

POLICYBRIEF

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Enhancing the Development Potential of South-South Migration

Evidence from the Ethiopia-South Africa Corridor

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Recommended policy actions:

- Ethiopia should secure bilateral labour agreements with South Africa to ensure that the rights of migrants are protected.
- A moratorium should be placed on informal land markets to address rising inequality and protect farmers from migrant land speculators.
- Efforts are needed to improve the investment climate to incentivize and channel migrant investments into productive sectors.
- Investment opportunities should be tailored to migrant needs and comparative advantages – and migrants should be encouraged to develop a sense of social responsibility.
- Joint investment ventures are needed to increase the visibility of migrants and strengthen their voices vis-à-vis government stakeholders.
- Providing business skills training for returnee migrants can ensure that investments generate wider development impacts.

Introduction

South Africa is Ethiopia's major destination country for south-south migration. Most migrants originate in Hadiya in southern Ethiopia. Drawing on research undertaken among Hadiya migrants and their families, this policy brief looks at the transformational role of remittances and migrant investments, the challenges migrants face en route to and within South Africa and in Hadiya upon their return, and considers policy interventions to enhance the development potential of migration.

Although migration to South Africa has generated transformative change, with significant transfers of both capital and skills and a new positive sense of self, there are downsides: increasing inequality between migrant and non-migrant households and urban land speculation that has displaced farmers and pushed land prices beyond the means of most households.

The History of Hadiya Migration to South Africa

The Hadiya number around 1.2 million.¹ Although exact figures are unknown, the Hadiya migrant community in South Africa is estimated to be around 100,000 people.² Hadiya migrants are mainly engaged in South Africa's informal economy, running shops in townships and in the business districts of major cities, particularly Johannesburg, Durban, and Cape Town.

Internal agricultural labour migration has long been a feature of Hadiya society. This 'mobility norm' and positive perceptions of life in Johannesburg and other destination cities have fueled recent movements to South Africa, cutting deep into Hadiya's social fabric and displacing other forms of socioeconomic mobility. Social and political networks have grown throughout the migration process to overcome risks. Hadiya migrants in South Africa,³ like other migrants, are subjected to growing xenophobic attacks and robberies.⁴

The Impacts of Migration

Migration Redresses Regional Inequality within Ethiopia

Hadiya society is part of the broader southern Ethiopian periphery that has been subjected to political marginalization, economic exclusion, and social discrimination since its full incorporation into the Ethiopian polity during the nineteenth century. The adaptation to a radically new South African context where many Hadiya migrants are thriving – despite an initial gap in skills and cultural competence – has encouraged new forms of self and collective consciousness which are accelerating processes of social change, encouraging the emergence of an assertive citizenry, and restructuring the long-standing centre-periphery relationship with northern Ethiopia. Migration to South Africa has also unlocked Hadiya's potential for growth. Above all, this is expressed in the form of much-needed business skills and entrepreneurial drive more broadly.

The Emergence of Hosanna as an Economic Hub

The dynamic flow of finance along the Ethiopia-South Africa corridor is most visible in Hosanna, Hadiya's capital. Hadiya migrants have sent a considerable amount of remittances to support families and are also engaged in philanthropic activities such as financially supporting local development projects, including the construction of small bridges, rural

roads, and local churches. Some successful migrants have contributed to national development projects, for instance through the purchase of bonds that fund construction of the Great Ethiopian Renaissance Dam, the country's flagship development project. There has also been increased investment flowing into small and big businesses in Hadiya, particularly those in the service sector, such as public transport. An estimated 70 per cent of public buses in Hadiya are owned and run by returnees and migrant families.⁵

The proliferation of government and private banks is testimony to this flow of finance. A decade ago, there was only one commercial bank in Hosanna. Currently, all of Ethiopia's 17 banks operate in the town and Hadiya enjoys a very high level of financial inclusion. Hosanna now has 80 bank branches and the third highest number of bank deposits in Ethiopia. Evidence obtained from interviews with bank managers suggests annual deposit mobilization by State-owned commercial banks now reaches 4 billion Birr. High remittance inflows have helped to integrate Hadiya with the global economy and commercial activities are supported by a growing ecosystem of business development services.

