice argues policymakers pursue their own self-interest instead of any national-interest. In Lipsky's street-level bureaucrat-theory, public service workers are who interact directly with citizens during their jobs, and who have substantial discretion in the execution of their work which includes police officers, teachers, principals, public health workers, public lawyers, court officers, social workers, and many other public employees (Lipsky, 1980; Maynard-Moody & Musheno, 2000; 2003; Hill & Hupe, 2002). From Lipsky's point of view, as quoted in Roh, 2012, street-level bureaucrats hold all the power in determining policy goals and its success because of their individual discretion in enforcing, partially enforcing, or ignoring policies put forth from the legislature and high-level bureaucrats (Roh, 2012).

In rational model theory, the public policy decisions are taken after all possible options or approaches to solve the problem under study are identified and the costs and benefits of each option are assessed and compared with each other. The option that promises to yield the greatest net benefit is selected. It is a policy that achieves “maximum social gain”; that is governments should choose policies resulting in gains to the society that exceeds cost by the greatest amount, and governments should refrain from policies if costs are not exceeded by gain (Dye, 1987). More, organization (adaptive, leadership, management and technical) capacity model offers away for governments to address the effectiveness of organizations capacity it needs to be able to fulfill its mission of maximum social gain (Jack, W.Bartley, & Gerald, 2007).

### **3.3 Investment policy implementation, smallholders and factual information of Adama and Bosat Districts**

Implementation is essentially about trying to accomplish public objectives, the process by which and the structures through which policy is intended to affect societal conditions and outcomes. Implementation is at the core of the discipline of public administration and aims to contribute to the practice of policy. As quoted in Rahmato; Donald Van Meter and Carl Van Horn observed: “Policy Implementation encompasses those actions by public or private individuals (and groups) that are directed at the achievement of goals and objectives set forth in prior policy decisions” (Rahmato, 2011). Ethiopia, like other African nations, is negotiating the long-term leases of its most productive agricultural lands to foreign investors. While there is undoubtedly need for foreign direct investment (FDI) in Ethiopia, there are widespread concerns on the economic, social and political effects it has on smallholding farmers and local people. To substantiate, looking at the

objectives of Ethiopian investment policy and its implementation more clarifies the process of investment policy implementation. Investment policy relates to a country's laws, regulations and practices that directly enables or discourages investment and that enhance the public benefit from investment (Wikipedia, 2012).

Concerning smallholders, its definition differs between countries, and agroecological zones. In favorable areas of Sub-Saharan Africa, of which Ethiopia is one, with high population densities, they often cultivate less than 1 hectare of land, whereas they may cultivate 10 hectares or more in semi-arid areas, or manage 10 head of livestock (Teshome, 2014). Often, no sharp distinction between smallholders and other larger farms is necessary. Often the term 'smallholder' is interchangeably used with 'small-scale', 'resource poor' and sometimes 'peasant farmer'.

Economically, as land is becoming lucrative for foreign agricultural investors, many livelihoods are becoming insecure in Sub-Saharan Africa (SSA) scale farming (Araya, 2013). As quoted in Araya, diplomatically, the investment going on smallholding farmers' land is termed as "foreign investment in land" or "large-scale land acquisitions"; while by critics it is referred as "land grabbing".

The large investment on smallholding farmers in Adama and Bosat districts started back in the 1954 when Wonji Shoa sugar factory- the oldest and pioneer Ethiopia's sugar industry commenced production (Ethiopian Sugar Corporation, 2015). The suitability of districts location, East African Rift, attracts investors to invest sugarcane plantation, cut flowers, industrial zone, real state, and cement factory on the smallholding farmers' land. Since Wonji Shoa sugar factories establishment, investing on the neighbors' smallholding farmers' land never ceased. The factory expanded taking 7,000 hectares out of which 1,000 had been planted by out growers. Tenth of

thousand farmers have been evicted and dispossessed from their land since then. Neither investment policy nor government gave special attention to upgrade the smallholders live.

