Large-Scale Land Acquisitions for Investment in Uganda: Can it Yield Equitable Benefits for Smallholder Farmers?

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Abstract

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In the wake of the increasing food prices and the subsequent Global Financial Crisis (GFC), with over one billion people going hungry, Large-Scale Land Acquisitions (LSLA) have attracted considerable interests in developing countries. The purchase or lease of land by wealthy, food-insecure nations and private investors from mostly poor, developing nations in order to produce food crops for export is gaining momentum. In the attempt of fighting poverty, create employment and transform agricultural development, many developing countries have attracted investors with promises of making big land offers or leases for investment. In turn, host countries are promised positive investment returns in agricultural development, infrastructure, education, and employment creation. However, evidence shows that little or none of these promises made by investors are fulfilled yet land and water rights, food security and livelihood of local people remain at stake. It is estimated that between 15 and 20 million hectares of farmland in developing countries have been subject to transactions or negotiations involving foreign investors since 2006. Like many other developing countries, Uganda is a major target for LSLA. Uganda is witnessing an increasing number of large-scale land investments-mostly by investors (domestic and foreign) who are mainly driven by speculative motives due to the rapid increase in land prices. The interests of foreign investors are mainly spurred by concerns of food insecurity in their countries as well as the expanding markets for bio-fuels. Also the current global financial crisis has increased their fears and prompted them to embrace massive investment in land development, normally viewed by them as "the safest investment in developing countries". Investors therefore, target governments with weak land governance and/or where the implementation of land policies is rather feeble.

Uganda has just finalised a widely consultative National Land Policy development process, the challenge ahead is how this policy will be implemented in an environment that is chronically infected by institutional corruption in the land sector. Although Section 89(1: a) of the Land Policy plans to regulate the amount of land investors can access in Uganda, in reality, the amount of land allocation entirely depends on the use that land will be put to and this decision is basically done by the 'investor' and government agencies. This encourages brokering deals that allow large swaths of fertile lands to end up in the control of foreigners. Of recent, Uganda is facing a number of itching socio-economic problems ranging from rising food and sugar prices, increasing fuel prices and a sudden rise in inflation to double digits which has not been seen before in Uganda in the last two decades. The position of Uganda's President to resuscitate the economy from this crisis has resurrected his 2007 attempts of giving large chunks of land in Mabira Tropical Forest Reserve to Mehta Group to grow more sugarcane and increase sugar production. Similar aggressive approaches have been orchestrated by the president and a section of politicians to grant Madhvani over 40,000ha of land for

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sugar growing in Amuru district. Although the investor intends to lease a small portion of this land to about 1,000 out-grower smallholder farmers, who in turn will pay unspecified rents on the piece of land leased to them by the 'investor'. The President's decision has been vividly opposed by many traditional and religious leaders, CSOs, opposition politicians including members of the ruling party – the National Resistance Movement (NRM). Despite the resistance, the decision still stands while the motivations behind it remain fuzzy. This has continued to raise several questions like why is Uganda becoming a major target for large-scale land acquisitions? What drivers are behind such LSLA and what benefits do Ugandan smallholder famers stand to gains from such kinds of investment deals? This paper ties to answer these pertinent questions and recommendations basic solutions to how LSLA should be handled in Uganda.

Key Words: **Large-Scale Land Acquisition, Smallholder Farmers**

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ACRONYMS AND ABREVIATIONS

AGOA	:	Africa Growth and Opportunity Act
BMZ	:	Federal Ministry for Economic Cooperation and Development, Germany
CAADP	:	Comprehensive African Agricultural Development Programme
COMESA	:	Common Market for Eastern and Southern African States

EAC	:	East African Community
EU	:	European Union
FACE	:	Forest Absorbing Carbon Emissions
FAO	:	Food and Agriculture Organisation of the United Nations
FDI	:	Foreign Direct Investments
GDP	:	Gross Domestic Product
GFC	:	Global Financial Crisis
GLP	:	Global Land Project
GoU	:	Government of Uganda
GSP	:	Generalised System of Preference
HLPE	:	High Level Panel of Experts on Food Security and Nutrition
IFAD	:	International Fund for Agricultural Development
LSLA	:	Large-Scale Land Acquisitions
MFPED	:	Ministry of Finance, Planning and Economic Development
NEMA	:	National Environment Management Authority
NFA	:	National Forests Authority
NFC	:	New Forests Company
NTFPs	:	National Timber and Forestry Products
OECD	:	Organisation for Economic Co-operation and Development
REDD	:	Reducing Emissions from Deforestation and forest Degradation
UIA	:	Uganda Investment Authority
UN	:	United Nations
UNCTAD	:	United Nations Conference on Trade and Development
USAID	:	United States Agency for International Development
USTDA	:	United States Trade and Development Agency

1 INTRODUCTION

In the wake of the increasing food prices and the subsequent Global Financial Crisis (GFC), with over one billion people going hungry, Large-Scale Land Acquisitions (LSLA) have attracted considerable interests in developing countries. The purchase or lease of land by wealthy, food-insecure nations and private investors from mostly poor, developing nations in order to produce food crops for export is gaining momentum. In the attempt of fighting poverty, create employment and transform agricultural development, many developing countries have attracted investors with promises of making big land offers or leases for investment. In turn, host countries are promised positive investment returns in agricultural development, infrastructure, education, and employment creation. However, evidence shows that little or none of these promises made by investors are fulfilled yet land and water rights, food security and livelihood of local people remain at stake. It is estimated that between 15 and 20 million hectares of farmland in developing countries have been subject to transactions or negotiations involving foreign investors since 2006.

The land which has been most in demand is that which is close to water resources and can therefore be irrigated at a relatively low cost in terms of infrastructure, and land which is closest to markets and from which produce can be easily exported (De Schutter, 2009). Investors purposely grow crops for export to food insecure, capital- rich countries while the food security situation continues to deteriorate in the host countries. This new form of investment in LSLA involves several actors, and while most reports point at foreign investors, current findings show an increasing involvement of a number of domestic actors including local elites, politicians, powerful traditional leaders and host governments through their agencies. Despite the growing resistance (e.g. from the media, NGOs, local communities, etc.) to LSLA, many host countries are not willing to diligently investigate the negative impacts of these deals due to a number of secret reasons. O'Brien (2011) shows the problems of land acquisitions by Kenyan elites and the lack of political will to solve them. Domestic land deals may have more adverse negative impacts on the livelihoods of the local people than what is actually documented in foreign land deals. Deininger *et al.* (2011) show that the proportion of domestic land deals recorded for Nigeria and Cambodia amounted to 97% and 70% of the total reported LSLA for each country respectively. Like many other developing countries, Uganda is a major target for LSLA.

Table 1: Land Deals in Uganda according to different Screening Sources

Screening Source	Investor Country	Allocated Land Size (ha)	Purpose	Types of Crops
ILC Blog Screening	Agri SA	170,000		
	Egyptian Agricultural Ministry	200	Test Farm	Wheat
	Egypt	809,071	Food production	Maize, wheat
GTZ	Heibei Company[1] China	40,500		Poultry, Cattle, maize, rice, wheat
GRAIN	Private investors China	4,046		Rice, cereals
	Private investors and The Government of Egypt	840,127	Food production	Wheat and maize for export

Source: Extracted from GLP Report (2010)

The 2010 Global Land Project (GLP) report shows that a cluster of LSLA are identified in the eastern part of the African continent in countries like Ethiopia, Mozambique, Uganda and Madagascar, while other large recipient countries are Sudan, Mali and the Democratic Republic of Congo. In ten of the identified recipient countries the deals represent more than 5% of the current agricultural area – in Uganda more than 14%, in Mozambique more than 21% and in Democratic Republic of Congo more than 48% of the agricultural land! Thus, the consequences of these land deals can be expected to be very large for the local population and environment, with impacts such as agricultural intensification, forest degradation, and displacement of local populations, increasing local food insecurity and increasing poverty. Many governments in developing countries are involved in secretive land deals. Lack of transparency in such investments increases land tenure insecurity and vulnerability of smallholder farmers to loose their land and water rights to the investor. Investors in large-scale land projects tend to use the host governments as their 'middlemen' in trading the country's natural resources (land, water, forests, minerals). The role of domestic actors in LSLA may be more difficult to regulate than that of foreign actors. Therefore, it's important to note that land acquisitions by foreign investors are just a small part of all LSLA in most countries.

Uganda is witnessing an increasing number of large-scale land investments-mostly by investors (domestic and foreign) who are mainly driven by speculative motives due to the rapid increase in land prices. Investments are also triggered by the expectations of competitive returns from land as an alternative investment to cope with the financial crisis. Although most of Uganda's domestic investors generally start with small-scale land acquisition projects, these investments turn into LSLA. Domestic investor are usually connected to those who hold the power in the country, they therefore use their personal influence, power and political connections to obtain leases and thereafter evict local smallholder farmers majority of whom have no land titles and can neither afford to pay huge bribes to corrupt land administration officers nor pay for legal costs to defend their land rights. In the case of foreign land acquisitions, the argument raised by Cotula et al., (2009) is that for many host countries, the benefits are mainly seen in the form of investor's commitments on investment levels, employment creation and infrastructure development – though these commitments tend to lack teeth in the overall structure of documented land deals.

