



# Biofuels and the hazards of land grabbing: Tenure (in)security and indigenous farmers' investment decisions in Ghana



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## ABSTRACT

The past decade has witnessed a renewed interest in transnational land deals in the developing land-abundant countries of Sub Sahara Africa (SSA), Asia and Latin America following the convergence of the global financial, food and energy crises in the mid 2000s. In much of SSA, these deals occur on customary lands which are managed by traditional authorities on behalf of and in trust for the entire local community and are thus occupied by indigenous farmers. The traditional authorities have, for diverse reasons, become much interested in alienating large tracts of customary lands to foreign investors for biofuel and food crop plantations. In this paper, we examine the effects of the current mode of communal land acquisition for Jatropha cultivation in Ghana on the security of indigenous farmers' land rights and their decisions to invest in their farms. Empirical evidence is based on primary data collected from field surveys conducted in two districts in Ghana; Yeji and Ejura in the Brong Ahafo and Ashanti regions respectively. We observed that the increasing appropriation of communal lands for biofuel plantations without consultation, fair and adequate compensation to the indigenous land holders has resulted in uncertainty and tenure insecurity among farmers in affected communities. Consequently, such farmers have become relatively disinterested in farming, cultivating smaller farm sizes and thereby showing low investments in their farms. These findings provide a new perspective for considering the relationship between increasing biofuel cultivation and food security in developing Africa.

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## 1. Introduction

The past decade has seen a proliferation of large scale land deals by national and multinational companies in the developing land-abundant countries of Africa, Latin America and Asia. Transnational transactions involving large extensions of lands in the Global South have become rapid and widespread since the mid-2000s (Cotula et al., 2008; Rulli et al., 2013). Although difficult to provide precise figures, available estimates place the total lands transacted since 2005 between 20 and 45 million hectares (Von Braun and Meinzen-Dick, 2009; Deininger and Byerlee, 2011). This phenomenon has been dubbed "land grabbing" particularly in the media and critical literature. The convergence of global financial, environmental, energy and food crises, which began in 2007, are the driving forces behind this increase in the scope and scale of trans-boundary land investments, usually for the cultivation of food and biofuel feed-

stock (Rulli et al., 2013; Cotula et al., 2008; Borras and Franco, 2010; Borras et al. (2011); Schoneveld and German, 2014).

Sub-Saharan Africa (SSA) has become a prime target for most of these investments as a result of its high endowments with land and water resources, weaker protection for land rights and the stronger role of public property in rural land administration (Deininger and Byerlee, 2011; Giovannetti and Ticci, 2013). Ethiopia, Ghana, and Tanzania are among the countries in SSA which have experienced much investor interest in the recent wave of land deals (Cotula et al., 2014). While proponents hail this situation as a promising development opportunity with positive implications for the frail agricultural sector in SSA, critics contend that the rapid commercialisation and appropriation of rural lands for plantation agriculture accelerates the demise of peasantry, aggravates poverty levels and threatens food security (Von Braun and Meinzen-Dick, 2009; Cotula et al., 2014).

The growing commercial pressure on lands in SSA poses hazards to the customary land tenure system which features communal

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land ownership as many indigenous<sup>1</sup> land owners are being displaced without adequate restitution (Schoneveld et al., 2011). In Ethiopia for example, land allocations have significantly affected pastoralism; an important livelihood strategy in the lowland areas (Deininger and Jin, 2006; Cotula et al., 2014). Ghana represents a peculiar case, not for the size of the recent acquisitions, but for the fact that these acquisitions are spearheaded by chiefs and traditional rulers who control up to 80% of the total available lands (Kasanga and Kotey, 2001; Cotula et al., 2014). These chiefs usually act *suo motu* in leasing communal lands to investors without regards for the rights of the indigenous land holders; negotiations on these deals are opaque and mainly between paramount chiefs and investors with no involvement and consultation of the local people (Schoneveld and German, 2014; Yeboah, 2014; Kidido and Kuusaana, 2014).

In a country where more than half of the population are engaged in farming on communal lands, this situation represents a potential threat to the security of native land holders' tenure. Such threat to farmers' tenure could have implications for food security and poverty, especially if this affects the decisions of farmers to invest in agriculture. Besley (1995) and De Soto (2000) have explicated that security of land rights encourages investments in land, increases agricultural productivity and accelerates economic development. This is so because secured land rights strengthens claims to the fruits of one's investment in the land, increases access to capital for expansion, allows for gains from trade, and provides the cultivator with freedom to innovate. As incentives to invest depend on one's expectations of rights over the proceeds of such investment, insecure farmers are less likely to invest optimally in their lands.

