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Large-scale agricultural land investments and local institutions in Africa: The Nigerian case

Evans S. Osabuohien[a,b,*]

[a] Department of Economics & Development Studies, Covenant University, Ota, Nigeria
[b] German Development Institute, Bonn, Germany

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ABSTRACT

Africa has become the most targeted continent for large-scale agricultural land investments (LALIs) with over 60% of the global figure. Some efforts have been made to investigate the determinants of LALIs at the global level; however, scare evidence abounds regarding the characteristics of target communities in a given country particularly in Nigeria, one of the top 20 recipients of LALIs globally. This study contributes by showing how community characteristics influence the likelihood of receiving LALIs and the aspects of such community characteristics that matter. Utilising community-level data in Nigeria and estimating with probit model, some findings are made. Unexpectedly, the indicators of local institutions in the communities do not exert significant influence on the likelihood of LALIs occurrence. This supposes that the local institutions are rather overwhelmed by the state. How the local institutions can be integrated for LALIs are suggested.

Introduction

The issue of large-scale agricultural land investments (LALIs) in Africa has been attributed to the supposed availability of cheap land coupled with weak land governance. This, *inter alia*, has made Africa the most targeted region with over 60% of global foreign land deals (Brüntrup, 2011; Deininger et al., 2011; Osabuohien et al., 2013). Deininger et al. (2011) observed that out of 464 land projects, 203 included area information that summed up to 56.6 million hectares (ha) cutting across projects in 81 countries; 48% of these projects covered 39.7 million ha, representing about two-third were in Sub-Saharan Africa (SSA). Similarly, out of the 1217 publicly reported land deals, 62% of them covering a total area of 56.2 million ha are in Africa (Anseeuw et al., 2012a).

LALIs can be described as the purchase or lease of land by individuals and entities outside their country of origin. Some refer to LALIs as 'land grabbing' to depict its negative side (Cotula et al., 2009; FIAN, 2010; Brüntrup, 2011). FIAN (2010: p. 8) defined it as the "taking possession of and/or controlling a scale of land for commercial/industrial agricultural production that is disproportionate in size in comparison to the average land holding in a region". The major reasons for the increasing recent reports of LALIs include: boom for bio-fuel policies across the world; rising food prices (crisis) in the world market; and the global financial crisis of 2007/2008 that caused investors to seek alternative sources of investment with a view to reducing the effects of financial market volatility. Others are: the increasing oil price and the sale of certificate for reducing emissions (Cotula et al., 2009; Deininger et al., 2011; Cotula, 2012).

Some research efforts have been made to investigate the determinants of LALIs at the global level. These studies have identified a number of main *drivers* of LALIs including: global financial crises, bio-fuel policies, rising food prices, and so on (Cotula et al., 2009; Arezki et al., 2011; Brüntrup, 2011; Deininger et al., 2011; Anseeuw et al., 2012a). Nevertheless, little is known regarding the characteristics of target communities in a given country. The characteristics of the target localities (e.g. the availability of land, current land use patterns and population densities), can shape the socio-economic outcomes of LALIs. This can result to "land grabs" with negative implications for affected local populations or positive impact on the socio-economic development of the host communities (Nolte, 2014).

This study provides empirical evidence on the community-level determinants of LALIs in Nigeria, an important receptor of LALIs.[1]

* Correspondence to: German Development Institute, Bonn, Germany. Tel.: +49 15257010484.
E-mail addresses: pecos4eva@gmail.com, ecosofdestiny4@yahoo.co.uk, stephen.osabuohien@covenantuniversity.edu.ng, evans.osabuohien@die-gdi.de

[1] The domestic land acquisitions are also important; however, this study is mainly concerned with foreign aspect as information regarding domestic acquisitions is scarcely available.

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Thus, the main research questions are: despite the same land policy across the States in Nigeria (*as enshrined in the Land Use Act*), why do LALIs vary substantially across communities; and how do local institutions at the community-level influence LALIs in Nigeria? The next section is the conceptual framework followed by description of data and the method of analysis. The results, main findings and conclusion follow subsequently.

Large-scale agricultural land investments and institutions

The occurrence of large-scale agricultural land investments (LALIs) can be related to the nature of institutional framework as land deals, in particular, and land governance, in general, will depend to a considerable extent on the prevailing institutional quality in a country. The issue of legal and institutional framework associated with LALIs is important given the increasing role of institutions in managing economic activities and decision making process. The nature of institutional framework in a country can create choices that can affect transactions and production costs. It plays out in the formulation of policies in an economy that will be relevant for securing property rights and general shaping of relationships among economic agents (North, 1991; Williamson, 2000; Acemoglu and Johnson, 2005; Nye, 2011; Osabouhien and Efobi, 2013).

