Influencers and Implications of Foreign Land Deals in East African Community: The Case of Uganda

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ABSTRACT

Some of the factors that have been attributed to the global increase of Foreign Land Deals-FLDs include the three Fs (food, fuel and finance) crises. However, most of these empirical evidences stem from the assessment of a broad set of countries. An analysis on the main determinants (simply called influencers) across host communities within a country presents specificity and closer reality, which informs the present study. We examined the community factors that could exert significant influence on determining whether or not a community receives FLDs in East African Community (EAC), focusing on Uganda. Uganda presents an interesting case to investigate this issue because the country is one of the significant destinations of FLDs in EAC apart from Kenya and Tanzania. Taking one step further, the study investigates the possible implications of FLDs on the host communities in terms of an improvement (or deterioration) on selected community outcome variables like the quality and services relating to education, road, water and health facilities. The findings and recommendations for policy action are underscored in the study.

INTRODUCTION

Uganda is said to have one of the youngest countries (in terms of date of independence) and has the fastest growing populations not only within the East African Community (EAC) but in Africa as a whole (United Nations, 2013). This leaves the country with endemic issues, which creates both opportunities (to harness the human resources) and threats (with regards to the increasing unemployment rate especially among the youths and women) (Doss, Meinzen-Dick & Bomuhangi, 2014). The visibility of this threat is seen in the rate of unemployment in this country, which records about 5.9 million (representing 19.3%) unemployment status for Ugandan population between the ages of 15 and 24 years (AfDB*, et al.,* 2012). Some of the factors attributed to this scenario in Uganda include: inadequacy of employable skills, limited access to financial and technical resources, the insufficient emphasis on vocational training and a mismatch between skills and requirements in the job market, among others. A number of measures have been taken by the Ugandan government to *stem this unpleasant tide,* such as efforts in improving the employability of young people through initiatives such as the establishment of a Youth Venture Capital Fund (YVCF) that is geared towards supporting entrepreneurial bankable ideas and initiatives, and the National Business, Technical and Vocational Education and Training, and so on.

How does this situation possibly affect Large-Scale Foreign Land Deals (called FLDs hereafter), which is popularly called *land grabbing* to denote its negative outcome? One of the development opportunities usually advanced for the rising FLDs and the transformation of the informal sector in countries, especially the agrarian context is to boost productivity and provision of employment opportunities for the host communities. By this justification, foreign investors seek to develop the macroeconomic situation of the host country while carrying out their operations. However, the locations of FLDs are dispersed based on heterogeneous peculiarities of the host location that improves the desire of foreign investors to set-up their operation in such locations; of course, with the consequent attendant benefits. Taking stock of the particular peculiarities that informs the location of FLDs has remained a contemporary debate in land deals literature (Osabuohien, 2014). In essence, this informs the main point of enquiry in this study-what are the main *drivers* (simply captioned as *influencers*) of FLDs across communities within a country –Uganda? Furthermore, apart from the perceived benefit of FLDs on employment status of the host community; we also enquired about the possible impacts of FLDs operations on host communities.

This outcome from this enquiry is of policy relevance because; apart from Uganda being one of the highest recipients of large-scale FLDs in Africa, it is next to only Tanzania within the EAC. Secondly, Uganda has one of the highest sizes of informal sector activities within EAC sub-region and Sub-Sahara African countries (AfDB et al, 2012) and since FLDs have a drastic effect of activities in this sector, policy insight can be drawn from this current study. Likewise, the overall application on other African countries cannot be denied. Thirdly, a number of factors have been attributed to the global increasing of FLDs, such as: the three *Fs* (food, fuel and finance) crises, and so on. However, the main drivers across host communities within a country have not received substantial attention (Osabuohien, 2014). This is critical considering that, sometimes, the macro explanations for economic phenomenon are plagued with measurement errors and endogeneity problems, which are likely neglected or inadequately attended to. This affects the consistency of explanations for such results. Likewise, community based study (or micro study), as it is with this present study, is able to reveal a clearer picture of the dynamics involved in choosing locations for foreign land acquisition. Given these the main objectives of this study include: to examine the important *influencers* within the community that could exert significant influence on whether or not a community receives FLDS in Uganda; and investigate the possible implications of FLDs on the host communities. The next section presents some background information followed by the conceptual framework, description of data and the method of analysis, in that order. The empirical results, main findings and conclusion follow subsequently.

BACKGROUND ISSUES

This section highlights some background issues that are related to the Ugandan economy in comparison to other members of the East African Community (EAC) and with main reference to Foreign Land Deals (FLDs) and few socio-economic indicators. These indicators are reported in Table 1.

(INSERT TABLE 1 HERE)

From the Table, Uganda experienced the second highest occurrence of FLDs in terms of number of reported land deals and third, in terms of the size of the deals in hectares in EAC region. Comparatively, the issue of FLDs is not so critical in Rwanda. This can possibly be explained by the geographical features of the country- being landlocked, and its historical challenge of tribal wars. Another reason may be associated to the recent 'successful' land reform in Rwanda. In effect, Rwanda is one of the countries in Africa that has carried out national land reforms and land titling, which has created more stringent legal and institutional framework that can deter land investors that are driven by the *train* of returns on investment (Ansoms, 2010). Tanzania has the highest occurrence of FLDs, which is followed by Uganda and Kenya. This difference across the countries in EAC, apart from reflecting the demand for land by foreign entities, can also indicate how the issue of FLDs are publicised, reported and widely spread across the countries as well as the difference in extent of institutional framework across the countries of EAC.

Taking a look at the sectoral classifications of the FLDs, the agricultural sector is the sector where most of the land deals occur in Uganda; just like in Kenya and Tanzania. The number of deals in the agricultural sector accounted for over 81% of the total land deals. The non-agricultural sector received just a handful of 18.18% in Uganda. The fact that the agricultural sector receives the bulk of FLDs portrays some issues. It may mean transformational opportunities in the sector; however, from the standpoint of inclusiveness and host communities' development, it could also suggest something else. This can be understood from the fact that over 70% of the local population *eke out* their livelihood from the agricultural sector in Uganda like many other African countries (AfDB et al, 2012; Osabuohien, 2014). This become even more glaring when one takes a swift glance at the last row of Table 1, where the lowest Global Hunger Index (GHI)[1] is more than 19 in Uganda, which is more severe compared to Kenya and Rwanda.

