

Abstract

Land in Ethiopia has been state-owned and subjected to frequent re-distribution; and most importantly, the timing of these re-distributions is uncertain for the individual farmer. It is widely acknowledged that where property rights become un-secured, production falls largely due to uncertainty and lack of confidence. Restricted land transferability rights may also hinder the land's collateral value and lenders expected return. Accordingly, present land tenure insecurity and restricted transfer rights appear to be discouraging farmers to invest and diversify on long-time horizon high return crops and pushing back into low return, subsistence production of single period crops. This suggests a major efficiency loss in the farming systems such that alternative crops are limited and much land is devoted to low return staple food crops i.e. less of crop diversification. Rural women, in particular widows and women-headed households, often have weaker land rights and as a result are among the most vulnerable in a society.

Using a unique cross-section data set conducted in the Amhara region with 500 households in 1999 by the International Food Policy Research Institute (IFPRI), International Livestock Research Institute (ILRI), and the Amhara Region Agricultural Research Institute (ARARI), this study investigates whether land tenure security and transfer rights affect household investment decisions, focusing on crop choice and diversification towards high income generating perennial cash crops. The analyses were conducted under two major assumptions: Where land tenure security is exogenously given and where tenure security is endogenous. The findings offer a strong support for the hypothesis that the possession of a land ownership title and transfer rights, are associated with a greater likelihood of farmers opting for perennial crops and better diversification towards high-valued crops. The case studies reported in this paper also pointed out that households with relatively better accessibility to credit services, market services, irrigation, labor, etc have a better chance to diversify high-valued crops. On the other hand, the study found no evidence for size of landholdings to affect household's decisions on crop choice and diversification.

The findings imply the need for improving the land tenure policy and institutions in such a way to ensure security of land tenure and land transaction in order to enhance efficient crop production, better rural household income, and food security. However, it should be noted that land tenure security and transfer rights alone would not be a panacea to solve all problems related to low agricultural investment and land productivity. Thus, the key to success for proper land tenure policy and transfer rights to improve the livelihoods of small scale farmers in Ethiopia lies in the interaction of all development strategies and efforts in tackling policy distortions and institutional constraints.