The two factories agricultural expansion project is currently being carried out at the expense of smallholders in Adama and Bosat districts, located at 8.54°N 39.27°E at an elevation of 1712 meters, 99 km southeast of the capital-Addis Ababa. And the entire surrounding smallholding farmers lost what they have been producing and become day laborer and are receiving small amount of money the factory pay them as out grower farmers after two or three years depending on the sugarcane harvest. The Ethiopian Sugar Development Agency (ESDA), programme to expand production using out growers in Wonji-Shoa in response to the increased demand for sugar from the domestic market, local bio-ethanol production and a preferential European Union (EU) trade agreement. The project is a ‘dividend scheme’ – a type of out grower arrangement with land managed as a block by the investor and smallholders formed into cooperatives and paid as wage laborers. The cooperatives are required to repay the production costs and receive a price negotiated by their farmers’ union, fixed for three years. The first sugarcane harvest, sold at the agreed price, did not cover production costs and the cooperatives were paid nothing. Members are unable to extricate themselves from the scheme as the cooperatives are tied to an indefinite agreement to supply sugar exclusively to Wonji-Shoa. The impact of the plantation on local people differs by class, generation and gender. Only landholders are members of the cooperatives and receive priority access to day labour. Land shortage means that older men tend to be the landowners, while young people are landless resulting in unemployment.

The project quickly ran smallholders into problems for production was a mere percent of what forecasted. Smallholders incur massive debts, and no money to pay wages or buy the sugarcane from out growers on time. Beside sugarcane investment real estate investment goes on in the districts following the expansion of the city. With the city's development and road infrastructures the surrounding farmers are and have been losing their land through expropriation.

### **3.4 The Experiences of International Communities on Investment Policy implementation Process**

A vast body of research demonstrates family farming as a key driver of agricultural productivity growth in economic development and structural transformation. This was observed in many European countries in the late eighteenth century and in Latin America (for example, Brazil, Mexico) and Asia (Japan, Republic of Korea) over the past 40 years while Asian Green revolution is the recent one (International Fund for Agricultural Development, 2014). In fact, studies from around the world focused on the relationship between farm size and agricultural productivity have repeatedly shown that, in general, small farms are more productive than large farms. The relationship has been dubbed the “inverse productivity hypothesis” (S. Wiggins, J. Kirsten and L.Llambi, 2010). Experience from Agricultural Success in Asia (Peacock, 2004; Gulati A., 2005; Hazell P., 2007; Singh R.B., 2002), Kenya's Smallholding Farmers Access to Financial Institutions and Their Success (AGRA and FDCF, 2009), and Indonesia: Partnerships for Food Security (IFAD, 2014) are among the productive smallholders.

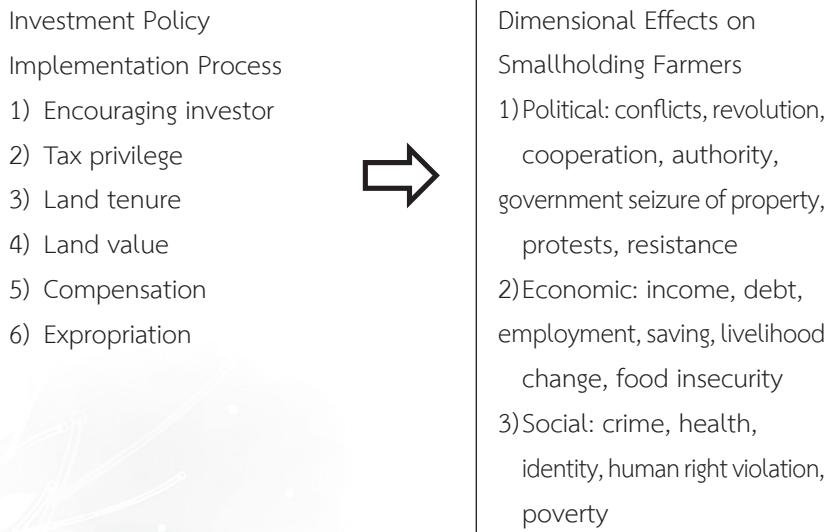
The debate on effects of investment policy on smallholding farmer is hot issue nowadays in development and aid organizations, politicians, academicians and the community at large. The views are mixed whether the