The UN Special Rapporteur on the right to food, Olivier De Schutter (2009) warns that although there are opportunities in foreign large-scale land development, there are also important human rights challenges that governments must address. States would be acting in violation of the human right to food if, by leasing or selling land to investors (whether domestic or foreign), they were depriving the local populations from access to productive resources indispensable to their livelihoods. They would also be violating the right to food if they negotiated such agreements without ensuring that this will not result in food insecurity, as large proportions of the food produced would be shipped to the country of origin of the investor or sold on the international markets[3].This kind of investment only serves to escalate the hunger crisis in developing countries whose cheap labour is exploited to produce for food insecure wealthy nations.

Many studies show that foreign large-scale land investors target developing countries that have little or no experience in handling large-scale land investments. Large-scale land acquisition in Africa is a relatively new investment trend that emerged out of the 2008 global food crisis. As a result, many developing countries are ill-equipped to deal with such kinds of investment. For example, in many countries, lack of information and transparency makes it difficult to exercise due diligence and responsibly manage a valuable asset. This information gap makes it easy to neglect local people's rights and environmental impacts, opens the door to bad governance and corruption and jeopardizes investors' tenure security (World Bank, 2010). Large-scale land acquisitions are dominant in countries that are characterised by weak land governance. Weak governance, whether in formal land administration or customary tenure arrangements, means that land rights of the poor are not protected. It affects the poor in particular and may leave them marginalised and outside the law (FAO, 2007).

In many African countries, the most affected people by the negative impacts of LSLA are the poor smallholder farmers who are mainly the backbone of African agriculture and food security. Of the two-thirds of sub-Saharan Africa's population that resides in the rural areas, the majority can be

[3] ibid.,5

considered as smallholder farmers. Their importance derives from their prevalence, their role in agricultural and economic development and the concentration of poverty in rural areas (FAO, 2004). Majority of the rural poor smallholder farmers can not compete favourable with large-scale agro-investors. In most cases, smallholder farmers have been absorbed by large-scale investors in disguise of creating employment while capitalising on cheap labour from developing countries.

Uganda like many other developing countries where no strict minimum wage policies exist, large-scale foreign investors use such weaknesses to exploit the rural poor especially women and youth. Most rural farmers who abandon their farmlands to seek ‘better employment’ only end up becoming slaves to exploitative investors. Governments should not think about fighting the hunger crisis without boosting smallholder farming which employs majority of the rural poor. The World Bank warns that if such land acquisitions go ahead, as is happening already, governments should protect the interests of locals, especially smallholders and secondary landholders who depend on the land for a living. That’s because measures such as improving smallholder productivity – combined with technology investment, infrastructure and new markets – will prove critical to food security and rural poverty reduction[ii].

1.1 Land in Uganda’s Development Context

Land both as property and a resource is by far been the most important asset in Africa. It occupies a central place in the cultural, political, economic and social organisation of many nations. In Uganda, land is the single greatest resource for which a large majority of the population derives its livelihoods – because of the importance attached to land in all communities, conflicting interests in this resource are unavoidable (Mabikke, 2011). Land is more than just an asset, for many people, land is closely linked to individual and community identity, history and culture, as well as being a source of livelihoods and for many poor people, land is their only form of social security and because of its importance, land holds multiple direct and indirect interests (Figure 1).

Figure 1: Conflicting Interests in Land

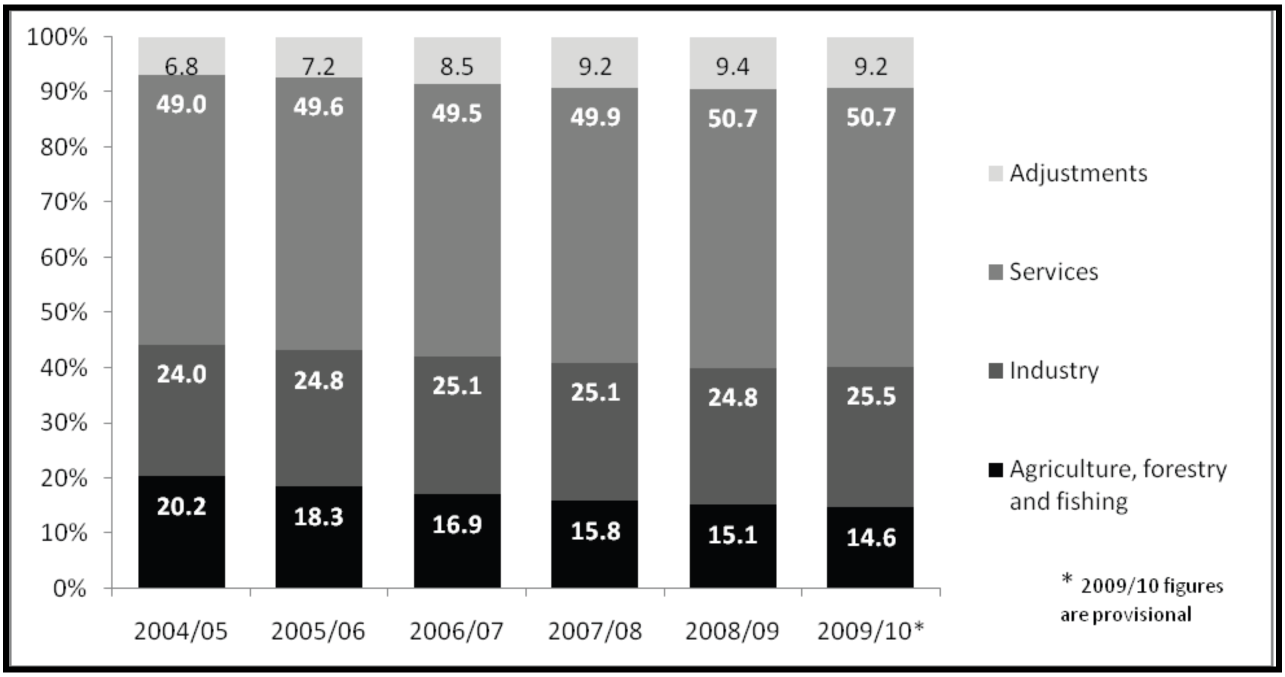
land as an additional asset in a broader portfolio (cited in HLPE, 2011).

The complexity of the multiple interests in land makes this resource extremely vulnerable. Okoth-Ogendo[iii] (2006) tries to explains how land in Africa still remains a multiplex phenomenon, land is a social, cultural and ontological resource; it is an important factor in the construction of social identity, the organisation of religious life and the production and reproduction of culture. From an ecological perspective, land supports more than just human livelihoods; on it depends all biotic matter, hence the sustenance of terrestrial life as we know it. From a political perspective, Professor Okoth-Ogendo describes land as a political resource which defines power relations between and among individuals, families and communities under established systems of governance. In the context of Uganda's development, land is the most important factor of production from which all agricultural production processes are based.Uganda is basically an agricultural country and therefore land is the single greatest resource for which a large majority of the population derives its livelihoods. Although the contribution of agriculture to the total GDP has been declining over the years, the sector has continued to dominate the Ugandan economy. It contributed approximately 21% of the total Gross Domestic Product (GDP) in 2009 at current prices and 90% to the total export earnings. Agriculture also provides approximately 80% of the employment and most industries and services in the country are dependent on this sector. Further, about 85% of the population lives in the rural areas where they derive their livelihood from the agricultural sector (UBOS, 2010). Over 85% of Uganda's agriculture is dominated by smallholder farmers who produce most of the crops and livestock products. Smallholder farmers are engaged in low input- low out put production systems that are characterised by hand-held tools, lack of access to markets, credit and technology.

Salami et al, (2010) points out that smallholder operation occur in farming systems with the family as the centre of planning, decision-making and implementation, operating within a network of relations at the community level. Poverty deeply remains entrenched among Uganda's smallholder famers. Although the Government of Uganda (GoU) has allocated a big expenditure on poverty eradication, some sectors like education (and primary education in particular) have become over funded with donor aid while other equally critical areas such as agriculture and rural small-scale industry have not been similarly privileged (Gariyo, 2002) and as a result, the share of agriculture, forestry and fishing in total GDP at 2002 constant prices continued to decline from 15.1% in 2008/09 to 14.6% in 2009/10 in line with recent trends in structural transformation of the economy (MFPED, 2010). This negative trend has put Uganda in a more food insecure position which partly explains the cause of the food crisis currently being experienced in the country. The figure below shows the sectoral composition of GDP in Uganda between 2004 and 2010. Figure 2 shows a declining trend in the agricultural sector while growth has been registered in the services and industry. However most industries in Uganda are agro-based, which still makes the agricultural sector the major source of raw materials for production.

In order to address the declining agricultural trend, the position of the GoU (and the President in particular) has been promotion of large scale commercial agriculture and agro-investors to boost production, promote value addition and minimise post harvest loses. While this solution is good for the rich agro-investors who have now woken up for large-scale land acquisitions, the livelihood of smallholder farmers who constitute the majority of Uganda's population remains at stake.

Figure 2: Sectoral Composition of GDP (%)



Source: Uganda Bureau of Statistics and MFPED

Transformation to commercial agricultural production requires significant capital outlays which many farmers are ill equipped to provide. Moreover, the existing banking system does not provide for facilities to support agricultural investment because of the high costs of administering these loans, coupled with the difficulty banks have in managing the risks involved. Insurance against crop failure is currently lacking, though some initial moves in this direction are now being taken (GoU, 2010). The high costs and limited availability of farm inputs like hybrid seeds, fertilizers, pastures and veterinary costs, exotic animals, irrigation equipment, tractors, post harvest technology, herbicides, among others[4] are responsible for the declining agricultural yields among smallholder farmers of Uganda.