The consideration of the contribution of the agricultural sector to the national economy (Gross Domestic Products-GDP) throws more lights to the discourse. It is evident from the values in Table 1 that though the sector receives the majority of FLDs, its contribution to the Ugandan economy (GDP) was less than 26% in 2006 and 24% in

[1]The Global Hunger Index (GHI) describes the state of a country's hunger situation. It measures progress and failures in the fight against hunger and ranks countries on a 100-point scale. Zero (0) is the most ideal score (no hunger), and 100 is the worst scenario (International Food Policy Research Institute-IFPRI, 2013).

2012; and in effect, the lowest in both years compared to all other EAC countries[2]. The paradox here is that the decline can be attributed to the effect of the global economic crises but it was also after the period (2007/2008) that the FLDs increased greatly across African countries (Anseeuw et al, 2012; 2013). Whether this posture is an indication of socio-economic transformation is questionable; and leaves out reflection that despite the influx of FLDs, the agricultural sector has not improved its contribution to GDP but has rather witnessed some decline.

Still on few of the selected macroeconomic variables, the inflationary trend in Uganda experienced marked increase and almost doubled as it skipped from 7.31% in 2006 to the double digits terrain of 14.02% in 2012. The issue that this portends is the difficulties for the rural poor to cope with the costs on their food baskets, which will invariable be increased. Though all of the EAC countries experienced decline in their real GDP per capita growth between 2006 and 2012; Uganda witnessed the greatest downward trend as the value *nose-dived* from 7.11% (the highest in 2006) to 0.02% (the lowest in 2012).

INSIGHTS FROM LITERATURE AND ANALYTICAL FRAMEWORK

Issues from Extant Studies

Large-scale land deal is a relatively new concept in its new form that is legal and negotiable acquisition, compared to the colonial time-period where the colonizers acquired the land from the indigenous people by force. In the last decade, approximately 200 million hectares of land were acquired (Anseeuw et al, 2012: Borras et al, 2011) and more that 60 percent of these acquisitions occurs in Africa (Deininger et al. 2011). Thus, it has elicited expansive attention of the researchers, policymakers, human rights activists and local government and hence wide literature is already forming. While proponents argue that FLDs deals lead to creation of jobs, increase in exports and higher foreign earnings, economic growth, poverty alleviation, and environmental protection, while the pessimists argue that there are livelihood losses, cultural changes, land dispossession, and environmental degradation. Nevertheless, there is limited empirical assessment of these assertions

Agriculture has a significant contribution to GDP and food production and much of this has mainly been carried out at small-scale farming; such that it is a major source of livelihoods. In Uganda, the majority of the population is still rural, and the overwhelming majority of these rural households engage in agricultural work with an estimated 80% of the primary producers being women and girls (Doss et al, 2014). The massive acquisition of land, which is central to individuals' livelihoods, implies that the poor might be evicted from their homes which negatively affect subsistence agriculture.

The *thirst* for land has been driven by a variety of reasons. Prominent among the drivers is the increased speculation of food prices that is driven by the increasing demand of food by the rising global population (expected to be about 9 billion people by 2050). Countries that are food importers are acquiring arable land to secure their food supply in

[2]The choice of 2006 and 2012 is to have the years before and after the global economic crisis with a view to taking into cognizance the possible effects and to observe the recovery rates in recent time.

the future. The second prominent driver is the increased demand for fuel, which has led to substantial extractive projects. In addition, global climate change programmes, which are encouraged as potential contributors to sustainable rural development. In Uganda, land deals in proportion to the available agricultural land accounts for 14.6 percent according to FAO statistics (FAOstat, 2010) compared to 5% in Tanzania.. The land deals transaction occurs between two willing parties, whereby the private investors are in search of investment opportunities on one hand and the local government and customary leaders, who believe that large scale agricultural investment is imperative for economic growth and development on the other. Hence, availability of commercial land for agriculture investments is essential for attracting private investment.

Nevertheless, literature shows that production models, based on smallholders, result in higher job and income gains without efficiency losses compared to large commercial farms. Deininger et al, (2011) notes that with the exception of some plantation crops, smallholder production models have proven efficient channel for increasing agricultural productivity, which leads to alleviation of poverty. Some of the main challenges that accompany this land deals is that the term of contract between the government, investors and local landholders are not very transparent (Zagema, 2011). Some of the investment projects take long to start and the jobs created are few and lowly paid jobs are short lived in case the projects are abandoned as it has happened in Tanzania and Mozambique. In Uganda, a 2009-government land audit revealed that more than half of many of the investments did not use the land as agreed (Deininger et al, 2010).

There are lot of politics surrounding government's allocation of forestlands and communal land to investors in Uganda, which brings competition for forests reserves and water catchment areas. This has led to protracted conflicts between the government and the locals and boundary conflicts. In Uganda, for example, 20,000 people claim to have been evicted from their land and a legal case is pending before courts (Zagema, 2011). The magnitude of these projects is bound to have implications on rural land rights and existing land users (Stickler, 2012). Nevertheless, Cotula et al., (2009) notes that customary rights are protected to some extent in Uganda Land Act 1998 whose main aim is to strengthen the protection of local land rights.

In most of the targeted countries, there is a weak legal framework for recognizing rural land rights and also poor business environments (Deininger et al. 2011). Moreover, the insecure legal land rights in most African countries imply that the locals might lose their land. Doss, et al (2014) argue that women rarely have land ownership documents and they have fewer rights with respect to land and hence focusing on a land title to identify land tenure can adversely affect women’s land rights. With the prevailing policies, poor people rarely experience the trickledown effect of FLDs as host government are mainly interested in attracting more investments. Nevertheless, in Mozambique few of the investors granted concessions were reported to contribute substantially and sustainably to rural employment creation, food production or other benefits; irrespective, the rural poverty increased in the same period in the presence of improving economic growth (Aabo and Kring, 2012).