investment brings meaningful benefit to the local community or not. Proponents of “investment” argue that, the investment flow provides the desperately needed capital in agriculture sector in the developing world which leads to infrastructures expansion, creates more jobs and skill, increases the domestic food supply, increases access to market and foreign exchange reserve and these contributes to “sustained” and “broad based development” (World Bank, 2010). And, the then head of the Ethiopian government agency responsible for land leasing, Mr. Essayas Kebede said, “Ethiopia benefits in many ways from land deals that we will receive dollars by exporting food; the farms provide jobs; they import know how; they will help us to boost productivity; and therefore, we will improve food security” (Hedemann, 2011). But Andersen & Robertson, 2010, Theting & Brekke, 2010; Kachika, 2010; Grain, 2008, HRW signaled the dangers associated with leasing land at the expense of smallholder farmers. As to the critic, widespread transfer of rural land to investors mostly comes at the expense of use or control rights of local people over their ancestral land and with a resulting loss of land-based livelihood. This has the effect of placing the balance of social power further away from local communities given the socio-institutional role of land in defining social identity and power relations especially in rural areas.

In conducting this research, many previous researches, proclamations and directives, government documents, articles and media reports are reviewed. But extra attention was given to some of the materials cited above.

#### 4. Conceptual Framework

The objective of this study is to examine the relationship between the investment policy implementation process and dimensional effects on smallholders. Based on the above literature review, a research framework developed as displayed below on figure 1 and illustrated their relationship. In this framework, the investment policy implementation process is an independent variable while dimensional effects on smallholders are dependent variables.



**Figure 1.** Conceptual Framework

#### 5. Research Methodology

In conducting this research, quantitative method applied through inquiries, interviewing people involved in various status such as farmers, zone and districts administrators, teachers, public prosecutors, agricultural department staffs and health officers. Group is the unit of analysis of the

research. The respondents, 313, out of the total population 1475 people are divided into the above mentioned six targeted groups.

The sample of this research is calculated using Taro Yamane formula with 95% confidence level where error doesn't exceed 5% (Taro, 1967).

## 6. Instrument Development

The objective of this research is to study the dimensional effects of investment policy implementation process on smallholders in Ethiopia. To reach such goal, a set of items for studying the dimensional effects of investment policy implementation on smallholders have to be developed. Accordingly, based on thorough review of the literature, expert guidance, and different inputs from advisors the questionnaire developed. Originally, the questionnaire was designed in English. Then, translated into 'Afan Oromo' to make it very clear for the respondents.

The study researched the association of 6 investment policy implementation processes for dimensional effects on smallholders. Measurement statements for each process's construction were identified from previous studies. Highest 5 score and low 1 score used to measure the effects. The investment policy implementation process operated using namely; encouraging investor, tax privilege, land value, land tenure, compensation and expropriation. And dimensional effects are political, economic and social. The survey of questionnaire is a check list and calculated using descriptive statistics for frequency and percentage which includes;

1. Demographic information of the respondents
2. Opinion on the implementation of investment policy on economic, political and social effects
3. Recommendations on the effects of investment policy; economic, political and social

On the measurement and operation of variables proposed in this study and empirical examination included in the model of study. Measurement statements for each construction were identified from previous studies, and developed by author. The questionnaire internal consistency and reliability recorded from 0.789 to 0.927 Cronbach's alpha as displayed in table 1 and 2 respectively below, which is close to 1 proves the variables are highly correlated with the construct.

**Table 1** Reliability of questionnaires on the opinion on the investment policy Implementation

Items	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
A10	.452	.773
A11	.577	.761
A12	.652	.751
B13	.467	.771
B14	.538	.762
B15	.349	.782
C16	.721	.743
C17	.215	.799
C18	.253	.791
D19	.228	.791
D20	.356	.782
D21	.516	.772

Reliability= .789

**Table 2** Reliability of the questionnaires on the dependent variables

Items	Corrected Item-Total	Cronbach's Alpha if Item
	Correlation	Deleted
A31	.635	.923
A32	.743	.920
A33	.750	.920
A34	.686	.922
A35	.733	.921
A36	.747	.922
A37	.674	.922
B38	.533	.925
B39	.648	.923
B310	.648	.923
B311	.618	.923
B312	.660	.923
C314	.461	.931
C315	.590	.924
C316	.218	.930
C317	.729	.921
C318	.732	.921
C319	.739	.922

Reliability statistics = .927

## 7. Data Collection and Analysis

Data is collected using questionnaires and analyzed by a computer program for Social Science Research (Statistical Package for the Social Sciences: SPSS<sup>x</sup> for windows).