Of recent, Uganda is facing a number of itching socio-economic problems ranging from rising food and sugar prices, increasing fuel prices and a sudden rise in inflation to double digits that has never been seen in the country in the last two decades. While presenting the 2011/2012 Budget, the Minister of Finance Hon. Maria Kiwanuka noted that the general price level of all items in Uganda increased by 16.1% per annum in May 2011. Food crop prices registered the greatest increase recorded at 44.1% over the same period while prices for Electricity, Fuel and Utilities (EFU) items increased by 9.1% over the same period. This economic crisis resulted into a cycle of workers' strikes and demonstrations – termed as "industrial action" by university staffs and teachers in search for salary increase to cope with the economic crisis. The position of Uganda's President to resuscitate the economy from this crisis has resurrected his 2007 attempts of giving large chunks of land in Mabira Tropical Forest Reserve to Mehta Group to grow more sugarcane and increase sugar production.

Similar aggressive approaches have been orchestrated by the President and a section of politicians to grant Madhvani over 40,000ha of land for sugar growing in Amuru district. According to agents of 'development', attracting large-scale agro-investors is seen as the best solution to boost Uganda's economy. The Government will therefore continue to pursue outward-oriented policies that encourage foreign investments and exports with high value addition, as well as pursuing sound macroeconomic policy and management. Issues that are being raised contrary to this decision involve the unclear agreements purportedly fronted by investors to acquire large-scale chunks of land in which the government takes on the role of the 'middleman'. For instance, in the case of

[4] Ibid, p.82

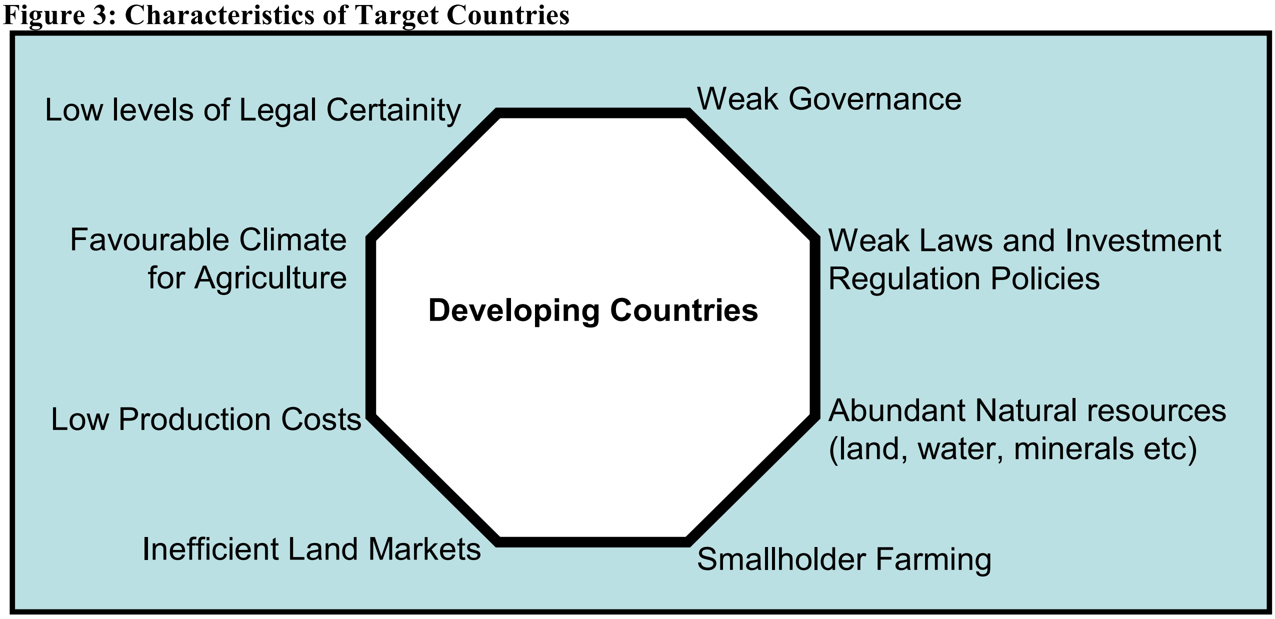
Madhvani's bid to acquire land for sugarcane plantation, he intends to lease a small portion of land to about 1,000 smallholder farmers (out-growers), who in turn will pay unspecified rents / fees on the piece of land leased to them by the 'investor'. In all these deals, it is not clear to many decision makers how such investment will benefit the rural smallholder farmers.

A related question is the extent to which fees may be periodically revised. A government official from Uganda reported that, while rent is not likely to be increased in 49-year leases, it is re-negotiated (i.e. increased) every 10 years in 99-year leases (Cotula et al., 2009:80). It is upon these unclear motives that the decision of Uganda's president to give Mehta Group free land was vividly rejected by many people including, traditional and religious leaders, opposition politicians and also members of the ruling party – the National Resistance Movement (NRM). Despite the resistance, the decision still stands while the motivations behind it remain fuzzy. This has continued to raise several questions like why is Uganda becoming a major target for large-scale land acquisitions? What drivers are behind such foreign land acquisitions and what benefits do Ugandan smallholder famers stand to gain from such kind of investment deals?

2 TARGET COUNTRIES FOR LARGE SCALE INVESTMENTS

The recipient, or host, countries of the investment are often poor developing countries actively trying to attract investors because they see the land deals as an opportunity to get funds for the development of agriculture or infrastructure (GLP 2010). Investors target developing countries that are characterised by weak land and water governance and/or where the implementation of land policies is rather feeble. These countries are assumed to have abundant natural resources, countries with many smallholder farmers and where foreign investment regulations are weak and easily be manipulated. Investors target countries with a low level of legal certainty and where democracy has not yet taken a firm hold.

Figure 3: Characteristics of Target Countries



Source: Own drawing

Other factors that influence investment include geographic proximity and climatic conditions for preferred staple crops and countries where production and labour costs are much lower. Uganda exhibits many characteristics of weak governance. Corruption is a common factor in governance problems. Land agencies in Uganda are particularly vulnerable to corruption and other practices of weak land governance especially when the conflict involves powerful versus weak individuals. Those who have the money, status and connections or are feared because they have guns are likely to interfere the decision making in the land institutions. For instance in cases when district officials grant themselves leases on other people's land, or when the powerful politicians, government official or army officers expropriate large areas of land. Despite the existence of legally recognised land administration structures in Uganda, the structures are used to serve the interest of those in control for instance, illegal transfer of state lands and common lands into the private possessions of those in control or their allies. Weak land governance results into unjust compensation for those whose land is expropriated for eminent domain (Mabikke, 2011).

3 WHY UGANDA IS A MAJOR TARGET

Uganda is a major target of agro-investors from Europe, the Gulf States and other Asian countries. The interests of these investors are mainly spurred by concerns of food insecurity in their countries of origin as well as the expanding markets for bio-fuels. Also the current Global Financial Crisis (GFC) has increased their fears and prompted them to embrace massive investment in land development, normally seen as "the safest investment in developing countries". Many investments requiring access to land on a large-scale focus on those areas commonly considered by outsiders as 'empty' or 'marginal'. In reality, there are few areas truly 'unoccupied' or 'unclaimed', and that frequently land classified as such is in fact subject to long-standing rights of use, access and management based on custom (FAO, IFAD, UNCTAD and the World Bank, 2010). This partly explains the increasing rush for LSLA in Uganda especially in post conflict areas like the north which are just recovering from an over two decades armed conflict. For many investors, Uganda is an attractive destination because of different reasons;

3.1.1 Access to Regional and Foreign Markets

According to the Uganda Investment Authority (UIA), Uganda enjoys a unique location at the heart of Sub-Saharan Africa giving it a commanding base for regional trade and investment. Its strategic location as the gateway to the great lakes region guarantees access to the Common Market for Eastern and Southern African States (COMESA), a region with a market of over 400 million people in 19 member states. Uganda is also a member of the East African Community (EAC) comprising of Burundi, Rwanda, Uganda, Kenya and Tanzania with a combined population of over 125 million people. Uganda's products have duty and quota free access into the US market under the provisions of the Africa Growth and Opportunity Act (AGOA). Under the Generalized System of Preference (GSP) Uganda is entitled to preferential duty treatment in the European Union markets. The country also has bilateral trade and promotion arrangements with the United Kingdom, South Africa, Kenya, Italy, Tanzania and many other countries. This huge market potential attracts many investors to Uganda.

3.1.2 Liberalisation of the Ugandan Economy

Most foreign large-scale agro-investors target countries that have freely opened their economies for investment. The 2009 Index of Economic Freedom ranked Uganda the 4th freest economy of 46 countries in Sub-Saharan African. All sectors of Uganda's economy are fully liberalised for investment and marketing. The economy is open to foreign investors with no restrictions on remittance of dividends. There is free inflow and outflow of capital. Furthermore, Uganda allows 100% foreign ownership of the investment. Foreign investors are allowed investing in the country as long as they have the capital. The GoU has a lot of interest in having foreigners investor in the country as this creates jobs, widens the tax base and increases consumer goods and services in the country.

3.1.3 Strong Natural Resources for Agricultural Production, Mining and Tourism

Uganda enjoys abundant rainfall which is evenly spread in two seasons, the rich loamy soils and favourable temperatures enhance productivity of the land to support the cultivation of a variety of both food and cash crops. According to UIA (2011), Uganda is among the leading producers of coffee and bananas in the whole world. The country is also a major producer of tea, cotton (including organic cotton), tobacco, cereals, oilseeds (simsim, soya, sunflower, etc), fresh and preserved fruit, vegetables and nuts, essential oils, orchids, flowers and sericulture (silk)[iv]. Uganda has large under-exploited mineral deposits of gold, oil, high grade tin, tungsten/wolfram, salt, beryllium, cobalt, kaolin, iron-ore, glass sand, vermiculite and phosphates (fertiliser). The discovery of oil in the Lake Albert region has enhanced the sector's "*joie de vivre*". There are also significant quantities of clay and gypsum. Uganda provides special incentives to the mining sector with some capital expenditures being written off in full.