Similar challenges exist in some other countries in Africa. For instance, a project in the Tana Delta region of Kenya, and allocated for sugar cane plantations is displacing hundreds of families and destroying one of the Africa's most important bird habitats (McVeigh 2011). In Sudan the LSLA led to severe local conflicts over land access and crop yields declined due to low investments in technology and soil fertility; this was much later abandoned (Johnson 2003; Deininger et al. 2011). In Ethiopia, De Zoysa (2013) argues that land reform that encourages large-scale land deals have weakened small landholders' access to food and livelihoods. Efforts to introduce large-scale rain-fed wheat farms in Tanzania displaced pastoralists from some 40,000 hectares of prime grazing land, yet wheat production has been declining as these enterprises were ultimately deemed unprofitable (Rogers 2004). Experience in most SSA countries shows that FLDs is not necessarily favourable, despite this situation, the Ugandan government has been one of the main destination of foreign investors acquiring large parcels of land. Hence there is a need to evaluate the effects of such transaction to the community comparing the community which has experienced the FLDs and those that have not.

Nolte (2014) examined FLDs in Zambia and the steps that investors go through to obtain land within the Zambian land governance system. Using a qualitative analysis, it was found that the enforcement of formal rules in the process of acquiring land in Zambia is presently currently weak as investors, local authorities and government officials have strong leverage over local land users who are excluded from the process. The author expressed concern regarding continuous process of transforming customary land into state land will shift land administration towards statutory jurisdiction, which will have welfare implications for local land users. Using empirical approach based on logistic regression, Osabuohien (2014) showed that in Nigeria the indicators of local institutions in the communities do not exert significant influence on the likelihood of communities being targeted for FLDs, which presupposes that the local institutions are somewhat overwhelmed by the power of the government. It was noted by the author that the size of the community, its population, the educational level of the community leaders and amount of rainfall are key factors that account for communities receiving FLDs, particularly in rural areas.

National Association of Professional Environmentalists in Uganda (2012), analysing the Kalangala palm oil plantation in Bugala Island in Lake Victoria, argues that FLDs leads to lack of access by local people to land and other natural resources such as water sources and forests, and they exacerbates rural poverty and risk of food crises. Culturally, important sites have been destroyed and local traditions and customs lost as the local population migrates and diversifies. Further, despite the fact that rural communities' customary land rights are protected under the Ugandan constitution, they are mainly being violated. The wages usually paid by these investors are so low and given that the locals have already lost land (which is their source of livelihoods); they actually struggle to meet daily needs.

Analytical Framework

According to the 1995 constitution of Uganda (amended in 2005), land in Uganda generally belongs to the citizens of Uganda in accordance with their system of land tenure. There are four land tenure systems, that is: customary tenure; *mailo* tenure and native freehold tenure; freehold tenure; and leasehold tenure. This implies that the government has some authority to acquire or deposes land for investments and land deals by foreigners mainly occur in Uganda through leasehold rights to land. In addition, currently there are two primary mechanisms through which investors can acquire land for agricultural investment in Uganda: through direct negotiation with private land owners (possibly with government facilitation) or through the acquisition of government land held by various agencies (Ministry of Lands, Housing and Urban Development, 2013).

In the face of diverse challenges with FLDs activities, the negotiation process and the level of consultations in land deals will have a significant influence in stemming the adverse effects of FLDs. However, this will be determined, to a large extent, by those in authority in the host countries and alliances with the local community leaders (Osabuohien, 2014; Timko, 2014). This differs across countries based on their land policy. For instance, in Zambia, the ownership and right to transfer ownership draws from whether the land in question is categorised as 'State Land or Customary Land (Nolte, 2014). Though investors can get letter of consent in the process of acquiring customary land, the commissioner of lands that represents the formal institution of the government, has *the final say* as it is the main empowered agency to issue out deed of lease hold to the investor.

The case of Uganda differs from that of Nigeria where the Land Use Act entrusts on the government the custodian right to issue certificates of occupancy for land holders (Osabuohien, 2014); but a bit similar to what operates in Zambia (Doss, et al, 2014). The process of land deals in Uganda is guided by both the Constitution of the Republic of Uganda 1995 (as amended in 2005) and the Ugandan Land Act of 1998. Following the adoption of the recent Uganda's National Land Policy (UNLP) by the Cabinet in February, 2013, the landscape of land deals is expected to change substantially.

The UNLP has the main purpose of consolidating the 'various scattered policies' associated with land and natural resources by placing emphasis on land ownership and land development. Its mission statement is to transform Uganda through optimal use of land resources with a view to building prosperous and industrialised economy. This is based on the goal of efficiently, equitably and appropriately managing the country's land resources to expedite poverty reduction, wealth creation and overall socio-economic development. It is also expected that the UNLP will help to resolve cases of multiple rights and interests over the same piece of land; disposition and loss of ancestral land by some communities; disputes arising out of tribal, ethnic groupings and trans-state border; and the infective dispute resolution mechanisms that have bedevilled the land sector (Ministry of Lands, Housing and Urban Development-MLHUD, 2013).

The continuous issues of disparities in ownership, access to and control of land by vulnerable groups, displacements, land grabbing and landlessness emanating from high population growth and increasing demands on land for investments particularly in many communities where land are neither demarcated nor titled, are equally hoped to be addressed by UNLP if properly implemented. Other related aspects to be handled by the UNLP include: poor land utilisation as result of land fragmentation; environmental and climate change challenges; poor management of the ecological systems and weak management of natural resources. The country is in the process of implementing the first phase of the UNLP (between 2014 and 2017) by creating a National Land Policy Implementation Unit to coordinate the planning and implementation of the proposed strategies (MLHUD, 2013). However, given some financial constraints from the Government of Uganda, the implementation of the UNLP may take longer than expected and its national coverage will be a challenge[3].

As fallout from the discussions, a framework is developed to capture the occurrences of FLDs in Uganda and the possible implications of such activities on some structures of the communities as depicted in Figure 1. The Figure portrays the fact that Uganda has some institutional settings that regulates land activities including transfer of rights through lease, for example.

INSERT FIGURE 1 HERE

As illustrated in Figure 1, an investor can engage anticipate the right to use the land through any of the land tenure system and the kind the kind of land deal may differ based on tenure that is in question. Also the locations (communities) that an investor may opt for can be influenced by the communities' features such as availability of land among many others. For instance, in customary tenure where most of Ugandans hold their land, though it has the weakness of not providing security of tenure for landowners (MLHUD, 2013), the landowners using the instruments of the communities can collectively engage in the discussion with the potential investor. This will be very similar in the case of leasehold tenure where there is grant to use the land out public land. Since in most cases, individuals in the communities do not have titles to their land, the community witness becomes essential in ascertaining the respective individuals that have lived in the land and resolve issues related to the borders.