## 8. Results

**Table 3** Effects of Ethiopian Investment Policy Implementation Process Smallholders

Factors	Unstandardized		Standardized		T	Sig.
	B	Std. Error	Coefficients	Beta		
(Constant)	5.611	.221			25.443	.000
Encouraging Investor	-.268	.066	-.225	-.225	-4.078	.000*
Tax Privilege	.156	.061	.164	.164	2.560	.011*
Land Tenure Value	-.121	.060	-.129	-.129	-2.017	.045*
Land Value Tenure	.020	.060	.021	.021	.329	.743
Compensation	-.122	.061	-.106	-.106	-1.986	.048*
Expropriation	-.188	.051	-.213	-.213	-3.700	.000*

\*Means the factor is statistically significant

Table 3 shows that encouraging investor, tax privilege, land tenure, compensation and expropriation are statistically significant ( $P<0.05$ ) and have all political, economic and social life effects on smallholders. After running regression analysis, the prediction equation for the effects on the political, economy and social (Y) aspect is  $Y= (-0.268 \text{ Encouraging Investor}) * + (0.156 \text{ Tax Privilege}) * + (-0.121 \text{ Land Tenure}) * + (0.020 \text{ Land Value}) + (-0.122 \text{ Compensation}) + (-0.188 \text{ Expropriation})$

Compensation) \* + (-0.188 Expropriation) \*.

The dimensional effects of Ethiopian investment policy implementation process; encouraging investor and expropriation (.000\*), tax privilege (.011\*), land tenure (.045\*), and compensation (.048\*) are statistically significant with  $P<0.05$ .

Encouraging investor, tax privilege, land tenure, compensation and expropriation's statistical significance disclose investment policy implementation process's political, economic and social life effects on smallholders exposing them to high debt, low saving and income, poverty, bad livelihood change, unemployment, crime, health problems, human rights and identity violation, conflicts, protests and resistance, seizure of property and high food insecurity problems as described below on table 4.

**Table 4** Effects of Ethiopian Investment Policy Implementation Problems on Smallholders

Where, 1 is Low Effect and 5 is the Highest Effect

Factors	5	4	3	2	1	$\bar{x}$	S. D	Level
<b>1. Politics</b>								
1.1 Low cooperation	40	18	12	5.4	25	3.4	1.6	Higher
1.2 High resistance	46	24	13	4.8	13	3.9	1.4	Higher
1.3 High protest	43	20	14	5.8	17	3.7	1.5	Higher
1.4 High government seizure of property	44	19	14	7.7	15	3.7	1.5	Higher
1.5 Low authority of land use right	42	20	15	5.1	18	3.6	1.5	Higher
1.6 High protest	28	28	23	6.1	15	3.5	1.4	Higher

Where, 1 is Low Effect and 5 is the Highest Effect

Factors	5	4	3	2	1	$\bar{X}$	S. D	Level
1.7 High fighting	30	23	25	7	16	3.4	1.4	Higher
<b>Total Average</b>	<b>39</b>	<b>22</b>	<b>16</b>	<b>6</b>	<b>17</b>	<b>3.6</b>	<b>1.5</b>	<b>Higher</b>
<b>2. Economics</b>								
2.1 Low income	44	20	18	7	11	3.8	1.4	Higher
2.2 High debt	42	18	20	7	14	3.7	1.4	Higher
2.3 Low saving	47	16	14	6.7	16	3.7	1.5	Higher
2.4 Low employment	38	18	20	7	17	3.5	1.5	Higher
2.5 High food insecurity	42	20	19	8.6	11	3.7	1.4	Higher
2.6 Bad livelihood change	31	15	18	9.3	27	3.2	1.6	High
<b>Total Average</b>	<b>41</b>	<b>18</b>	<b>18</b>	<b>7.6</b>	<b>16</b>	<b>3.6</b>	<b>1.5</b>	<b>Higher</b>
<b>3. Social</b>								
3.1 High identity violation	40	22	18	5.4	14	3.7	1.4	Higher
3.2 High poverty	43	22	18	6.1	11	3.8	1.3	Higher
3.3 High human rights violation	37	29	17	5.4	12	3.7	1.3	Higher
3.4 Bad health	30	22	20	6.1	21	3.4	1.5	High
3.5 High crime	23	16	19	5.4	37	2.8	1.6	Higher
3.6 High conflict	22	19	12	8.9	38	2.8	1.6	High
<b>Total Average</b>	<b>33</b>	<b>22</b>	<b>17</b>	<b>6.2</b>	<b>22</b>	<b>3.4</b>	<b>1.5</b>	<b>High</b>
<b>Overall average</b>						<b>3.5</b>	<b>1.5</b>	<b>Higher</b>

