Chapter 8
Explaining International Land Transactions in Africa

Yohannes G. Hailu
United Nations Commission for Africa, Rwanda

Henry Akaeze
Michigan State University, USA

Adesoji Adelaja
Michigan State University, USA

Steve Hanson
Michigan State University, USA

ABSTRACT

Rising global food prices and demand for biofuels have recently heightened global interests in agricultural land resources in Africa, resulting in increased International Land Transactions (ILTs). While opponents of ILTs have dubbed it "land grabbing," proponents welcome the opening of Africa's agriculture to foreign direct investment. Limited empirical work exists explaining the motivations of investor and host countries. This chapter attempts to expand the literature by providing an empirical explanation of country land targeting behavior. As the debate on "land grabbing" intensifies, understanding motivations of various actors in the land market becomes relevant.

1. INTRODUCTION

We define International Land Transactions (ILTs) as "substantive land purchase or lease arrangements, or agreements, which involve participants from more than one nation." Each transaction involves at least one host country (on the sale side of the market) and one buyer entity (which can be a foreign government, business, group of individuals or institutional investors, or combinations thereof). ILTs range from outright International Land Acquisitions (ILAs) to International Land Leases (ILLs). ILTs have recently become an important issue of concern (Mann and Smaller 2010; Aarts 2009; Robertson and Per 2010; Borras and Franco 2010a; Braun and Meinzen-Dick 2009), especially amongst international equity- and fairness-based organizations, Western donor countries and international financial organizations. However, little is known about why some African countries are

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targeted for land transactions and why some host governments may be more interested than others. This chapter focuses on these issues.

The United Nations Food and Agriculture Organization (FAO) estimates that between 2007 and 2010, some 20 million hectares of African land was acquired by foreign entities, with many such acquisitions involving more than 10,000 hectares and several more than 500,000 hectares (see Graham et al. 2010). The International Food Policy Research Institute (IFPRI) suggests that approximately 20 million hectares changed hands in the form of land grabs between 2005 and 2009 (see Borras et al. 2010b; Braun and Meinzen-Dick 2009). The World Bank similarly reports that 45 million hectares changed hands globally and that half of the global transactions have taken place in Africa (Deininger et al. 2011). Cotula et al. (2009) report that sub-Saharan Africa has become the site of the most speculative land deals, while Zoomers (2011) and Visser and Spoor (2011) indicate that major areas in Africa are being targeted for commodity and fuel crops investments and ecosystem services.

ILTs are certainly nothing new in many parts of the world.[1] For decades, governments and businesses have ventured into other countries to acquire or lease land for a variety of reasons.[2] However, the recent spike in the frequency of ILTs has sparked significant debate about the causes and appropriateness of these activities (Duanglak 2010; Cotula et al. 2009; Mann and Smaller 2010; Daniel and Mittal 2009). The scope and magnitude of ILTs were dismal in Africa until more recent years. The fact that Africa, a continent where most countries face significant food security challenges and which has previously been passed over by large-scale global private and public investors, is the focus of most deals is intriguing. In fact, most participants in the debate on ILTs in Africa have largely dubbed it "land grabbing," which connotes that these transactions are driven by motives tied to the control of productive resources for speculative purposes and/or exploitation of local people and governments (Daniel and Mittal 2009; Li 2011). Opponents of ILTs often cite the high degree of asymmetry in the knowledge bases of targeted countries (sellers) and targeting countries (buyers) which puts the former at a disadvantage at the negotiating table (Schutter 2011).

One rationale for equating the large-scale incidents of ILTs in Africa to "land grabbing" is the fact that these activities spiked following the global food and commodity prices of 2007/2008. Another is that the incidence is heavily focused on Africa. The economic assumption behind this thinking, of course, is that when resource prices rise significantly, alternatives become attractive, and buyers shift more of their land demand toward those places that had previously been considered more risky, or less valuable. This storyline fits well with the African situation in that it explains ILTs in the context of a global competition for resources. The concept of "land grabbing" then becomes relevant only if one can prove that this shift of focus towards Africa goes well beyond the normal location substitution with respect to input source, and that resource buyers also have speculative motives which encourage them to hoard more land (or resources) than would be typical given the impetus of global price hikes and resource shortage. Proving "hoarding" or "speculative" behavior requires evidence of interest in long-term capital gains, which has not been provided in the literature. While some of the actors in ILTs in Africa may indeed have speculative motives, it is plausible that the motivations of others are consistent with standard optimal business or government behavior, which seeks to maximize food security and access to critical assets for food production.

Whether or not ILT activities in Africa qualify as land grabs, the major international organizations have dubbed it as such. The World Bank (WB), the Millennium Challenge Corporation (MCC), the Alliance for a Green Revolution in Africa (AGRA), the US Agency for International Development (USAID), the United Nations Food

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