The above appears to depict a picture where the community has control over the access to land. However, due to the 'power of compulsory acquisition on the governments (central and local), the government invariably will have the ultimate voice in the process of leasing land to investors; though it can confer with the communities that such investment will be made. When such investment (land deal) is made, with implicate some outcomes such as changes (improvement or otherwise) of amenities including: education, road, water, and health facilities to the host communities. At any rate, the realisation these expectation will largely depend on the investment and kind of negotiation that was made and the mechanisms put in place for such purpose.

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[3]This was confirmed in different interviews with officers from Uganda's Ministry of Lands, Housing and Urban Development; Land and Equity Movement in Uganda-LEMU; and Ugandan Land Alliance in March 2014.

DATA AND METHODOLOGICAL STRATEGIES

The Sources of Data

The data used for this study are from two sources: the Uganda National Panel Survey (UNPS) and the Land Matrix. The UNPS is implemented by the Uganda Bureau of Statistics (UBOS) with financial and technical supports from the Government of Netherlands and the World Bank's Living Standards Measurement Study – Integrated Surveys on Agriculture (LSMS-ISA) project. The UNPS is usually carried out annually (at least from 2009), over a 12-month period of time (known as "wave") on a nationally representative sample of households in two visits that are approximately six months apart. The survey is conducted in two visits to appropriately take into cognisance agricultural outcomes that are associated with the two main cropping seasons of Uganda[4].

In addition to the Uganda National Household Survey (UNHS) carried out in 2005/06, three other waves of UNPS have been carried out in 2009/10, 2010/11 and 2011/12, respectively, which track and interview 3,123 households distributed across 322 enumeration areas-EAs (communities) in Uganda both urban and rural areas. For the purpose of this study, the latest wave (2011/12) is utilised in order to ensure that all the FLDs have occurred before then to be able to investigate the main *influencers*. To achieve the second objective with regards to the implications of FLDs, both the first wave (2009/10) and the last wave (2011/12) are used with a view to underscoring changes to the community outcome variables over time. The structured questionnaires for this wave involve a set of survey instruments, namely: household questionnaire, women questionnaire, agriculture questionnaire, and community questionnaire. The data for the present study stem from the responses to the community questionnaire as the focus is on community-level of analysis.

Data involving the communities residing in the sampled EA was collected with the administrative unit for collection of community data being the Local Council; but some specific responses were provided by the Sub-county Chief. The community survey information was collected by interviewing key informants within the institutions (organisations) of interest including community members and heads of selected facilities. The data was provided and stored in six main sections: namely: community identification particulars; availability of services within the community; education (majorly primary); health services; works and transport; and community characteristics, groups, needs and resources.

The second source of data was the Land Matrix, which gives information on the locations (communities) in Uganda that FLDs have taken place. The Beta Version 2 of the Land Matrix Database, which was launched in June, 2013, documents land deals across the world. Details on the investors, origin, destination, activities and total deals are also included on Land Matrix Database (Land Matrix, 2013). The recent paper by Anseeuw *et al.* (2013) helps with a useful summary of the data covered and scope of Land Matrix, which sheds some light to the concerns raised on the reliability of the data

[4]The dataset and the related documents are available at http://go.worldbank.org/WPG8NVTJF0

(Scoones *et al*., 2013; Oya, 2013). The database has been utilised in recent studies (Osabuohien, 2014; Nolte, 2014 etc.).

Methodological Strategies

To achieve the objectives of the study, a number of empirical strategies are employed: namely descriptive analysis, logistic regression and difference-in-difference techniques.

<u>Descriptive Analysis</u>

The descriptive analysis is employed mainly to compare the selected variables in all the communities in the sample and compares them with those in the communities that have the occurrence of FLDs versus communities without FLDs occurrence.

<u>Logistic Regression Model</u>

The logistic regression based on probit technique is engaged to investigate the *influencers* of FLDs across communities in Uganda. It starts off by formulating an empirical model with a view to providing evidence on factors that determine the occurrence of FLDs in a community. This is given the understanding that studies (e.g. Arezki, *et al*., 2011; Cotula, 2012; Oxfam, 2013) have noted at the global level that availability of land and weak institutions are the main influencers of FLDs in developing countries. The interest of this study is on within country factors. In other words, given that FLDs is good, what factors will make community *i* to attract it, and if FLDs suggests cost to the community what factors will make community *i* to resist it. The model to underscore how community characteristics influence the likelihood of FLDs drawing from the recent study of Osabuohien (2014); thus, we hypothesise that the occurrence of FLDs can be explained by the community factors, among others, as stated:

$$FLDs_i = \vartheta + \beta Community\_Factors_i + \bar{Y} Covariates_i + \mu \qquad (1)$$

<u>FLDs</u>: The occurrence of FLDs in community *i* or not. The data from Land Matrix is used to construct this variable by categorisation of the communities.

<u>Set of community factors</u>, which include the proportion of land available for cultivation (*Land*); total number of households in the community (*HH_total*); indicators of transport infrastructure measured by the availability of modern means of transport (*Modtrans*). The exact size of the community (i.e. area) and its population are not available; hence, we used the percentage of land that is available for cultivation and total number households in the community as alternative measures. The availability of land in the community should reflect its area; thus, we expect that the higher the proportion of land available in a community, the greater the likelihood of it being recipient of FLDs just as Osabuohien (2014) has established for the case of Nigeria. For the number of households, the kind of influence on FLDs will depend on whether they can provide requisite labour for activities of the investments or exertion of domestic pressure on the available land. In this case, the expectation cannot be determined *apriori*. For *Modtrans*, we expect positive influence on FLDs as it will to reduce the cost of transportation both of inputs and output.