Table 4 displayed that the overall effects of Ethiopian investment policy implementation problems on smallholder's politics, economy and social life is statistically significant with a higher level ( $\bar{x} = 3.5$ , S. D=1.5). These problems include high debt, low saving and income, poverty, bad livelihood change, unemployment, crime, health problems, human rights and identity violation, conflicts, protests and resistance, seizure of property and high food insecurity effects on the smallholders.

Table 4 displayed that the overall respondents' opinions on the effects of investment policy implementation on politics, economy and social in Adama and Boset districts is at a higher level ( $\bar{x} = 3.5$ , S.D=1.5). Politics is with a higher level ( $\bar{x} = 3.6$ , S.D=1.5) economy coming next at higher level with ( $\bar{x} = 3.6$ , S.D=1.5) followed by social at a high level, too, with ( $\bar{x} = 3.4$ , S.D=1.5).

As indicated in the table investment policy implementation has high political effects on the Adama and Boset districts smallholding farmers ( $\bar{x} = 3.6$ , S.D=1.5). From the table, it is observed that the Adama and Boset districts have high political effects of investment policy implementation of low cooperation from government; high resistance and protest of the smallholders, high government seizure of property in the districts, low authority of land use right, high protest and fighting.

Regarding the economic effects, table 4 revealed that the investment policy implementation has higher economic effects on the Adama and Boset districts smallholding farmers ( $\bar{x} = 3.6$ , S.D=1.5). Accordingly, the smallholding farmers have economic effects of low income, high debt, low saving, low employment, and high food insecurity followed by high bad livelihood.

On social life effects, it is disclosed in the table 4 that the investment policy implementation has high social life effects on Adama and Boset districts smallholding farmers ( $\bar{x} = 3.4$ , S.D=1.5). Putting them in descending

order, investment policy implementation has higher social life effects of poverty, human rights violation and crime followed by high health problems and conflicts on Adama and Boset districts smallholding farmers.

## 9. Discussion

Smallholding farmers cleared from their land for the investment policy implementation, however, left unemployed in the project just to became occasional day laborer with little payment. As a result, the communities' economy remained undeveloped. Smallholders evicted from their land paid \$60 (1200 Ethiopian birr) upon repay per month per hectare as an out grower for the fallowing lasted for 3 years. After the harvest, production cost added on what they have been paid, and investor paid smallholders little money complaining that the production couldn't even cover the cost. Unsatisfied with the payment smallholders remonstrate calculation of the price lacks transparency for they received lumpsum of what they have no idea of its calculation after waiting for 1 to 3 years. As a result, smallholders fall in debt, food insecurity, health problems, and forced to leave their birthplace in search of job. As there is no more farming, buying food from market became a difficult routine for smallholders as they don't make enough money to afford.

Investment policy implementation process brought chained effects on smallholders and locals. It caused unemployment which resulted from poor jobs creation of the investment policy. Jobless smallholders ended up with low income, if any, and poor life than before.

Among the theories and models of policy implementation, the rational model states public policy decisions should be taken after all possible options or approaches of solving the problems under study are

identified, costs and benefits of each option assessed (Dye, 1987). Despite this theory's claims, the Ethiopian smallholding problems haven't been studied well. What were and are the problems of those smallholding farmers? What accessibilities and facilities do they have and lacks? What benefits the undergoing investment will provide them? What problems will it bring? and for other similar questions substantial surveys weren't conducted, and as a result encouraging investor left without achieving the maximum social gain. Organizational capacity model depicts, bare encouraging investor will not achieve the policy's objectives if organizational capacity elements don't meet (Jack, W.Bartley, & Gerald, 2007). Accordingly, the Ethiopian investment policy implementation lacked adaptive capacity as the project fail to include and adapt the smallholders complain which would have helped it for effective implementation. More, it backslides from having leadership capacity displayed in an ineffective communication between government, investors, smallholders and local people. Moreover, it mismanaged-the biggest and only resource found in the hands of smallholders-the land! The coming in investors expected to manage farm land properly both in terms of production and farming style to lift up the life of smallholders and local people. Nevertheless, the exclusion of farmers from their land and incurring political and socioeconomic costs reflected the mismanagement of the resource that would have been enough to change the life of smallholders had used properly. Further, it slipped from providing and having technical capacity support for smallholders and local people on how to become beneficiary from the project.