3.1.4 Low Cost Labour

Uganda's cheap labour is one of the major attractions for foreign investors. Uganda presently produces over 15,000 University graduates per year many of whom remain unemployed for along period of time. It is estimated that the current job market can only absorb 20% of the youth. The 2006 Demographic Health Survey shows that among women who are currently employed 75% are engaged in agriculture and 25% are involved in non-agricultural activities. The percentages for men are 68% and 32%, respectively (UBOS, 2006). Despite several laws and policies against gender discrimination, women in Uganda still experience unequal access and control over important productive resources like land. This limits their ability to move beyond smallholder (subsistence) farming. They therefore remain a huge source of cheap labour to work in large-scale sugar, tea and oil palm plantations.

3.1.5 Investment Incentives in Uganda

In a bid to attract more Foreign Direct Investments (FDI), Uganda has revised its investment policies to offer a variety of incentives to investors. This is partly as a result of the Global Financial Crisis that led to a reduction in FDI in developing countries. The Government has been implementing measures to address the barriers to investment through the Competitive and Investment Climate Strategy. According to the UIA, some of the investment incentives in Uganda include;

1. Investment Capital Allowances: This includes a 50-75% reduction on initial capital allowance on plant and machinery, 100% allowances on mineral exploration, scientific research and training expenditure among others.
2. On top of enjoying Duty and Tax free import of plant and machinery, investors and expatriates coming to Uganda enjoy first arrival privileges in the form of duty exemptions for personal effects and motor vehicle (previously owned for at least 12 months).
3. Investors have guaranteed repatriation of profits and dividends in addition to having up to 100% foreign ownership of investments in the country.
4. Start-up costs are amortized over a period of four years, at 25% a year, among others.

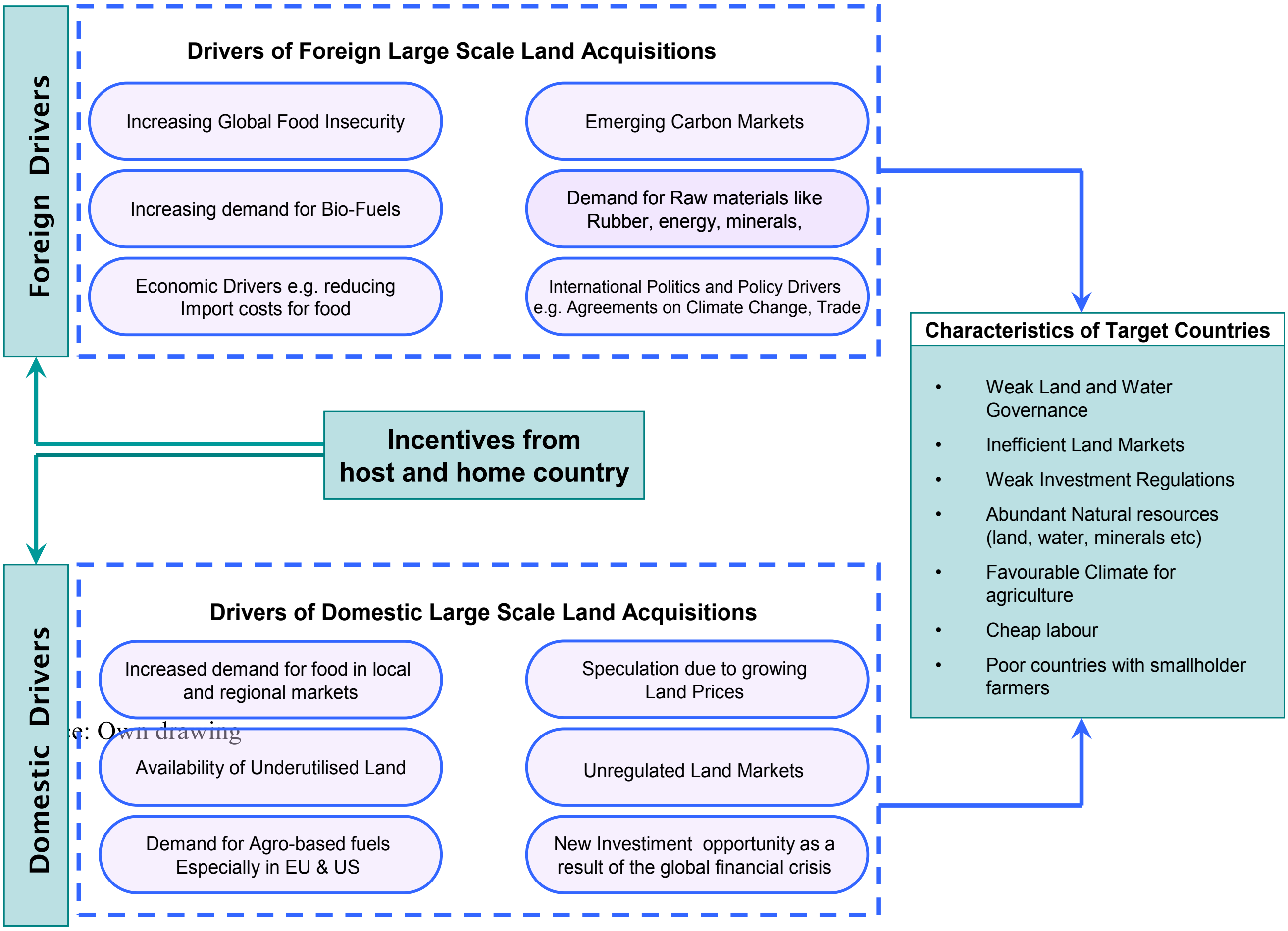
However, evidence shows that tax incentives are generally not sufficient to attract major flows of investment. Mauritius, Costa Rica, Ireland and Malaysia are examples of successful countries attracting investment that offer many advantages to investors other than tax breaks, such as stable economic and political conditions, a well educated labour force, good infrastructure, open trade for exporters, dependable rule of law, and effective investment promotion systems (OECD, 2007). The assumption that any FDI is intrinsically good for Uganda's economy needs to be given some fresh thoughts to save the country from the negative impacts of FDI in land.

4 DRIVERS OF FOREIGN LARGE-SCALE LAND ACQUISITIONS

The triggers of LSLA are complex and varied but certain common factors have emerged. First, the price volatility in the global food market has led certain food insecure countries to realise the precariousness of their situation. Some have turned to FDI in farmland to secure adequate food supplies for their domestic population[v]. Since the outbreak of the 2008 Global Financial Crisis, LSLA of farmland in Africa, Latin America, Central Asia and Southeast Asia have made headlines in a flurry of media reports across the world.

Land - that only a short time ago seemed of little outside interest is now sought by international investors to the tune of hundreds of thousands of hectares. Governments concerned about stability of food supplies are promoting acquisition of farmland in foreign countries as an alternative to purchasing food from international markets. Recipient countries, welcoming the new wave of foreign investment, are implementing policy and legislative reforms to attract investors (Cotula et al., 2009). Similarly, investors countries of origin tend to offer a number of incentives to promote foreign investments which are in the interest of their national development strategies. There are multiple drivers (both domestic and foreign) that have triggered many LSLA. A number of drivers are closely interrelated but overall, the central attraction of foreign investments is the incentives offered by both home and host countries of investors targeting LSLA in Africa.

Figure 4: Major Drivers of Large-Scale Land Acquisitions



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4.3 Domestic Drivers of Large-Scale Land Acquisitions

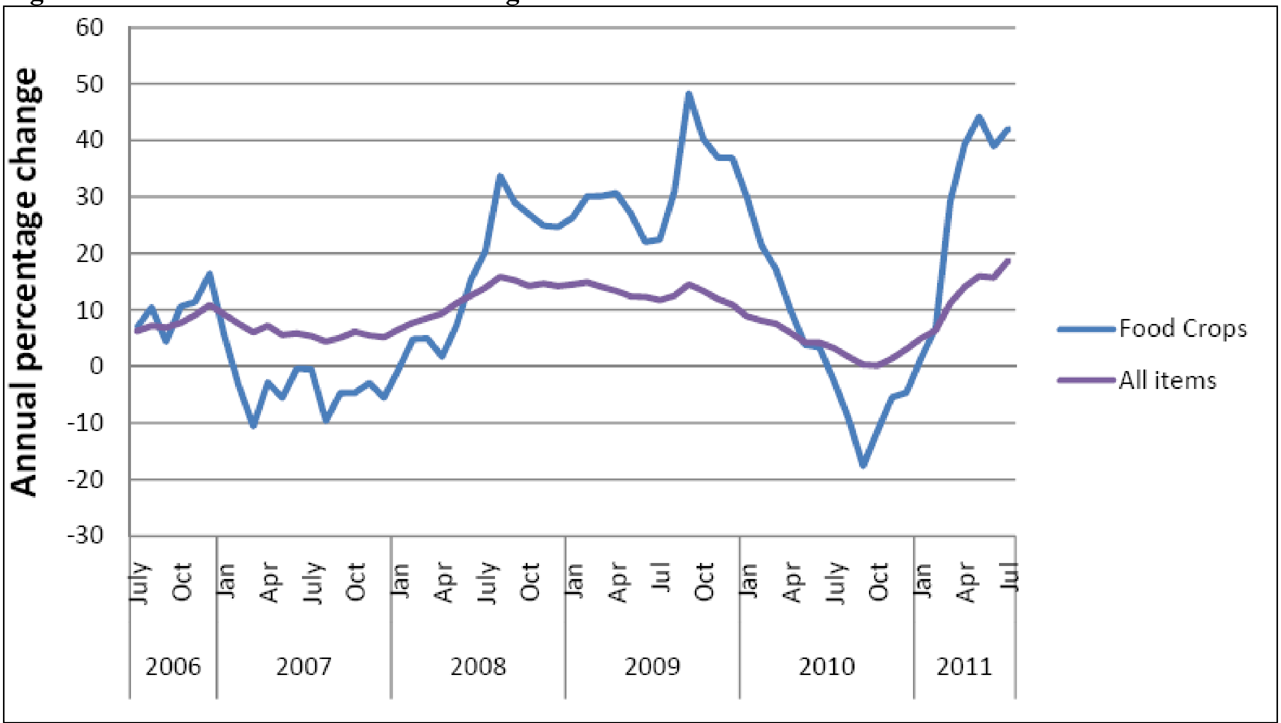
Both foreign and domestic investors need land to conduct their business operations and be productive. Investors get land either from government, through some state agency, or from private companies or individuals. The legal status of land transferred to investors varies across Africa, Asia and Latin America. In Africa, although state ownership dominates the formal legal status of land allocated to investors, in practice this land is often the object of a patchwork of claims, representing customary interests and uses (HLPE, 2011). A number of drivers are behind domestic LSLA in Uganda;

