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Panel

T05P13 - Policy Space and Industrial Development: Recent Practices of Industrial Policy in the Industrial Aspirant Countries of Asia and Africa

Author

Dr. Mark Purdon, Visiting Professor, Université de Montréal, Canada

Title

Land and Industrial Policy in Sub-Saharan Africa: The Relationship between Land Tenure and Foreign Investment Regime in Uganda and Tanzania

Abstract

Looking to East Asian industrial policy for inspiration, advocates of industrial policy in sub-Saharan African have often emphasized the manufacturing sector while overlooking fundamental changes in land tenure and agricultural policy that provided the foundation for industrialization in East Asia. Changes in land tenure and agriculture sectors in countries such as South Korea and Taiwan enabled important strides in agricultural productivity, the surplus of which was able to be effectively transferred to assist with industrialization. Crucially, once on a sustainable footing, the surplus from the industrial sector was, in part, reinvested back into rural society. What are the opportunities for such a virtuous circle manifesting itself in sub-Saharan Africa? This paper contributes to discussion about industrial policy in the developing world by demonstrating how land tenure and foreign investment strategy interact to shape the outcomes of large-scale land acquisition in sub-Saharan Africa. Specifically, it summarizes extensive field investigation of six large-scale forestry and bioenergy projects in Uganda and Tanzania (including over three hundred household surveys) in conjunction with detailed review of each country’s relevant the legal and policy frameworks. Results demonstrate that land tenure and foreign investment strategy can be effectively combined to boost smallholder incomes, spur domestic investment and retain strategic control of these sectors. While projects in Uganda were more modest in size than those in Tanzania, the risks involved in Uganda’s projects were more equitably distributed between investors and smallholders. In Uganda, smallholders were able to secure considerable economic benefits from projects because their Uganda’s land tenure system recognizes individual land rights. At the same time, the selectivity of the Uganda Investment Agency and Uganda’s foreign investment
regime places important restrictions on foreign investment, effectively putting a brake on large-scale land acquisitions. The result of the arrangement of land tenure and foreign investment strategy in Uganda is the successful promotion of domestic investors in the forest and bioenergy sectors. In contrast, the institutional framework in Tanzania for rural development places the burden of risk on villagers themselves through a collective land tenure system in combination with an aggressive foreign investment regime that does relatively little to spur domestic investment. The land tenure system in Tanzania does not allow villagers to engage directly with foreign investors to realize the economic potential of their land, but instead requires that they first transfer it to the central government who then leases it out to investors. This offloads project risks onto villagers who only receive compensation for their lands and not payment that reflects its true market value. At the same time, the Tanzanian investment regime is highly liberalized with the result being that it has created few incentives for domestic investors to become meaningfully involved in forestry or bioenergy. In conclusion, I reflect on the implications of these finding for the debate on land grabs and foreign investment in sub-Saharan Africa, suggesting that there are ways that the state can combine liberal economic reforms with its developmental aspirations.

Keyword

Industrial policy, Land tenure, Foreign investment, Sub-Saharan Africa, East Asia