Other covariates: include the presence non-state actors and their activities (*NSAs)*; weather and climatic conditions (*Weather*); incidence of corruption in the communities (*Corrupt*); measure of accountability (*Accountable*); and measure of the proportion of land used for agro-business and plantation in the community (*Agribiz*). The activities of NSAs are gaining more ground with regards developmental issues including land as they can play essential function by sensitising communities (Grain, 2013; Osabuohien, 2014). Therefore, a negative relationship between the likelihood of LFDs and *NSAs* is expected. It has also been observed by George et al (2013) regard the role of NSAs in management in ensuring effective service delivery in Nigeria's public primary schools. In similar line of thought we expect *Corrupt* and *Accountable* to have positive and negative association with FLDs presence, respectively. This is based on the extant studies that FLDs tend to target countries with weak institutional and accountability. Finally, *Agribiz* and *Weather* are expected to have direct relationship with the likelihood of community receiving FLDs as there will be possibility of sizable farms that can be integrated for FLDs that are agricultural orientated with regards to contract farming and the relevance of favourable weather conditions[5].

The description of the variables in terms of their measurement is provided in Table 2 along with their summary statistics.

Difference in Difference Technique

To assess the implication that the occurrence of foreign land deals (FLDs) have on the host communities in Uganda between 2007 and 2011, we focused on the FLDs that have started and have been concluded within this period. We follow the tenets of impact evaluation, taking communities with the occurrence of FLDs as treatment group and those without FLDs as control groups. Given the fact that the analysis is at the level of communities (not households), we do not worry about the issue of spill over and 'contamination'. This is particularly of essence as the outcome variables under investigation are more or less core infrastructures variables and not the usual household welfare indicators like income and consumption that changes frequently. Furthermore, the communities are under the same macroeconomic atmosphere as the general economic policy such as the Uganda Land Policy covers all communities. Though, it is not easy to clearly ascertain that changes that occur within the communities are essentially attributable to the presence FLDs; however, this exercise does give useful insight on how infrastructure facilities differ between communities with FLDs and those without it.

To achieve the above, we engage the Difference-in-Difference (DiD) technique. The DiD is very relevant as it is applicable when an intervention is random, conditional on group fixed effect and time fixed effect, which is the common trend.

One of the main limitations and assumptions of DiD is concerning the estimation not yielding treatment effect if both *states* have different time trends and where there is

[5]Variables such as women access to land, security and educational attainment of community leaders used in Osabuohien (2014) for Nigeria are not available for community-level data in Uganda. Apart from the inclusion of other explanatory variables such as: *Corrupt*; *Accountable*; and *Agribiz*; this study has different focus unlike the former that was basically on local institutions.

anticipation of policy intervention, regional shocks, groups are not easily comparable and follow different macro-trends. The related problem with this approach is regarding the error terms, particularly when the time series used is long (Bertrand et al., 2004). To overcome the above shortcomings, we only used two periods that are relatively not too far apart, namely: the first wave (2009/10) and the third wave (2011/12) of the LSMA_ISA.

Apart from the fact that the analysis has both group and time dimensions, which is the primary requirement for DiD, the approach is also simple to grasp, easy to both implement and interpret. It can as well provide the correct results that will be useful for making inferences when the basic assumptions are met.

To apply the DiD technique, there are two *states of affairs, S* = 0; 1 (in our case, communities with FLDs =1 and those without it =0) and two periods, *t* = 0; 1. This can be written heuristically as:

$$W = \begin{cases} 1 \; if \; S = 1, t = 1 \\ 0 \; if \; otherwise \end{cases} \tag{2}$$

From above equation, causal relationship of interest is expressed as:

$$Y_{st} = \alpha + \rho W_{st} + \gamma_s X_s + \tau T_t + \epsilon_{st} \tag{3}$$

We can then difference out the time-invariant state fixed effect and the common time trend as follows:

$$\widetilde{Y}_s = Y_{s1} - Y_{s0} = \rho(W_{s1} - W_{s0}) + \epsilon_{s1} - \epsilon_{s0} \tag{4}$$

Then we take the difference-in-difference as:

$$Y^{DiD} = \tilde{Y}_1 - \tilde{Y}_0$$
$$= Y_{11} - Y_{10} - (Y_{01} - Y_{00}) - \rho\big(W_{11} - W_{10} - (W_{01} - W_{00})\big) + \epsilon_{11} - \epsilon_{10} - (\epsilon_{01} - \epsilon_{00}) \tag{5}$$

This can be simplified as:

$$Y^{DiD} = \rho + \epsilon_{11} - \epsilon_{10} - (\epsilon_{01} - \epsilon_{00}) \tag{6}$$

Idealy the final result from DiD is:

$$Y^{DiD} = \rho \tag{7}$$

This is the main paramter to be estimated when applying DiD and since we have four (4) community outcome (*Y*) variables, we then have values of ρ for each of them namely: changes (improvements or otherwise) in the provision of education, road, water and health facilities in the communities.

EMPIRICAL RESULTS AND IMPLICATIONS

Findings from Descriptive Analysis

We focus mainly on the concluded deals that have occurred earlier than 2011 in the Land Matrix Database. This is with a view to having the analysis reflect essentially the FLDs that have started operations and then indicate both factors that influence such deal occurring in the community as well as the possible implications for the host communities. Another reason is the fact that we utilised LSMS_ISA for 2011/2012 for the community dataset to capture the aforementioned points in both the descriptive analysis and logistic regression.

Table 2 presents some summary statistics on the main variables in the model in addition to their description. The means of the variables are compared between communities that have witnessed FLDs and those that have not. As would be expected, the communities with FLDs have greater proportion of available land for agricultural cultivation, with the value of 71.62% compared to the communities that do not play host to FLDs with the value of 54.91%. This result helps to inform that FLDs tend to concentrate more on communities where there is availability of arable land. This is of essence as more than 81% of FLDs in Uganda are intended for agricultural purposes (see the last column and second row of Table 1). The above will imply that the occurrence of FLDs 'dances to the tune' of resource-seeking argument as extant empirical studies both at the cross-country (Arezki et al, 2011; Oxfam, 2013) and in-country (Nigeria) levels (Osabuohien, 2014) suggest.

Against expectation, the value on the total number of households reveals that FLDs tend to occur more in communities with low population. In effect, the average number of households in communities without the occurrence of FLDs is about 340 compared to the value of 267 in communities with FLDs. This finding for Ugandan communities is rather at variance for the Nigerian scenario where land deals occur in communities with more population. The divergence can be interpreted from the stand point of structural difference where the level of urbanisation in Uganda is low with over 90% of the population in eastern, northern and western regions residing in rural areas (Commonwealth Local Government Forum-CLGF, 2013). It therefore suggests that probably, the local rural dwellers constitute a kind of domestic pressure on land, which can result in some degree of resistance from the communities.