The Transnational Transfer of Ideas and Knowledge

Exposed to South Africa's private sector-led development model, returnee migrants often criticize Ethiopia's State-led approach. Witnessing the technological capabilities of South Africa has also inspired some migrants to contribute to the transfer of technology. The import of agricultural technology, for instance, could potentially increase regional food security.

Nearly all of the return migrants contributing to local and national level development processes lack formal education beyond high school. They owe their entrepreneurial drive, skills, and resilience to migration – all crucial for establishing businesses and building the individual and collective agency that now enables the Hadiya to negotiate their historic marginality.

A Blessing Turning into a Curse?

Despite the many positives, migration also has a darker side. The journey to South Africa is perilous and the extent of xenophobic violence is rising.⁶ The vulnerability of Hadiya

1 See www.statsethiopia.gov.et/census-2007-2/.

2 Information obtained from Hadiya Zone Administration.

3 Dereje Feyissa "Beyond Economics: The Role of Socio-Political Factors in Hadiya Migration to South Africa," *Zanj: The Journal of Critical Global South Studies* Volume 5 Issue 1/2 (2022): 35–58. Available at: <https://www.jstor.org/stable/48676305>.

4 Yordanos S. Estifanos and Laura Freeman, "Shifts in the Trend and Nature of Migration in the Ethiopia-South Africa Migration Corridor," *Zanj: The Journal of Critical Global South Studies* Volume 5 Issue 1/2 (2022): 59–75. Available at: <https://www.jstor.org/stable/48676306>.

5 Girmachew Adugna, "Migration Patterns and Emigrants' Transnational Activities: Comparative Findings from Two Migrant Origin Areas in Ethiopia," *Comparative Migration Studies* Volume 7 Issue 1 (2019), p. 5. Available at: <https://comparativemigrationstudies.springeropen.com/articles/10.1186/s40878-018-0107-1>.

6 "South Africa has taken a dangerously xenophobic turn," *The Economist*, 9 June 2022, <https://www.economist.com/leaders/2022/06/09/south-africa-has-taken-a-dangerously-xenophobic-turn>.

migrants en route to and within South Africa emanates from their precarious existence; nearly all migrants are irregular and lack protection rights.

The development potential of migration is also undermined by the non-productive consumption of remittances by migrant families, which contributes to rising costs, and the changing pattern of migrant investments. Despite State ownership of land, an informal land market fuelled by urban land speculation⁷ and migrants 'buying' land from farmers in the rural areas surrounding Hosanna, has brought about a rapid process of peri-urbanization. This has resulted in a spike in the price of land, pushing prices beyond the reach of many families. Land prices in Hosanna can be more expensive than those in Addis Ababa.⁸

This rapid process of peri-urbanization is not planned and involves unequal transactions between land speculators (mainly migrants) and farmers. Fearing they might lose their land to the Government for 'development purposes,' and responding to new market incentives, farmers sell up with what appears to be a favourable price. But this has proven to be counterproductive, especially in the context of rising inflation. Most farmers spend the money they acquire on consumer goods or venture into businesses without considering their profitability. Many soon find themselves without money or land. Unequal transactions have generated a looming social conflict as some dispossessed farmers attempt to reclaim land lost to speculators.

Overall, there is a favourable investment policy in Ethiopia both at the national and local levels. Investors, including migrant investors of Ethiopian origin, are entitled to free access to land, provided that development benefits communities, for example through generating employment opportunities.⁹ But in Hadiya, as elsewhere in Ethiopia, there is a gap between policy and practice. Migrant investors complain that it is increasingly difficult to access investment land. As a last resort, they opt to purchase land from farmers, expecting local officials to eventually recognize their purchases as 'investment land.'

When this does not happen, however, they face two important repercussions. Firstly, they are unable to obtain investment licenses that enable the importation of capital goods duty free – frustrating those who are keen to import technologies from South Africa. Secondly, they are vulnerable to reverse claims by farmers who retain usufruct rights to the land. In response, some migrants decide to invest their money in Addis Ababa or return to South Africa.