The policy of investment encouraging investor and giving tax privilege, *inter alia*, came into picture to help the government pursue its self-interest-transfer the smallholding farmers land into investor and earn foreign currency from investors letting them export their products to create smooth

diplomatic relations with investor's country at the expense of smallholder.

*The investment regulation 84/2003 outlines a slew of taxes and duty exemptions available to investors* (Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia, 2003).

Waving tax inclined the investors to produce for export or supply to an exporter which has effects both on the present and future benefits of the country and people. Export oriented investment with tax privilege plausibly leave the bare smallholders in dilemma of food insecurity, technological and economic advancement as the investors produce and ship out of the country, no tax and revenue levied on import and/or export, hiring and firing workers depends on investors, doing whatever they [investors] pleased on the leased land is their business, nothing is put in place in the lease contract to protect the interest of smallholders and local people, and assuming just to satisfy local needs and country's demand with the foreign currency will not help to forward and change the nations or smallholders life (Financial Times, 2016; Oakland Institute & Rahmato, 2011).

The tax waver has effects on the political, economic and social life of the smallholding farmers for it is not balanced and used for the intended purposes. The investors were waved tax to serve the society with basic infrastructures and create job opportunities. However, as the investors have energy and food problem back home, they couldn't help smallholders and locals let alone keep their promises (Oakland Institute, 2011).

The interviewed respondents say that they have never said a value of the land they hold this much because they were not part of the deal. The administrators dealt with investors on the land value. The smallholders' land transferred into investors without a proprietary nature for the smallholders are given the status of 'out grower'-they act as a producer of sugarcane (smallholders whose farm land taken for sugarcane plantation)

on the land they used to farm and then supply it to the factory of which they have no idea how its price calculated. They need to wait 1 to 3 years and receive with thanks what the factory pays them as they have no information on the calculation of the price to complain.

The smallholders are forced to transfer the land they were using with no compensation. They were told that their land remains under their hold, and they are out growers which enable them to make income from the product. Even, the smallholders and locals including their sons and daughters were promised to be employed in the project. However, the investor hired workers from other places without giving priority to locals (Araya, 2013).

Before the land transferred into investors there were trees and some houses on the land. The smallholders and locals use those trees for construction, fire-woods and commercial purposes. The smallholders haven't been paid compensation for the trees and houses though the investment project workers counted and estimated their prices. Other smallholding farmers land were taken for reservoir, storehouses, stations upon dirt cheap payment without any technical support on how to use the compensation paid, if any. More, the compensation paid wasn't adequate, prompt and efficient. It didn't match the permanent loss of their land (Oakland Institute, 2011).

Rain water reservoir, construction sands and gravel produced from rainy season rivers and trees were expropriated from smallholders. The local people and youth used to be organized in small micro enterprise and produced sands and gravel from the rainy season rivers. After the smallholding farmers land transferred to the investor, the latter diverted the direction of the rainy season river to another district making it unusable without compensating the small micro enterprise members. The small micro

enterprise members divested and ended up being day laborer. Though it is a constitutional right to get compensation in case of expropriation it wasn't respected (Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia , 1995; Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia , 2005; Rahmato, 2011).

### **The effects of the investment policy implementation on smallholding farmers and its solution**

The discussion and analysis of the research disclosed that the objectives of the investment policy-food security, economic strength, technology transfer, experience etc. didn't happen for the smallholders and local people. The smallholders and local people couldn't share and apply technologies and experiences as they don't have a place to implement them. The investor came in; smallholders and locals evicted from their land resulting in livelihood change. Their relationship with the investor remained employer and employee which shouldn't supposed to be.