Focusing on the indicator of transportation system (*modtrans*), the results in Table 2 shows that on the average, communities with FLDs relatively have better infrastructure than non-FLDs communities, which points to the suspicion of infrastructural driven tendencies of FLDs. As Osabuohien (2014) have recently hinted, better (transport) infrastructure will reduce cost of transporting inputs to location of productive activities and output to market for consumers. The weather and climatic conditions (*weather*) within the communities indicates there is no much difference between the mean values of communities that have FLDs and those without FLDs, which suggests that there is no substantial difference in weather conditions especially rainfall across the communities.

INSERT TABLE 2 HERE

In furtherance, the variable on the incidence of fund misappropriation in the communities (*Corrupt*) brings some interesting picture to limelight. The values show that communities with the occurrence of FLDs has higher issues of corrupt practices with an average value of 0.732 compared to the value of 0.563 in communities without FLDs. This informs that FLDs tend to target areas with weak institutions. The indicator on the adherence to accountability tenets corroborates the above finding where communities with FLDs has lower accountability value of 0.222 in comparison with those that do not have FLDs with the value of 0.422. Cross-country studies (e.g. Arezki et al, 2011; Deninger et al, 2011) have made this observation that countries with weak institution are mostly targeted by FLDs than others. Our observation also confirms the recent suspicion of Timko (2014) that local (communities) leaders can be bribed by government officials in collaboration with investors to circumvent due process of community consultation. On the average, land used for agricultural business and plantation in communities with FLDs, have greater proportions with the value of 0.561 compared to 0.440 in communities without FLDs. It therefore suggests that communities that have had knowledge on agricultural business will be more ready to accept the proposals for the occurrence of FLDs because they can expect the possibility of more commercialisation process of the agricultural sector that can be made realisable from contract farming.

A correlation test was also conducted as part of descriptive analysis. As reported in Table A1 in the Appendix, the basic information from the correlation test is that there is no issue of multicollinearity; only on the relationship between corrupt practices and adherence of accountability tenets that has high association of 0.867. This association is not unexpected as they are *different sides of the same coin*; hence, we used them differently in the regression analysis as reported in the next sub-section.

Findings from Logistic Regression Results

The baseline model, as presented in Table 3, includes the covariates- land, total households in the community and mode of transportation. They all exhibited the required signs but their significant levels are varying. From the Table, the availability of land was the only significant covariate in all the columns (1 to 6). This explains the relevance of this variable in informing FLDs location. However, the total household in the community and the mode of transportation were not significant in the entire Columns. This does not pose any serious challenge for our overall estimation since the signs support our expectation.

In Table 3, the main *influencers* of FLDs in Ugandan communities include: availability of land, incidence of corruption, tenets of accountability, and activities of non-state actors (NSAs). In effect, the greater the availability of land and possibility of corrupt practices in a community, the higher the likelihood of it *playing host* to FLDs. The likelihood of this coefficient varies around 1.3 and 1.4 percent (for availability of land) and about 62 percent for incidence of corruption. Significantly, the incidence of corruption poses a major influencer of the occurrence of FLDs. This finding supports some previous literature that have been reached on influencers of FLDs that poor institutional settings are major *influencers* of investors that perpetrate land deals[6].

On the other hand, communities that uphold the principles of financial accountability and with more activities of NSAs tend to be less targeted for FLDs. This is not too surprising since FLDs target communities with poor institutional set-ups like corruption. Therefore, communities that uphold accountability will be less attractive for FLDs; which is not out of place as investors can take advantage of poor institutional settings to acquire vast acreage of land by *nicodemously tipping* community leaders and government officials to play down on due consultation (Osabuohien, 2014; Timko, 2014). Whereas in communities where there is accountability there is less likelihood for FLDs occurrences.

INSERT TABLE 3 HERE

Another interesting finding is that the activities of NSAs in the community exhibits negative and significant association with FLDs as can be seen in the last Column of Table 3. This is no surprise because an increase in the variable is predictive of the reduction in the level of FLDs. The role of some NSAs such as the Ugandan Land Alliance and Land and Equity Movement in Uganda, among others might have accounted for this unlike Nigeria where such do not exist yet (Osabuohien, 2014). In effect, the coefficient shows that the presence of an NSA in a community will result to a 44.48% chance of making such community to be less attractive to FLDs.

Findings from Difference-in-Difference

We used basic outcome indicators in the communities to underscore the possible implication for the communities. Given that the major promises both from the investors and government representatives are improved infrastructural provisions such as access to portable water, health care facilities, road accessibility and educational provisions, among other things. This stance became eloquent from the recent work of Nolte (2014) in Zambian communities. Using expert interview approach, it was demonstrated that the concerns of the host communities in relation to the promises and anticipations from FLDs centre on the aforementioned facilities. A leaders in one of the communities expressed this argument - “You see [...] we are lacking of schools, we are lacking of clinics, we are lacking of roads, [...]; if you (*the investor*) were are land [...],what are you going to do for the community [...] (paraphrased from Nolte, 2014:3). It is based on the above arguments, which is usually expressed in most communities, that we focused on the community outcome variable of changes (improvements or otherwise) in the provision of education, road, water and health facilities in the communities.

INSERT TABLE 4 HERE

From the values reported in Table 4, it is observable that all the selected outcome variables namely: services and facilities in the education, road, water and health levels in the communities with FLDs seems to be slightly lower in quality or are poorer in provision compared to the communities without FLDs within the period considered (i.e.

[6]See Arezki, *et al*., (2011); Cotula (2012); Oxfam (2013); Osabuohien (2014)

between the first and third LSMS_ISA waves). Using the value of 2 as cut-off point- no discernible changes, it suggests that values lower than 2 means that facilities have improved within the period. Conversely, values which are higher than 2 means deteriorated and worsened service provision[7].