4.3.1 The increased Demand for Food in National and Regional Markets

Since the beginning of 2011, the price of food crops in Uganda has begun to rise dramatically reaching an annualised inflation rate of 42% in July. A change of such magnitude has clearly had large welfare and distributional consequences which are of great concern to policy makers. Additionally, the level and volatility of food prices have important implications for the incentives to innovate and invest in the agricultural sector and the extent of commercialisation. Agricultural productivity and market orientation in turn has implications for the development of the wider economy while changes in relative prices, particularly between the tradable and non-tradable sectors, are likely to have important consequences in terms of structural economic change (MFPED, 2011).

Although Uganda has limited participation in international food trade[5], domestic food inflation is expected to continue as regional demand for food in immerging regional markets like Southern Sudan, Rwanda, Congo and Kenya increase. Uganda has experienced highly volatile food prices over recent years, with periods of rapid inflation between early 2008 and late 2009, and from the beginning of 2011 to date.

Figure 5: Consumer Price Inflation in Uganda



Source: Uganda Bureau of Statistics

These trends are likely driven by both domestic and international developments; the food price spikes in Uganda have mirrored those in global markets, but with a significant lag. This is probably because the impact of global prices is secondary, operating through increased regional demand for Uganda's crops, particularly maize (Benson et al, 2008). This trend has resulted into an increase in domestic large-scale land acquisitions in order to meet the increased regional demand for food. Domestic investors in land have high expectation of returns from agro-investment since the entire East African region is faced food shortages.

4.3.2 The devastating Impact of the Global Financial Crisis

The global downturn negatively influenced investments in Uganda. Foreign Direct Investment (FDI) dropped from 5.3% of GDP in 2007/2008 to 4.6% GDP in 2008/09 and further remained

[5] Over half of agricultural GDP is accounted for by food crops, which are produced primarily for consumption within the household; over 40% of agricultural GDP is not monetised

slow in 2009/2010 (GoU 2010). The devastating impact of the Global Financial Crisis (GFC) generally affected all countries of the East African Community. As a result, most governments have tried to improve the regulatory frameworks for Foreign Direct Investments (FDI). In Uganda, the adverse effects of the GFC manifested themselves through trade, private capital inflows, remittances and Aid. The effect of the GFC equally affected many domestic private investments in Uganda. The country has already registered job losses linked to the GFC (through business closure e.g. GTV[vi], closure of some fish processing farms etc). As a result, many private investors have turned towards large-scale land acquisition as an alternative investment forecasted to bring competitive returns.

4.3.3 Speculation due to Growing Land Prices

Due to the increasing demand for land for investment, land prices have rapidly shot up in the last decade. Demand is expected to increase as speculators buy land in expectation of benefits from the growing prices. The impacts of the GFC on many private investments triggered land speculators to acquire large tracts of land – sometimes just left bare as they wait for the right time to develop or re-sale them at a bigger profit. Espeland (2006) shows that land grabbing and land speculation is on the rise in some parts of the country, including in the oil regions in western Uganda. Acquiring land is currently seen as one of the safest investments in Uganda especially among the elites and Ugandans living in the Diaspora. These elites sometimes act as the middle men to foreign investors in identifying and allocating investors land for large-scale investments. Many media reports have shown domestic speculators involved in land grabbing in Uganda.

In order to reduce speculation, the GoU has proposed levying a land tax on all idle land; however the implementation of this proposal is more of a dream than a reality. Arguments advanced by speculators that peasants should not be taxed for idle land seem baseless as in reality, the peasants do not have idle land, it's the rich elites who hoard land in speculation of gaining from the growing prices. Many politically motivated speculators have strong powers and influence to oppose any land taxation policy. These rich speculators deliberately hoard land to cause artificial shortages of land for investment and production. If such a decision to tax idle land is robustly implemented in Uganda, it would eliminate incentives for land speculation and hoarding and stabilise land prices, keeping land accessible and affordable to those who need it.

4.3.4 Availability of Underutilised Land in Uganda

Some enthusiastic advocates of "development" argue that large-scale land investments are the fastest way of reducing poverty especially in rural areas in Uganda commonly regarded as 'abundant, idle, and unused' land to be exploited. In reality, there is no such land to prove this assumption. Taylor and Bending (2009) confirm that it is a myth often driven by host governments, such as those of Mozambique, Tanzania and Indonesia, who have attempted to quantify such land available within their boarders in an effort to attract investors. Taylor and Bending justify that this myth has, however, been challenged in all empirical studies of the phenomenon, noting that all usable land is very likely to be already occupied or used by local communities in a variety of ways important to livelihoods and food security, if not cultural identity. In particular, local populations who use the land for non-arable uses such as pastoralism or hunting and gathering are liable to be ignored. In addition to direct local usage, the ecosystem services provided by such lands to the wider population appear often to have been ignored[6].

A report by WRI and Landesa (2010) showed that there is little, if any, land in Uganda, which is vacant, idle and unclaimed. WRI argues that because private investors need land to conduct their business but experience difficulties in securing land for their operations, the government is helping them to secure land. In recent years, the government has sought to allocate land in forest reserves

[6] ibid, p.7

and other protected areas for economic development purposes. In 2007, the government sought to degazette 7,100 hectares of the Mabira Forest Reserve for sugarcane production by the Sugar Corporation of Uganda. Local NGOs and activists, organised in a coalition, pressed the government not to pursue the degazettement. However, the argument to degazette Mabira Tropical Forest has been resurrected by the President of Uganda to grant part of the forest reserve to Metha Group for large-scale sugarcane production. Similarly, in 2003 after abandoning efforts to degazette the 13-sq km Butamira Forest Reserve, the government revoked or bought out the nearly 180 tree-planting permits to local farmers and communities (for fuel wood lots) and issued a 49-year permit to Kakira Sugar Works to grow sugarcane.

The government's argument in support for sugarcane production is principally to reduce sugar imports and promote economic growth in Uganda. However, its assumption is that such idle and unused land should be degazetted for investment. In 1997, 1,006 hectares of the Namanve Forest Reserve on the outskirts of Kampala were degazetted for industrial development. In 2000, 3,500 hectares from several forest reserves on the Bugala Islands in Lake Victoria were degazetted for palm oil plantations. In 2003, the government sought to degazette part of the Pian Upe Wildlife Reserve for fruit production and, in 2005, it sought to degazette part of the Kaiso-Tonyo Wildlife Reserve for a small oil refinery. The latter two efforts were not completed and the reserves remain intact (WRI and Landesa, 2010).

4.3.5 Inefficient Land Markets in Uganda

Land markets are managed according to national land policy. Apart from countries with little or no capacity for governance, most countries control where and how land markets work (Williamson et al, 2010).The operations of a land market hinge on an efficient land registry system that guarantees titles, provides accurate information, and is open to public scrutiny. Land markets by nature, are subject to imperfections and distortions caused by lack of effective regulation, poor land use planning, and under-capitalization. Land markets can lead to loss of rights for vulnerable groups through distress sales, the consequences of which is landlessness, as land flows into the hands of the rich (MLHUD, 2011).

Uganda's Land market infrastructure is inefficient, and does not offer equitable land market operations in support of the socio-economic and cultural needs of land users. The country does not have any cautionary controls to reduce accumulation of land in the hands of a few. It is the duty of the Government to regulate the operations in the land market under all tenure regimes[7]. Many governments enact controls to limit speculation, land uses etc. but the major challenge remains behind the implementation of these controls. Controls on foreign land ownership and investment, and ownership by corporations are also very common. From the land administration viewpoint, these controls tend to fail, either because their intended beneficiaries do not cooperate, and, in some cases, even oppose the controls, or because the government infrastructure supporting land market activities is inadequate to meet the regulatory challenges or is corrupt[8].