To overcome the effects and problems of Ethiopian investment policy implementation process, the researcher suggests 'Integrated government, investor and smallholding investment policy implementation (IGISIPI)'. IGISIPI will solve effects of Ethiopian investment policy implementation process on smallholders from root allowing smallholders become shareholder, co-founder and co-owner of any project running on the land they use taking land's value as a capital instead of forcing them transfer their land. More, it advocates changing the employer-employee relationship of investor and smallholder and local people by integrating them.

Appropriately applied IGISIPI will integrate techniques, make smallholders and locals self- sufficient, vastly improve smallholders and

locals' life while at the same time reduce the poor policy performance and worries of all; smallholders, investor and government. It should be noted that for policies to be successful it should involve target groups and open doors for inclusion. Such participation will give the target groups-smallholders and locals a sense of belonging as well as get them committed to do all they can for the policy's success.

Accordingly, IGISIPI will reconcile both sides and open a platform for successful policy implementation securing all parties mutual interest. IGISIPI strengthens smallholders land holding right, preserve communities' identity, creates the feeling of project ownership in the smallholders and local people hence reducing hostility against the investors boosting the spirit of working together for socio-economic betterment.

#### **Integrating Government, Investor and Smallholders in Investment Policy Implementation (IGISIIP)**

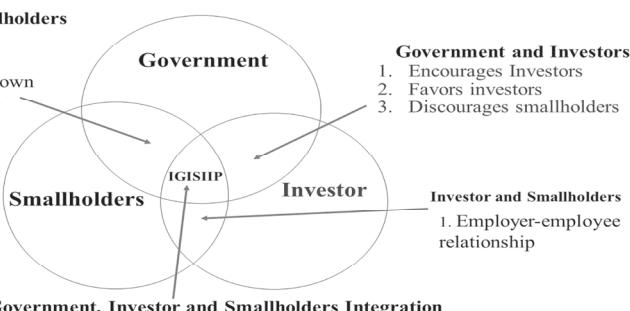
##### **Government and Smallholders**

1. State knows all
2. Favors investors
3. Designs policy top down
4. Ignores smallholders

##### **Government**

##### **Government and Investors**

1. Encourages Investors
2. Favors investors
3. Discourages smallholders



##### **Government, Investor and Smallholders Integration**

1. Policy objective focus
2. Maximum social gain-reduces socio-political and economic effects of investment policy implementation by making smallholders co-founder, co-owners and shareholders
3. Mutual benefits- allows target groups and all stakeholders participation
4. Reserves farm lands for smallholders

**Figure 2.** Integrated government, investor and smallholder investment policy implementation (Author's elaboration)

## 10. Conclusion

The Ethiopian investment policy implementation which begins claiming investors will bring opportunities in transforming farming style, building irrigation, infrastructure, creating jobs, and transferring technology, securing food security, etc. has ended up having dimensional effects on smallholders. The effects happened to smallholders emerged through process of investment policy implementation. The process of policy implementation: encouraging the investor, tax privilege, land tenure, land value, compensation and expropriations brought negative effects on smallholders.

The research findings indicated that encouraging investor, tax privilege, land tenure, compensation and expropriation have high effects on the political, economic and social life of Ethiopian smallholders. The smallholding farmers and local people are highly suffered of protest, revolution, low cooperation, lack of authority on their farm land, government seizure of property, resistance, low income, high debt, unemployment, low saving, food insecurity, crime, deterioration of identity, human right violation and poverty. The research's result disclosed that absence of job opportunity, non-participation of smallholders and locals in the project, tax waver for the investor, weak land tenure security and the smallholders right with leased land, in prompt, inadequate and inefficient of compensations paid are the main dimensional effects of the investment policy implementation process.

The finding implies the Ethiopian investment policy favors investor while giving little attention for smallholders and locals. After the land transferred, both the government and investors became reluctant to keep their promises for smallholders and locals. Consequently, the smallholders forced to become day laborers with cheap payment, jobless, landless, unable

to afford for food. Consequently, the discussion analysis unearthed integrated investor and smallholder investment policy implementation (IISIPI) is necessary to overcome the effects of the policy implementation. The IISIPI intended to end up the employer-employee relationship while respecting all parties mutual interest letting smallholders become shareholder, co-founder and co-owner of any project or investment running on their lands helping them overcome political, economic and social problems as well as achieving the very objectives of Ethiopian investment policy.

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