It is obvious from Table 4 that the provision of education in communities with FLDs slightly deteriorated while it remained the same in communities without it. For the road facilities and its provision, we can infer that the communities with the presence of FLDs have had the service of these provisions worsened, while in those without FLDs there was some improvement. The level, with value of 1.571, seems to be higher than other categories of outcome variables that are considered. For water provision and facility, there is a somewhat change in the paradigm as both community are lower than the value of 2; which denotes that both communities with FLDs and those without it experienced improvement in water provision; however, in the community without it seems to have better relative outcome. As analogous to water, the outcome of the health care provision in communities (with or without FLDs) had some measure of deterioration as both had values that are greater than 2. Again, the communities with FLDs had slightly lower improvement than that of community without FLDs.

SUMMARY OF FINDINGS AND CONCLUSION

Large-scale foreign land deals (FLDs) have triggered significant interest from researchers and policymakers alike with an aim to understand the drivers and the possible implications of such transactions. The optimists and pessimists have had their take but the results are not conclusive since some studies have shown positive impacts while others negative impacts especially with respects to welfare outcomes of the local population. Hence, this study undertook a case specific study for Uganda to analyse the main influencers and the implications of FLDs at the community level comparing the communities that have experienced FLDs and those without it.

The results indicate that availability of land and corruptible government officials and local leaders are some of the factors that attract foreign investors. Presence of NGOs and accountable financial systems can reduce the propensity for FLDs in a community. On the other hand, presence of these land deals leads to deterioration of social amenities like education, road, water and health and hence not beneficial to the locals relative to the communities without.

With the current legal system and land regime meaningful benefits from FLDs might not be realised. Enforcement of existing formal institutions is also imperative. The recently signed Ugandan National Land Policy seems to hold a lot of promises in addressing some of these issues relating to FLDs; however, how far it will go will be determined to the currency and degree of its implementation, which is presently doubtful. There is the need for further studies to do an in-depth analysis on the land deals that are related to agriculture in Uganda, since most of these deals are in the agricultural sector. This will

[7]As a suggestion for further research, there is need to undertake for investigate the ‘status’ of these investments as one can only expect investors that are operating profitably to adhere to the principles of corporate social responsibilities in terms supporting the development of the host communities.

help to investigate the performance and effects of such FLDs on livelihoods in the host communities. Taking further step to examine the *status quo* of the FLDs based on field visits is also recommended as investors will be willingly to contribute to the development of host communities when they are operations and profitably at that.

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Appendix

INSERT TABLE A1 HERE

LIST OF TABLES

Table 1: Some Stylized Facts on Uganda and other Members of EAC

		Burundi	Kenya	Rwanda	Tanzania	Uganda
Segment A: Some Indicators of FLDs						
Number of deals		n.a.	20	3	63	22
Size of deals (in Hectares)		n.a.	836,093	115,100	1,702,555	166,888
Agric. Sector as % of total (number of deals)		n.a.	85.00	66.67	87.30	81.82
Agric. Sector as % of total size in Hectares		n.a.	93.26	91.31	83.75	74.90
Non-agric. Sector (including Mining, Industry, Non-agric. commodities) as % of total number of deals		n.a.	15.00	33.33	12.70	18.18
Non-agric. Sector (including Mining, Industry, Non-agric. commodities) as % of total size in Hectares		n.a.	6.74	8.69	16.25	25.10
Agrofuels (% as % of total number of deals)		n.a.	50.00	33.33	41.27	9.09
Agrofuels (as % of total size in Hectares)		n.a.	81.99	86.88	39.08	10.30
Food crops (as % of total number of deals)		n.a.	35.00	33.33	38.10	54.55
Food crops (% as % of total size in Hectares)		n.a.	11.28	4.43	35.86	51.44
Segment B: Some Socio-economic Indicators						
Real GDP per capita growth %	(2006)	1.82	3.52	5.92	3.76	7.11
	(2012)	0.72	1.77	5.03	3.67	0.02
+Agriculture, value added (% of GDP)	(2006)	44.34	26.76	38.44	30.41	25.59
	(2012)	40.58	29.88	32.95	27.58	23.39
+Inflation, consumer prices (annual %)	(2006)	2.81	14.45	8.88	7.25	7.31
	(2012)	18.01	9.38	6.27	16.00	14.02
2013 Global Hunger Index		38.8	18.0	15.3	20.6	19.2

Notes: n.a. is not available (as information on Burundi is not reported in Land Matrix). + *Agriculture* corresponds to ISIC divisions 1-5 and includes forestry, hunting, and fishing, as well as cultivation of crops and livestock production. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. + *Inflation* as measured by the consumer price index reflecting the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals (annually).

Sources: Authors' computation from Land Matrix and World Development Indicators (World Bank, 2013)

Table 2: Summary Statistics with Description of Variables in Ugandan Communities

Variable	Description	*All sampled Communities* Mean	S.D.	FLDs *Communities* Mean	S.D.	*Non-* FLDs *Communities* Mean	S.D.
FLDs	The occurrence of FLDs in 2011 and before. Yes=1, 0 if otherwise.	0.133	0.340				
*Land**	The percentage of land available for cultivation by members of the community (%)	56.866	29.608	71.619	13.739	54.909	30.608
*HH_total**	Total number of households in the community	331.188	377.834	267.095	195.966	339.871	395.000
Modtrans	The most commonly used means of transportation. If there is the use of modern/commercial transport system (e.g. taxi/cab, pick-up/truck; bus/minibus; boat and own car) =1; 0 if otherwise.	0.145	0.353	0.171	0.381	0.142	0.350
Weather	Weather and climatic condition. If a there is relative tendency for rainfall (e.g. partly cloudy/partly sunny; mostly cloudy; completely cloudy; rainy) =1, 0 if otherwise.	0.687	0.464	0.683	0.471	0.687	0.465
Nsas	The existence/activities of Non-state actors (NGOs and CBOs), if yes=1, 0 if otherwise.	0.643	0.480	0.585	0.499	0.649	0.478
Corrupt	If there has been reported cases of corruption (fund misappropriation) =1, 0 if otherwise	0.587	0.493	0.732	0.449	0.563	0.497
Accountable	The mode of ensuring accountability. When there is the existence of internal auditors, external auditor and technical planning committee =1, 0 if otherwise (i.e. chairperson rules; finance office rules and others).	0.394	0.489	0.220	0.419	0.422	0.495
*Agribiz**	The proportion of land used for agro-business/plantation farming in the community.	0.458	0.499	0.561	0.502	0.440	0.497
	Observations (no. of communities)	**311**		**41**		**268**	

Notes: For space, only mean and standard deviation (S.D.) are reported; the mean values are the means of the medians. The mean and S.D. for the dependent variable (*FLDs*) are respectively 0.1327 and 0.3398; they only applicable for 'All sampled Communities'. *Indicates continuous variables.