In this regard, it is crucial to examine how the current practice of communal land alienation for *Jatropha* plantations has affected indigenous farmers' land rights and agricultural investment decisions. Although much attention has been given to the food security implications of the biofuel boom in Africa, this has often been along the lines of competition between biofuel and food crops for available fertile land (see Rahman et al., 2008; Cotula et al., 2008; Rathmann et al., 2009; Boamah, 2011). No particular attention has been given to the implications on food security if farmers are disincentivised to invest in agriculture due to increasing insecurity.

This study attempts to fill in this gap in the literature by examining how the increasing displacement of native farmers in the wake of the biofuel boom in Ghana has affected tenure security and agricultural investment decisions of farmers. The investment considered in this study is the monetary value of farmers' total capital and labour, and other resource invested in their farms during the 2014 planting season (between January and July 2014). We aggregated both long and short term investments and estimated same from the data collected from a field survey where farmers provided information the investment made in their farms.

We pursued two specific objectives. First, we examined how; and the extent to which the alienation of communal lands for *Jatropha* cultivation in Ghana have affected the security of indigenous farmers' land rights. Second, we investigated how the expropriation and insecurity of native farmers have affected their decisions to invest in their remaining farmlands.

This study goes beyond the prevailing debate on the pros and cons of the rising global interest in biofuel and other commercial plantations in Africa and focuses specifically on the effects of communal land alienation for *Jatropha* cultivation on local farmers' land tenure security and how this in turn affects their total investments in agriculture. Evidence is found that farmers in areas where there

have been large scale land deals – with attendant displacements without fair and adequate compensation – perceive higher levels of insecurity with their land rights and are more uncertain about reaping the proceeds of their investments. Consequently, such farmers are unwilling to cultivate large farm sizes and thereby have lower investments overall.

### 1.1. Tenure security and agricultural investments: theoretical considerations

It has long been recognised that secured land tenure and property rights encourage investments in land. It is quite intuitive that incentives to invest in land depend on expectations of rights over the proceeds to that investment and hence on the nature of property rights one holds in the land. Adam Smith is credited as the first to have investigated this hypothesis when he considered the possibility that English farmers' fears of expropriation or loss of control over land on which their investments had been made might deter such investment (Goldstein and Udry, 2008). This hypothesis has received considerable attention among economists in recent times and was brought to lime light by De Soto (2000) who posited that formalisation of property rights is the cardinal explanation for the success of capitalism in the west and its failure elsewhere.

Several potential mechanisms have been suggested through which the security of property rights could enhance investment. Besley (1995) investigated three such channels linking land rights and investment incentives. The first is dubbed "*security effect*" and reflects Smith's earlier observation that individuals who perceive higher risks of seizure of the fruits of their investments by others may be less likely to invest in their lands. The second argument, dubbed "*collateral effect*", in line with De Soto's (2000) thesis, suggests that secured land rights make it easier to use land as collateral and thus reduces constraints on funding land based investments. The final link is attributed to "*gains from trade*" and emphasises that investments may be stimulated if improved transfer rights enables individuals to rent or sell their lands easily (Besley, 1995). Pagiola (1999) echoed the security and collateral effects in his analysis of the cost and benefits of rural land titling wherein he opined as follows;

Farmers who are uncertain about their tenure security are unlikely to undertake investments which take several years to pay off. . . The risk that they will lose their land, and hence be unable to reap the long-term benefits of their efforts acts in the same way as an additional discount rate (Pagiola, 1999, 36–37).

These propositions are theoretically convincing and intuitively appealing. However, empirical evidence is inconclusive. Some authors have argued that land tenure security is not exogenous to investment. They highlight the fact that farmers who feel uncertain about the security of their land rights may resort to undertaking higher investments which in turn enhance their claims to the land (Sjaastad and Bromley, 1997; Place and Migot-Adholla, 1998). The link between tenure security and investment, according to this standpoint, is not a straight forward one. Following these divergent theoretical viewpoints, several authors have investigated these hypotheses empirically.

Gavian and Fafchamps (1996) observed that security of land tenure had only a little effect on agricultural investment in Niger because there were basically no profitable long-term investments to be made. However, security of land tenure did have significant influence on the application of manure in the same region. In Kenya, Place and Migot-Adholla (1998) argue that notwithstanding the fact that land title registration increased tenure security, it had little effect on agricultural investment and productivity. Similarly, in Ghana, Besley (1995) observed that enhanced tenure security facilitated agricultural investment in Wassa but not in Anloga. Thus the

<sup>1</sup> Indigenous farmers as used in this paper is taken to mean local Ghanaian farmers mainly engaged in peasant farming as opposed to commercial plantation farmers, foreign and local corporations.

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