For instance, under the Uganda Investment Code Act, Section 10(2), "No foreign investor shall carry on the business of crop production, animal production or acquire or be granted or leased land for the purpose of crop production or animal production." According to the UIA, this provision contradicts the Constitution and Land Act and is due to be repealed. In practice, foreigners seek cabinet approval through the UIA for land to be used for agricultural or animal production purposes[9]. Efficient land markets require defined land tenure systems and titles. Given the fact that a bulk of Uganda's land is not titled (by 2003, only 12% if Uganda's land was titled), many smallholder farmers are at risk of facing eviction by large-scale agro investors in Uganda.

[7] Ibid, p.31
[8] Williamson et al *op. cit.*, p.145
[9] WRI & Landesa, *op. cit.*

In 2005 a UK-based New Forests Company (NFC) evicted more than 20,000 smallholder farmers after the company was granted a licence by the National Forestry Authority (Oxfam, 2011)[vii]. In Oxfam's view, NFC's operations highlight how the current system of international standards – designed to ensure that people are not adversely affected as a result of large-scale transfers of land use rights – does not work. The serious impacts of the operations on local villagers, as reported by them to Oxfam, raise particular concerns given that NFC operations are supported by international investment from institutions including the World Bank's private sector lending arm, the International Finance Corporation (IFC), as well as the European Investment Bank (EIB) and HSBC, all of which claim to uphold high social and environmental standards[10].

The examples given by Oxfam show how local the rights of people have been brutally violated by foreign companies like NFC. Such investors in LSLA usually have strong government support to acquire State resources like land, water, security and sometimes government funds in disguise of promoting investment. Due to their ability to use state security agencies like army and policy, some investors tend to use excess force and intimidation when evicting rural farmers. Oxfam (2011) confirms that NFC for example, used the army and police to deploy in Kiboga district to enforce evictions, and as a result many people were beaten during the process. Some villagers also say that casual labourers, whom they believe were employed by NFC, joined the police and army in burning homes, destroying crops and butchering livestock.

4.4 External Drivers of Large- Scale Land Acquisitions

Foreign LSLA in Uganda stem from a number of external drivers including the global food insecurity and food inflation, increased demand for bio-fuels as an alternative to fossil fuels, foreign investments to reduce import costs for food, the need for securing carbon markets, raw materials among others. Foreign investors are attracted to countries with less hostile investment environment. The investors' countries of origin tend to create bilateral agreements with host countries to offer several incentives for investment. Among the factors that have triggered foreign LSLA in Uganda include;

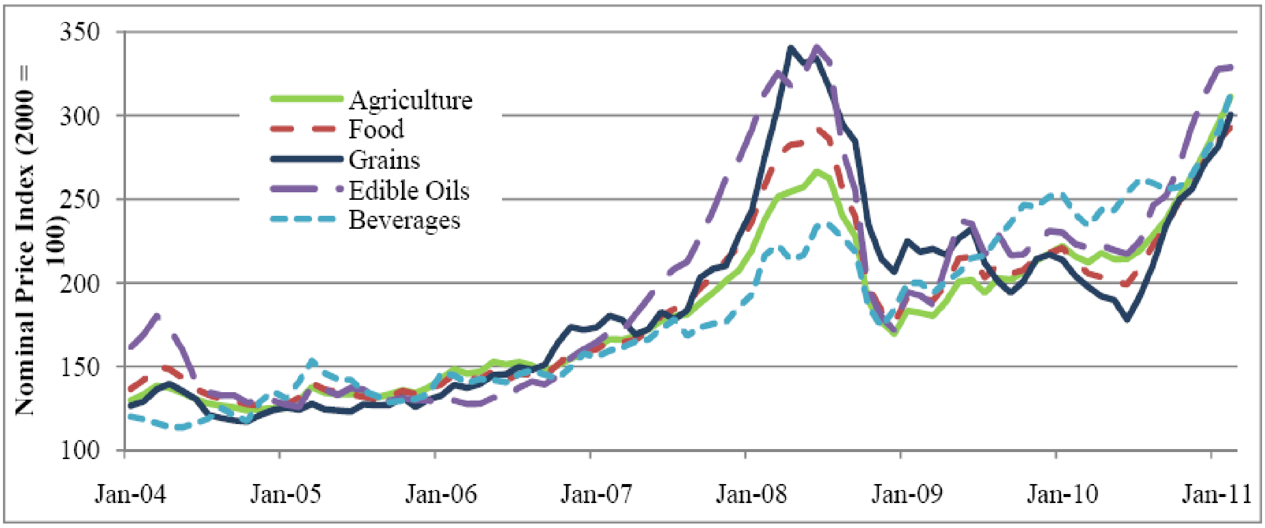
4.4.1 Increasing Global Food Insecurity

As global food prices continue to rise the rush for LSLA in developing countries has become one of the most desirable forms of investment to address the challenges posed by the increasing global food insecurity. The World Bank[11] shows that more than one-third of the countries in Eastern Europe and Central Asia had more than 10% food inflation in 2010. The World Bank's food price index which rose by 15% between October 2010 and January 2011 is 29% above its level a year earlier, and only 3% below its June 2008 peak. A breakdown of the index shows that the grain price index remains 16% below its peak mainly due to relatively stable rice prices, which are significantly lower than in 2008. The increase over the last quarter is driven largely by increases in the price of sugar (20%), fats and oils (22%), wheat (20%), and maize (12%). In India, food inflation stood at 18.3% in December partly due to the higher prices of fruits and vegetables, milk, meat, and fish. In China, similarly, food inflation was driven largely by vegetables. In the second half of 2010, prices of beans increased dramatically in Burundi (48%), Cameroon (43%), Kenya (38%), and Uganda (22%). The figure below shows two major global food commodity price bubbles in 2008 and 2011.

Figure 6: Food Commodity Price Spikes since 2004

[10] Ibid., p.15

[11] World Bank (2011) Food Price Watch http://www.worldbank.org/foodcrisis/food_price_watch_report_feb2011.html accessed 5th October 2011.



Source: World Bank.

In February 2011, the World Bank Food Price Index reached its 2008 peak, after rising by 47% since June 2010. In addition to higher prices, the variability of international grain prices (around its mean) doubled during the period between 2005 and 2010 relative to the period between 1990 and 2005, sugar price variability tripled, and rice variability is four times higher. All major agricultural outlooks (OECD-FAO, USDA, and the World Bank) forecast that at least until 2019 international food prices will remain above the prices in the previous decade, influenced by a complex interplay of different factors (World Bank 2011).

De Schutter (2009) explains that since the global food crisis of 2007-2008, markets for agricultural commodities were seen to be increasingly unstable and volatile, and therefore less reliable for net-food-importing countries, particularly following the decision by a number of large food exporting countries to ban exports or to raise export levies during the Spring of 2008. As a result, resource-poor but cash-rich countries turned to LSLA or rent of land in order to achieve food security. This also led private investors, including large investment funds, to acquire land for merely speculative motives, because of the conviction that the price of arable land will continue to raise in the future. For countries purchasing or leasing land abroad in order to grow staple crops, this means increased food security, since they will be less dependent on the international markets to acquire the food they need to feed their populations[12].

4.4.2 Increasing demand for Bio-Fuels

Demand for bio-fuels has increased amid growing energy needs, rising oil costs, concerns about climate change, and the desire to boost farm incomes in developed countries. Scepticism about the environmental benefits has also increased, along with concerns about trade-offs with land tenure and food security in developing countries. One of the major unsatisfactorily answered questions is whether bio-energy can benefit agricultural growth, poor people, and the planet[viii]. The surging demand for bio-fuels has driven investors to target vast tracts of land in developing countries for bio-fuel production[ix]. The increased demand for land is largely a result of ambitious targets that certain oil-dependent countries have established for bio-fuel production and for increasing the proportion of bio-fuels used in land transport. For example, the United States Renewable Fuel Standard aims to increase ethanol use by 3.5 billion gallons between 2005 and 2012, and the European Union aims to increase the proportion of bio-fuels used in transport to 10% by 2020.[x] The United States Trade and Development Agency (USTDA) and GoU through the Ministry of Energy and Mineral Development signed a 572,000 dollar grant to analyse the potential for a bio-fuels market in Uganda. An important objective of the agreement is to advise the Ugandan

[12] ibid., p.5

government on how to mitigate the environmental and social impacts that may arise from the unregulated development on an indigenous bio-fuels sector. The two most serious risks are rainforest destruction and possible negative impacts on food supply and food prices[xi].

The term "bio-fuel" refers to the range of fuels that are derived from some form of biomass. However, some reports on the subject differentiate between "agro-fuels" and "bio-fuels (CHRGJ, 2010).[xii]" Bio-fuel production is booming in Uganda amidst problems of malnutrition and looming food insecurity, and environmental degradation. Meanwhile, controversy surrounds the sustainability of bio-fuels as source of bio-fuel in Uganda with proponents and opponents having convincing reasons. There is concern that bio-fuel feedstock production is likely to aggravate food insecurity and environmental degradation. Poor people are disproportionately vulnerable to the effects of food prices volatility because food dominates their spending. The rapid increase in demand for and production of bio-fuels, particularly bio-ethanol from maize, has affected the dynamics of grain markets and exports (Rural21, 2010). However, it is also apparent that bio-fuels can provide clean transportation fuel while contributing to rural poverty alleviation (NEMA, 2010). Not more than 6 years ago, large-scale oil palm plantations were introduced in Uganda under the plan to modernise agriculture and eradicate poverty.