The negotiation process and the level of consultations in land deals will be determined, to a large extent, by those in authority in the host countries, which can be in alliance with the local community leaders or not. Sometimes, the position to be eventually chosen in the negotiation process will be influenced by the extent of *returns* that the prospective investors can anticipate as well as the officials representing the State (Government).[2] It is not very surprising that land investors tend to focus mainly on countries that have a weak institutional framework to maximise their returns on investments (Arezki et al., 2011; Deininger et al., 2011; Oxfam, 2013). In this light, Nolte (2014) using evidence from Zambia posits that LALIs can exhibit different aspects of *land grabs* and *development opportunities*, depending on how the actors (host communities and investors) *play the game*. The rule of the game as referred by the author relates to land governance including the formal rules, informal norms, and the process of enforcement of rules in land administration.

Anseeuw et al. (2012b) observe how the quality of governance (an aspect of institutions) can lead to adverse implications stemming from LALIs. In this perspective, weak democratisation, poor accountability and transparency will contribute to the power of political elites capturing and allocating acreage of lands ‘at will’. The existence of weak legal system (e.g. poor legal structure) will result in poor property right protection and dispossession of land holdings. This study presents a conceptual framework depicting the role of institutions in determining LALIs as illustrated in Fig. 1.

It is worth noting that institutions can be categorised into traditional (or informal) and formal. This is in congruence with North (1991, 2005)'s categorisation of formal and informal institutions with formal characterised by written-down and well-documented principles that guide the affairs of a society. While the traditional (simply called local institutions here) entail unwritten moral codes, values and conducts that influences how a people (e.g. community, association) is organised (North, 2005; Osabouhien and Efobi, 2013).

The formal institution regarding land deals in Nigeria is documented in the land policy captioned the Land Use Act of 1978. The Act entrusts on the government (at the States) the custodian right to issue certificates of occupancy for land holders within their territories (Mabogunje, 2010; Adeniyi, 2011). Thus, it can be said to be the same across the 36 States in Nigeria and the Federal Capital Territory-Abuja. As can be seen in Fig. 1, the government through its agencies (the Land Committee and ministries related to land) working within the embodiment of the legal rules of the country and in accordance to the Land Use Act have direct contact with the potential land investors. The outcomes that emanate from the contact based on the negotiations and the agreement to be reached will depend on both the quality of the rules and those of the public officers.

The local institutions comprise the community leaders who can act on behalf of the members of the community. The community leaders can be seen as the embodiment and custodian of the customs, beliefs, norms and values in the community and this can vary across communities. For example, in some communities, the head of the community is the oldest man, while in some (where the hereditary system operates) the first son of the King and Chief takes over after the death of the father. The focus here is on informal institutions, which has not received much emphasise in extant works. Thus, variations in different communities within and between States in Nigeria will then be considered under the purview of local institutional system in addition to other community factors. If the community leaders are *powerful* and not self-seeking they can defend the interest of the members of the community.[3] This will be based on the electoral strength, which may be a good bargaining power for voting during elections. Hence, it is not unusual to see political aspirants holding meetings with community leaders to solicit for their votes and those of the households in the community. It is the same power that could be utilised by the community leaders to influence the negotiations for LALIs.

In the event of LALIs, the investors can opt for a given location of land after getting some clearance from the State Government. The members of the community that occupy the land may not have the capacity (technical, information, resources) for the negotiation process and can rely on their community leaders. These community leaders convey the desires of the members to the potential investors. They can also act on the bidding of the State Government like in the case of Kwara State (Ariyo and Mortimore, 2012). Thus, there is a weak connection between the local institutions and potential investors as denoted by thin-dashed arrow in Fig. 1. In many developing countries, land titles are poorly defined (Goldstein and Udry, 2008; Bromley, 2009). Many in the communities do not own titles for their land and as result the discretion and negotiation of the Government and investor *hold sway* as the Land Use Act has empowered the State Government.

Unlike the formal institutions, how the local institutions interact with LALIs is not clear in the literature. Local institutions do not have much legal power and recognition regarding contending with the power of the state on issues that matter to the community. In Fig. 1, this is represented by the curved-thin arrow with question mark. Similarly, the kind of contact between traditional leaders and potential land investors is not clear. Other community features such

[2] Corruption can influence the process as some public officials can be *bought over* to play down on the *due process*. In large-scale land deals, environmental impact assessment is supposed to be carried out, but when the public officers are corrupt; this requirement can be undermined or shabbily done. How corruption occurs and matters for LALIs is sufficient for another research.

[3] There is the possibility of community leaders getting corrupt. In this case, there will be inadequate community consultation, which will weaken the local institutions.