Policy Implications

To mitigate the negative impacts of migration and harness its development potential in the specific context of Hadiya, the following actions are recommended:

1. The Ethiopian Government needs to strengthen migrant protection through a bilateral labour agreement with the South African Government.

A bilateral labour agreement would not only protect migrants' safety and rights en route to, and within South Africa, but also lead to 'regularization' and thereby help redirect remittances and investments through formal channels. Currently, most remittances from South Africa are transferred through informal channels, preventing the Ethiopian Government from accessing much-needed foreign currency.

2. The Intergovernmental Authority for Development (IGAD), the regional economic community for the Horn of Africa, should support the regularization of labour migration to South Africa as part of a continental integration scheme.

Regional and international organizations have tended to focus less on South-South migration from the Horn of Africa to South Africa than South-North migration. Regional organizations such as IGAD should therefore deepen their existing partnerships with local academic institutions such as Wachemo University and research projects such as the MIDEQ Hub to initiate effective evidence-based advocacy efforts to regularize cross-border movements and secure protection for migrants.

7 Dereje Feyissa, Meron Zeleke, and Fana Gebresenbet, "Migration as a Collective Project in the Global South: Ethnographic Examples from the Ethiopia-South Africa Corridor," *Palgrave Handbook on South-South Migration and Inequality* eds. Heaven Crawley and Joseph Teye (London: Springer, forthcoming).

8 The increase in the value of urban land and scarcity have induced private investors to look out for opportunities in rural areas surrounding towns and cities. This demand has created a new informal land market, further reinforced by the insecurity faced by farmers who could potentially have their land appropriated by the Government for investment purposes. In Hosanna, as elsewhere in Ethiopia, this has led to the informal transfer of farmers' usufruct rights (which includes the right to build houses) to land brokers. The transaction is based on trust since formal ownership remains with the farmers.

9 Ethiopian Investment Commission, "Investment Proclamation No. 1180/2020," UNCTAD, last accessed 13 March 2023, <https://investmentpolicy.unctad.org/investment-laws/laws/318/ethiopia-investment-proclamation-no1180-2020>.

3. The Hadiya Zonal Government should place a moratorium on the informal land market in order to protect farmers from land speculators.

This legal protection would not only help to contain land dispossession but also address growing inequality within Hadiya society and redirect capital to more productive sectors.

4. The Hadiya Zonal Government should improve the local investment climate – helping to incentivize and redirect migrant investments from land speculation into productive sectors.

The Hadiya Zone is a unique case in Ethiopia where vibrant private investment is constrained by the public sector. The local government should therefore increase public investments in infrastructure and social services and create incentive packages.

5. The Hadiya Zone Investment Office should make use of the Migrants' Investment Guide, currently being developed by MIDEQ.¹⁰

Other concrete actions could include the provision of 'one stop' services for migrant investors, tailored to their specific needs and comparative advantages and encouraging them to invest with a sense of social responsibility.

6. Hadiya migrants should be encouraged to consolidate their capital for a more synergetic and impactful contribution to the socioeconomic transformation of Hadiya society.

Initiating joint ventures could also increase their visibility and voice vis-a-vis government stakeholders. The efforts of Home Town Associations should be synergized for greater development impact.

7. The Hadiya Development Association (HDA), a quasi government institution, needs to regain credibility as a trusted agent in the mobilization of migrants for development purposes.

Previous fundraising efforts by the HDA among Hadiya migrants in South Africa did not bear fruit. There is an urgent need for the HDA to connect with Hadiya migrant community associations and mobilize resources in a result-oriented and systematic manner.

8. International development organizations and the International Organization for Migration should provide tailored business skills training.

These should target returning migrants who are keen to invest in productive sectors but lack the requisite skillset. The framing of these training initiatives – which currently target so-called 'failed' migrants – also needs to change.

¹⁰ Getachew Teklenariam, *Guide to Investing in Hadiya Zone* (forthcoming). The investment guide will be available at <https://www.mideq.org/en/migration-corridors/ethiopia-south-africa/>.

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