Despite the good packaging of the oil palm plantation deals, LSLA for oil palm has faced resistance from the environmentalists as forests had to be cleared to establish the plantations, first on Ssese Islands in Lake Victoria. Though oil palm scores lowest as a threat to encroachment on gazetted areas and food availability, the few favourable sites are those grown within forests most of which are gazetted as reserves. With land scarcity and complex land tenure systems, most of the land (forest reserves) had to be offered by the government to investors[13]. For instance, Guloba et al. (2008) revealed that the Madhvani group of companies has finalised plans to start a *jatropha curcas* project in Busoga to manufacture insecticides, oil etc. The projected demand for the bio-fuel currently stands at 100 million litres and is expected to grow to 187 million litres in 2012 and 220 million litres in 2022.

NEMA (2010) has warned that promotion of bio-fuel industry is likely to increase pressure on the gazetted areas and wetlands with consequent potential loss of bio-diversity increased demand for water. 60% of the arable land area good for crop production is equally good for *jatropha curcas* production; 50% is equally good for sugarcane and 30% for Oil palm. *Jatropha curcas* and food crop cultivation have the highest potential of encroaching on gazetted areas including forests. In view of the impressive product prices, large scale commercial estates are likely to benefit commercial plantation investors at the expense of the small scale out grower farmers. Bio-fuel industry if not checked may lead to water scarcity in Uganda given that these products require a lot of water through large-scale irrigation, which is also associated with several negative impacts.

4.4.3 Reducing Import Costs for Food

It's important to note that this new investment boom in LSLA is growing due to the urgent need to reduce import costs on food in many food insecure rich countries. In the latest edition of FAO' 'Food Outlook' report (2011), the UN agency asked the world community to be prepared for harder times ahead unless production of major food crops increases significantly in 2011. International food import bills could pass the one trillion dollar mark in 2010 with prices in most commodities up sharply from 2009. Consequently, many countries have devised new strategies of reducing import costs for food through investing in foreign LSLA to produce foods (especially cereals) for their home markets.

[13] Ibid., p.32

HLPE (2011) revealed that China has also been pursuing a national food security strategy, including major public investment in domestic production and agricultural research and development (Foresight 2010). However, the government acknowledges that it is getting harder to fulfil its commitment to meeting 95% of food needs from domestic sources. Consequently, the Chinese government has been supporting investment by Chinese companies in large areas of land beyond their borders, to ensure supplies of soy, and palm oil, as well as rubber and timber, such as in Brazil, Argentina, Angola, Democratic Republic of Congo, Cambodia, Lao, Russia, and Kazakhstan, Mozambique, Tanzania, Zambia, The Philippines, Cameroon and Sierra Leone. South Korea is looking to build a strategic grain reserve and is planning to buy cargoes of corn and other staples, joining similar efforts by other Asian nations worried about high food prices and social unrest[xiii]. Just like in many other countries, China, Egypt, and Libya are among the major large-scale land investor in Uganda.

4.4.4 Emerging Carbon Markets

Emerging carbon markets can play a role as sources of complementary revenues that make certain types of land deals more attractive, such as bio-fuels production or reforestation projects under a new mechanism for Reducing Emissions from Deforestation and forest Degradation (REDD)[xiv].REDD is being negotiated as part of the post-Kyoto climate change regime, FAO believes that potential returns from carbon markets may increase land values although evidence on the extent to which this is currently happening is mixed given that REDD is still at a very early stage (Cotula et al., 2009). Uganda is a member of the REDD+ Partnership launched in Oslo Norway in May 2010, and has been identified for a number of Carbon Sequestration projects (*see Table: 1*). Uganda's ecological conditions are conducive for forestry business and offer high economic returns to REDD investments. According to the Katoomba group (2009) Uganda has been an innovator and early mover in forest carbon markets, with several pioneering and internationally recognized projects (ECOTRUST, FACE and World Bank supported afforestation and municipal waste management).

Based on a simple model, Butler (2006) calculated that at a deforestation rate of 86,400 ha/year, Uganda was in position to earn $10-137 million with a potential increase in per capita income of 0.13-2.18% from avoided deforestation. While the potential benefits from carbon markets may contribute to increased land value and poverty alleviation through afforestation projects in Uganda, Cotula and Mayers (2009) point out that such afforestation projects have had limited success under the Clean Development Mechanism – the arrangement under the Kyoto Protocol for developed countries to offset their excess emissions through projects in developing countries. This is due to high transaction costs and other restrictions (for example, all forestry is excluded from the EU Emissions Trading Scheme).

Table 2: Details of Carbon Sequestration Projects in Uganda

	Project Title	Host Country	Investor	Funds Invested	Project Years	Implementing Agency	Carbon Offsets	Nature of Benefit Sharing	Othere details
1	The International Small Group and Tree Planting Program (TIST)	Uagnda Kenya Tanzania	World Bank, BioCarbon Fund, USAID, Dow Chemical Company	Dow- $1.2 Million: World Bank- n.a[1]	1999 – Present	CAAC, I4EI	2.3 mtCo2 by 2017 [2]	Carbon rights transferred to CAAC. All others, viz. timber, NTFPs with community	Number of farmers > 3000, organized in 315 groups. Live trees > 400000. Seedlings in the millions.
2	Forest Rehabilitation in Mt. Elgon & Kibale National Parks	Uganda	FACE Foundation	n.a	1994-Present	Uganda Wildlife Authority (UWA)	7.1 $mtCo_2$ over 99 years	Carbon Offsets with FACE. All other rights with UWA	Project registered as AIJ (Activity Implement Jointly), and has FSC Certification.
3	Plan Vivo Project	Uganda	UK DFID, USAID, START, Tetra Pak UK	€ 1 Million (expected)	2003-2012	Ecotrust Uganda, ECCM,ICRAF	0.9 $mtCo_2$ by 2012	Timber and other biomass benefits with farmers. Tetra Pak buys carbon credits. 60% of the sale money goes to farmers.	Carbon sequestration through small-scale tree planting on 5000 ha. In 2003 alone, Tetra Pak bought 14000 from tCo_2 the project.
4	Commercial Plantation Projects	Uganda and Tanzania	Tree Farms AS of Norway (local subsidiaries)	At least $0.6 million in Uganda; Tanzania - n.a.	1997 – present	Green Resources, Busoga Forestry Company	2.3 $mtCo_2$ expected in Uganda	Commercial plantation, all rights including carbon credits with the company.	SGS Products Certification in Tanzania. 6500 ha already planted.
5	Nile Basin Reforestation	Uganda	World Bank BioCarbon Fund	n.a	2006-Present	National Forestry Authority	0.25 $mtCo_2$ 2017	Gum, firewood and timber to be shared with locals. ASI will sell carbon credits.	Acacia plantations on 22800 ha. Project will benefit 15000 farming families in the area.

Source: Extracted from Earth Trends 2006 World Resources Institute under a Creative Commons License

[1] n.a. = not available
[2] mtCO2 = million tons carbon dioxide

4.4.5 Demand for Raw Materials

Governments and private investors from industrialised countries and emerging economies continue to secure large tracts of agricultural land in developing countries by means of long-term lease or purchase agreements. Industrialised countries are looking for land on which to grow agricultural raw materials; oil conglomerates in particular – some of them from European countries – are trying to secure land for the future cultivation of oil-producing plants and maize and sugar cane for energy production in the post-oil era (BMZ, 2009). Availability of abundant natural resources like land, water and minerals increases Uganda's risk of being a major target for LSLA by industrialised countries. Some other hidden motives behind LSLA are associated with the increasing scarcity of water in many countries. For instance the oil-rich Gulf States like Saudi Arabia, Jordan, United Arab Emirates etc, are facing a serious water shortage which has triggered foreign LSLA. Uganda has a huge amount of untapped water resources that come along with the land deals as free resources. Virtually with all LSLA, the lease or purchase agreements rarely price water, yet land without water would be less productive for agriculture.

4.4.6 International Politics and Policy Drivers

A number of foreign LSLA are supported by international politics and policies geared towards promoting international trade, bilateral cooperation agreement among others. Many domestic investment policies in developing countries are designed to suit the international conventions and regional agreements among member states. For instance, the African Union‘s Comprehensive African Agricultural Development Programme (CAADP) of 2003 committed member state governments to invest 10% of government expenditure in the agricultural sector. Most countries have not yet reached this target, and many are seeking private international funds to make up some of the gap through land deals. The CAADP has a particular focus on increasing irrigated area (only 4 per cent now across Africa). Some international investors are offering this infrastructure in exchange for land leased or purchased. For example, in the case of the Libyan acquisition of 100,000 ha of land in Mali, the Libyan government has built a canal to bring water to the area to be cultivated (HLPE, 2011).

Similarly, International treaties may compound imbalances in individual deals. For instance, investment treaties between home and host states usually protect investment against adverse host government action (expropriation, broadly defined unfair treatment); strengthen the legal value of individual contracts by making their violation a breach of international law; and give investors direct access to international arbitration in case of disputes with the host government[xv]. Implementation of most treaties is completely political and member states are sometimes coerced to become signatories for the sake of being accepted in the International Community.

5 LARGE-SCALE LAND ACQUISITIONS: Can it Yield Equitable Benefits To Uganda’s Smallholder Farmers?

The debate on whether foreign LSLA will or will not yield equitable benefits to smallholder farmers still continues with proponents and opponents of this massive land rush presenting valid arguments. It is widely recognised that large-scale investment in agriculture is needed in to raise yields as a means to improve food security in many parts of the world. There is however very scanty evidence that such investments in LSLA have improved productivity and livelihoods of the rural poor who constitute the biggest population of farmers in Uganda. Behind all major investments in LSLA is a promise of direct benefits ranging from employment creation, increased food production, improved infrastructure, household incomes, better education and farming technologies among other indirect secretive benefits that host countries expect from these deals. Unfortunately, many developing countries have found themselves in a paradoxical situation where little or none of the promised benefits are realised and in reality, such investments have increased food insecurity, resource (both land and water) depletion, increased oppositions and conflicts over shrinking lands among others in the host countries.