Source: Authors' computation.

Table 3: Influencers of FLDs in Ugandan Communities (Logistic Regression Results)

	Dependent variable: FLDs Occurrence					
	1	2	3	4	5	6
Land	0.0146[a] (0.002)	0.0146[a] (0.003)	0.0134[a] (0.002)	0.0131[a] (0.002)	0.0131[a] (0.008)	0.0137[a] (0.005)
HH_total	-0.0072 (0.981)	-0.0087 (0.977)	-0.0017 (0.582)	-0.0002 (0.601)	-0.0020 (0.622)	0.0012 (0.735)
Modtrans	0.1854 (0.529)	0.1876 (0.508)	0.2220 (0.443)	0.1896 (0.519)	0.2632 (0.366)	0.2747 (0.348)
Weather		0.0156 (0.964)	0.0408 (0.873)	0.0077 (0.976)	-0.0197 (0.939)	-0.0278 (0.930)
Corruption			0.6182[b] (0.021)			
Accountable				-0.6696[b] (0.012)		
Agribiz					0.5906 (0.211)	
Nsas						-0.4448[c] (0.099)
Constant	-2.150[a] (0.000)	-2.155[a] (0.000)	-2.307[a] (0.000)	-1.630[a] (0.000)	-2.060[a] (0.000)	-1.953[a] (0.000)
Pseudo R2	0.064	0.064	0.106	0.114	0.076	0.084
Wald Chi2	10.70[b]	12.22[b]	15.75[a]	16.30[a]	13.18[b]	13.83[b]
P-Value	(0.013)	(0.016)	(0.008)	(0.006)	(0.022)	(0.017)
log Likelihood	-60.103	-60.102	-57.411	-56.892	-59.320	-58.802

Notes: P-values are in parenthesis. Superscripts [a], [b], and [c] denote significant at 1, 5 and 10% respectively. All the equations corrected for robust standard errors. Marginal effects are examined in all the specifications but not reported for space.

Source: Authors' computation.

Table 4: Impact of FLDs on the host communities using Difference-in-Difference

Outcome Variables	*Treatment (with FLA)*	*Control (Without FLA)*	*Difference (DiD)*
Education	2.246	2.000	0.246
Road	2.123	1.571	0.552
Water	1.766	1.640	0.126
Health	2.208	2.125	0.083

From the LSMS_ISA data, the values range from 1 (improvement in facilities/services); 2 (same or no discernable changes) to 3 (facilities/services worsened or deteriorated). This means the values are in reverse order denoting greater values imply lower quality of service or poorer conditions.

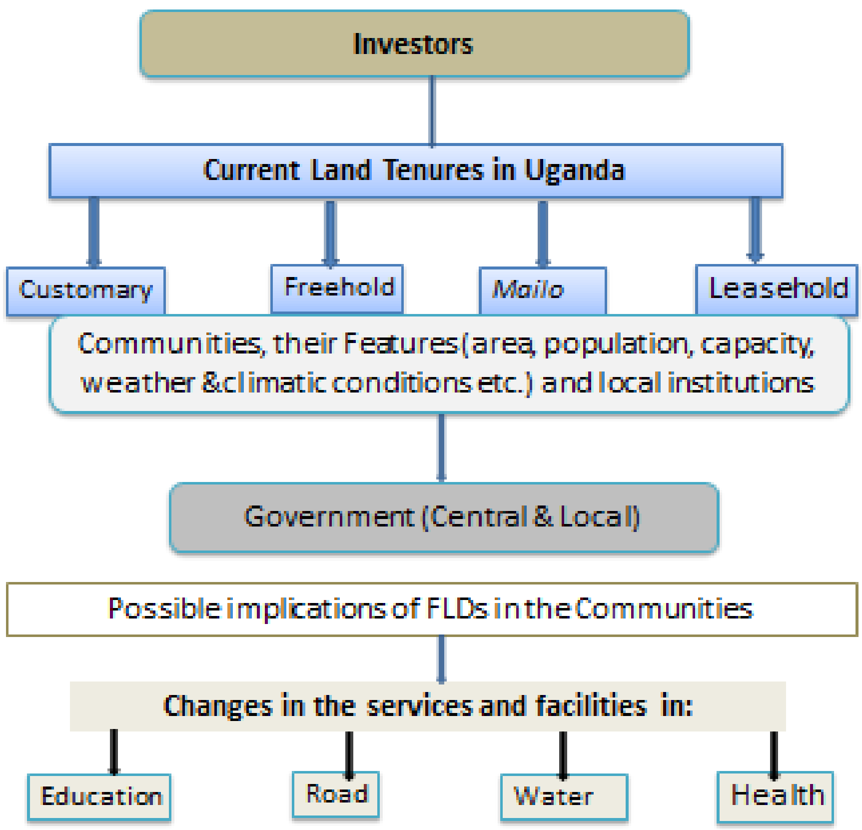
Table A1 Correlation tests

		1)	2)	3)	4)	5)	6)	7)	8)	9)
FLDs	1)	1.000								
Land	2)	0.182	1.000							
HH_total	3)	-0.063	-0.328	1.000						
Modtrans	4)	0.028	0.211	-0.067	1.000					
Weather	5)	-0.003	0.099	0.043	-0.117	1.000				
Nsas	6)	-0.045	-0.152	0.107	0.002	0.018	1.000			
Corrupt	7)	0.116	-0.059	0.178	-0.101	0.169	0.153	1.000		
accountable	8)	-0.140	0.005	-0.082	0.080	-0.168	-0.170	-0.867	1.000	
Agribiz	9)	0.082	0.147	0.246	-0.158	0.202	0.363	0.561	-0.582	1.000

Source: Authors' computation.

LIST OF FIGURES

Figure 1: Framework of Land Tenure in Uganda and Possible Implications of FLDs



Source: Authors' compilation based on issues in Literature