Foundation fiat panis

**Hans H. Ruthenberg-Graduierten-Förderpreis 2011/**

**Hans H. Ruthenberg Award for Graduates 2011**

Andrea Bues "Agricultural Foreign Direct Investment, Water Rights and Conflict – an Institutional Analysis from Ethiopia"

Humboldt University of Berlin, 2010

Supervisor: Dr. Insa Theesfeld

Summary


This study focused on institutional change and conflict due to agricultural foreign direct investment. For the case study, the study disclosed a change in the overall institutional arrangement in water management, a change in water rights, and the eruption of conflict. The institutional arrangement of water management before the investors settled in the area can be regarded as common-pool resource management. The study found that this arrangement changed in several regards, but as no direct governmental involvement took place, it can still be characterised as a common-pool arrangement, but with highly unequal users. As water rights are determined and shaped by the institutional arrangement present, water rights in the case study changed as well when the investment farms settled in the area. This change in water rights was described using three different pathways of changing water rights. These were (1), a direct and explicit change in water rights, (2), a change in water rights due to a change in land rights, and (3), a change in the execution of water rights because of hydrological and social factors. The study found that both blue and green water rights were intrinsically tied to land rights and changed accordingly, while blue water withdrawal rights changed explicitly and partly shifted from local farmers to the investors. While hydrological factors assumed beforehand did not apply, social factors in terms of bribery did occur and restricted the previously unconstrained execution of local farmers' water rights.

The change of the overall institutional setting was explained by the distributive bargaining theory of institutional change, and conflicts were explained as the by-product of the institutional change that occurred to the common-property water allocation regime of local farmers. Ultimately, the new institutional setting proved to distributionally favour the investors. The reasons that such an agreement came into existence was explained by the relative power asymmetries between local farmers and investors, particularly regarding the three aspects resource dependence, education and knowledge, and governmental support. Those three power resources enabled the investment farms, with indirect support of the government, to establish an organisation that was meant as a platform for conflict-resolution, but practically served as a mean to justify the re-allocation of water rights to the investment farms' benefit.

As the whole resource setting and the traits of the actors in terms of their power resources are characteristics of agricultural foreign direct investment in a low-income country, the dynamics are likely to be repeated in other settings. Therefore, the study is highly relevant when investigating the possible consequences of agricultural FDI on the local water situation.