The world’s ability to take up this challenge while minimising the associated economic, social and environmental costs will largely depend on how the rural poor will respond. This is because they live in and control a significant part of the arable land and provide most of the agricultural labour force. They are also the majority (more than 80%) of the world’s food insecure population, and depend on land as their primary source of livelihoods. Limited access to land and insecurity of tenure rights are among the key factors that hinder the ability of poor rural households to improve crop production in order to feed themselves and to contribute to feeding the rest of the world (IFAD, 2011a).

The main investors in land and agriculture in developing countries are the approximately 500 million smallholder farming households. They support a third of the global population, and produce up to 80% of the food consumed in the developing world. These farmers are typically among the poorest and most neglected in development support and investment terms, yet they play a key role in achieving poverty reduction and food security. Therefore, enabling poor rural people to be part of the solution for global food security must be a priority for governments, the international development community and any other investors (IFAD, 2011b). In many countries where large-scale agro investors have contracted smallholder farmers, the results still show an exploitative relationship where smallholders are effectively providers of cheap labour, and expected to carry production risks. Evidence from several experiences with contract farming suggests that, in the longer term, land access may shift from women, who cultivated subsistence crops, to men, who are more likely to sign contracts for cash crops with agribusiness (Vermeulen, S. and Cotula, L., 2010).

It is disappointing to note that over 80% of Uganda's smallholder farmers – who basically feed the entire nation, have persistently lived in absolute poverty. Most government policies like investment incentives have not favoured Uganda's smallholders. Although a lot of studies show that smallholder farming can become productive and contribute to solving the global food crisis, majority of Uganda's farmers lack access to credit, improved seeds and fertilizers, tractors and technology to minimise post-harvest losses. They face higher transaction costs, which makes it difficult for them to adapt and respond quickly to market developments. Smallholder farmers do not compete on equitable terms in local, regional or global markets. Often they lack access to markets because roads are poor or transportation is too expensive. And higher food prices do not always filter down to the farm-gate, where poor farmers often have to sell their produce. Supporting smallholder farmers would not only enhance world food security, but would make a significant dent in poverty. Leaving them out of the equation will push many into greater poverty and hunger[xvi].

Although promoting FDI in agriculture is a priority for Uganda's development, government should be extremely conscious- not to neglect the power of smallholder farmers. IFAD equally supports this argument by showing that smallholder farms are often very efficient in terms of production per hectare, and they have tremendous potential for growth. Experience shows that helping smallholder farmers can contribute to a country's economic growth and food security. For example, Viet Nam has gone from being a food-deficit country to a major food exporter, and it is now the second largest rice exporter in the world. It achieved this largely through development of its smallholder farming sector. FAO[xvii] cautions that policies and programmes to lessen poverty and food insecurity, and to enhance equity and sustainability of incomes and livelihoods, should thus seek to achieve an agriculture-led broad-based economic development - and to do so by according highest priority to small-scale agriculture.

6 CONCLUSIONS AND RECOMMENDATIONS

International investment plays a vital role in development and poverty reduction. Investment can improve livelihoods and bring jobs, services, and infrastructure, when it is managed responsibly within the context of an effective regulatory framework (Oxfam, 2011). Although LSLA investments have the potential to offer benefits if handled in a transparent manner, the rapid rush for LSLA in Uganda still poses more questions than answers. One of the highest development priorities in the world must be to improve smallholder agricultural productivity, especially in Africa. Smallholder productivity is essential for reducing poverty and hunger, and more and better investment in agricultural technology, infrastructure, and market access for poor farmers is urgently needed (Deininger et al., 2011).

Given that LSLA are relatively a new form of investment, Uganda is still ill-equipped and has very little experience in handling such kinds of investments. For instance, a lot of secrecy and lack of transparency is a major characteristic behind most large-scale investments in land, oil and forestry in Uganda. The country should therefore focus on developing strong legal and institutional framework that protects the rights of smallholder farmers and minimises negative impacts associated with LSLA. LSLA do not offer sustainable investment since it's well known that the demand for land (due to population growth) exceeds its supply. Concentrating large tracts of land in hands of a few investors is equivalent to violating the human rights and dignity of the majority smallholder farmer who significantly contribute to Uganda's economy. Efforts should be prioritised in supporting smallholder farmers with agricultural incentives and easy access to markets, credit, improved seeds, fertilisers, efficient transport and modern technologies to reduce post harvest losses.

Many international organisations like IFPRI have proposed that establishing a code of conduct for host governments and foreign investors could help ensure that land deals are a "win-win" arrangement for investor and local communities. IFPRI cites and example of the Extractive Industries Transparency Initiative, which binds participating governments and companies to certain standards in mining and oil activities, as one possible model for large-scale land deals. However, UN Special Rapporteur on the right to food - Oliver De Schutter is sceptical that such a code can be negotiated or enforced. He instead emphasises the existing body of human rights laws, which can be applied to large-scale land acquisitions and used to get governments to meet their obligations to citizens[xviii].

Improving land and water governance should be a priority of Uganda government if at all it aims at meeting its obligations to the citizens. Weak governance characterised by gross corruption, inefficiency, favouritism, exclusiveness and lack of accountability in government institutions is the major hindrance to Uganda's economic progress. Bad governance excludes majority of the people in decision making and favours the politically powerful, elites and foreign investors to exploit the rural smallholder farmers who basically can neither afford the costs of bribing land administration officers nor the costs of litigation in case of unlawful evictions or unfair compensations. Government should promote transparency regarding land deals. Government agencies like UIA, NFA should make foreign investment agreements accessible for public scrutiny by all stakeholders especially those who are likely to be affected by this type of investment.

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End Notes

i Signed for the first 1000 ha further farms planned.

ii World Bank (2010) Protecting Land Rights is key to successful Large-Scale Land Acquisitions http://econ.worldbank.org accessed 29th September 2011.

iii H.W.O. Okoth-Ogendo, is a Professor of Public Law at the University of Nairobi.

iv Uganda Investment Authority (2011) Investment Opportunities: www.ugandainvest.go.ug accessed 29th Sept. 2011 v Report was done by the Center for Human Rights and Global Justice (CHRGJ) in support of the mandate of the United Nations Special Rapporteur on the right to food, Olivier De Schutter.

vi Due to the global financial crisis, the licence of GTV Uganda was withdrawn by the Uganda Broadcasting Council on 4th Feb. 2009. It's closure sparked a lot of job insecurity in Uganda http://independent.co.ug/business/business-briefs/613-gtv-closure-sparks-job-insecurity-contract-expiry-cases-is-the-new-term-for-lay-offs

vii Oxfam has a copy of the Interim Order granted by the Central High Court of Nakawa on 19 June 2009 against the NFC, 'restraining the respondent, its workers, agents, assignees and/or those acting through or delivering authority from it from evicting the applicants and their families, destroying their crops, schools, hospitals, social infrastructure and livestock'. The Kiboga order remained in force until 2 October 2009. In Mubende, Oxfam understands the pattern was similar: lawyers representing the community explained to Oxfam that an interim order was granted against NFC, and extended until 18 March 2010, but was ignored, as reported in *The Observer* (Uganda) on 11 January 2010: *http://www.observer.ug/index.php?option=com_content&view=article&id=6736:museveni-okays-eviction-of-1500-mubende-homes&catid=78:topstories&Itemid=59 last accessed August 2011.*

viii Rural 21 Energy and Climate Change: *The International Journal for Rural Development, No. 6/2010 Vol. 44*

ix These investors are mainly from the private sector and Organisation for Economic Co-operation and Development (OECD) member countries THE GREAT LAND GRAB, *supra* note 13, at 4.

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xi Refer to VOICE OF AMERICA *http://www.voanews.com/policy/editorials/a-41-2008-09-22-voa4-84651847.html*

xii *See, e.g.*, FRIENDS OF THE EARTH AFR. & FRIENDS OF THE EARTH EUR., AFRICA: UP FOR GRABS: THE SCALE AND IMPACT OF LAND-GRABBING FOR AGROFUELS 8 (2010) [hereinafter AFRICA: UP FOR GRABS], *available at* : *http://www.foeeurope.org/agrofuels/FoEE_Africa_up_for_grabs_2010.pdf ("The term 'agro-fuels' describes the liquid fuels derived from food and oil crops produced in large-scale plantation-style industrial production systems. These agrofuels are blended with petrol and diesel for use primarily as transport fuel. Bio-fuels, on the other hand, refer to the small-scale use of local biomass for fuel.")*

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xv IIED Briefing (2009) 'Land Grabs' in Africa*: can the deals work for development?* *http://pubs.iied.org/pdfs/17069IIED.pdf accessed 6th October 2011*

xvi IFAD Food prices: smallholder farmers can be part of the solution http://www.ifad.org/operations/food/farmer.htm *accessed 8th October 2011*

xvii FAO Website: Small-Holder Contributions to Agriculture; http://www.fao.org/docrep/005/ac484e/ac484e05.htm#TopOfPage *accessed 8th October 2011*

xviii United Nations Africa Renewal 2010: Is Africa's land up for grabs? *Foreign acquisitions:* Some opportunities, but many see threats. *http://www.un.org/ecosocdev/geninfo/afrec/vol23no3/233-land.html*