

Land Policies and Labour Markets in Sub-Saharan Africa: A Law and Economics Analysis

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Abstract This article examines foreign agricultural investment contracts and their potential to contribute to alleviating unemployment and underemployment particularly of young people in sub-Saharan Africa. This investment trend has accelerated rapidly since the 2008 food crisis to over 56 million hectares. Law and economics methodologies are applied to analyse this phenomenon. The article outlines the labour market situation in sub-Saharan Africa and investment policies in agriculture. Public choice theory is applied to understand why agricultural projects are producing unintended negative effects. This article also analyses signed contracts to evaluate whether they can improve the actual labour market situation. It found that it is not possible, from the rational theory viewpoint, that such instruments will contribute to the creation of new jobs for the local youth and promote development. It contends that effective national and international legal institutions need to be created to enforce social clauses with strong participation of local youth and their representatives.

1 Introduction

This article focuses on foreign agricultural investment (FAI) contracts and analyses whether they have the potential to contribute to alleviating problems of unemployment and underemployment, particularly of young people in sub-Saharan Africa. It considers foreign agricultural investments as projects which are promoted by local politicians and executed by foreign investors and as a tool to promote local development. This, through the potential of these investments to increase agricultural productivity, provides the prospect of generating new jobs and creating an attractive environment for local young people to take part in investment projects. Despite the large number of reports by the media and journal articles in various disciplines, detailed coverage is limited (see Palmer (2011) for a literature review of large-scale investments, and academic contributions from Cotula (2008, 2010, 2011); Cotula *et al.* (2009, 2004); The Oakland Institute (2010, 2011a, 2011b); Deininger *et al.* (2011); Arezki *et al.* (2011); and Anseeuw *et al.* (2012)).

In researching this article, I have collected and analysed information from 80 investment

contracts. Using the contracts as the main source of information provided a balance for the stories promoted by the media, which tend to associate FAI contracts with imminent human rights violations and disruption of local structures through 'land grabs'. In structuring the methodology, I have applied rational choice and legal theory. I sought to understand whether rational actors would design the contracts as they have been drawn up, and whether the perceptions of the media are well founded.

The article is structured as follows: first I summarise the most relevant aspects of the labour markets in sub-Saharan Africa and the introduction of large-scale investment in agriculture, using information from 80 investment contracts. I then apply public choice theory to understand why politicians behave as they do. These approaches are compared with the 'contractual reality', with the finding that it is not possible, at least in the short term, for such contracts to fulfil their promise of creating new jobs for local populations. It means that affecting foreign investments in agriculture as a policy to stimulate the local job market, and including large numbers of young people as a vulnerable

social group, can work only if investors behave altruistically; an assumption which is rejected by the public choice approach. The last section concludes the analysis and provides considerations for future policy design.

2 Labour market situation in sub-Saharan Africa

The precarious situation of sub-Saharan African labour markets has been repeatedly highlighted in reports of international bodies, most significantly the International Labour Organization (ILO 2010, 2012) and the World Bank (Deininger *et al.* 2011). Although most countries in the region experienced improvements to 2008, two major factors have affected the regional labour market since then: the financial and food crises. These do not appear to have affected unemployment directly as the unemployment rate in sub-Saharan Africa has been stable since 2005 at 11.5 per cent (ILO 2012). Nonetheless, these factors have increased the number of persons whose jobs are highly vulnerable, affecting primarily young people, who represent around 30 per cent of sub-Saharan Africa's population. ILO (*ibid.*) highlights the correlation between crisis and vulnerability with many households obliged to sell their assets and borrow money, increasing their vulnerability to further shocks. Young people are further impacted by generational problems which directly or indirectly result in the transfer of land (White, this *IDS Bulletin*).

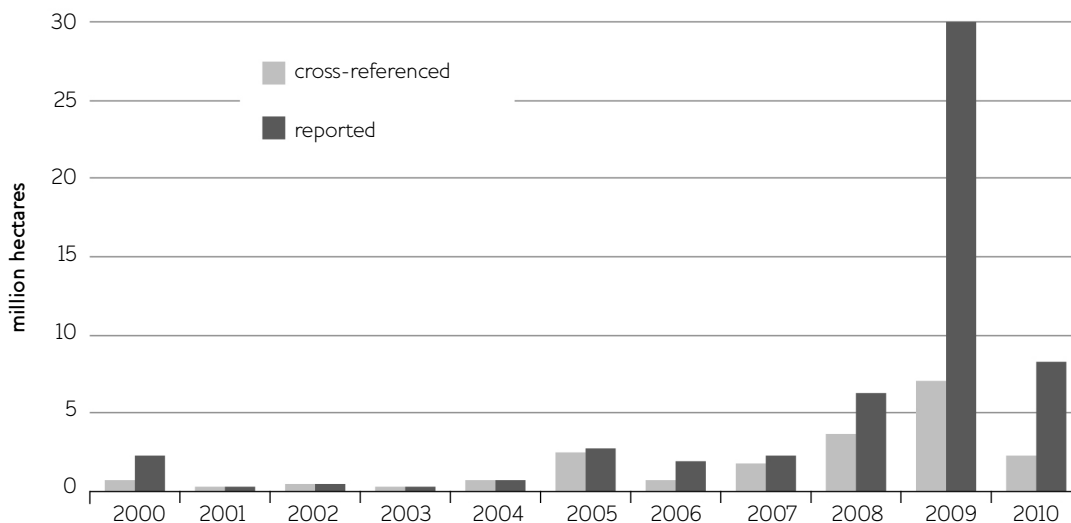
While sub-Saharan Africa showed considerable economic growth during the 2000s, there has been no improvement in labour market performance with 62.4 per cent of workers remaining poor (ILO 2012). The level of vulnerable jobs is at 76.6 per cent (*ibid.*). In sub-Saharan Africa the quality of employment is a more important issue than quantity: the ILO (2012) states that the unemployment rate in the region has decreased significantly; in some countries it is under 5 per cent. However, the fact that the working-age population grew on average 2.8 per cent during the 2000s puts strong pressure on youth labour markets, particularly in an environment in which decent work opportunities are in short supply (*ibid.*). ILO highlights that this tendency reduces the opportunities of young people in both rural and urban areas due to rapid demographical change which is out of step with changes in the labour market. This explains the high working poverty

rates for youth in comparison with adults (*ibid.*). One of the most affected sectors is agriculture, of prime importance for most developing country economies. Thus, the necessity of encouraging young people to engage in national policy processes has been recognised at both national and international levels, notably through the African Youth Charter, which became binding international law in 2012. However, local social structures tend to be dominated by particular groups or social classes which limit the possibilities of creating incentives for young people to participate in decision-making processes and to be part of the productive sector of their local communities (te Lintel, this *IDS Bulletin*).

According to the World Bank, around 65 per cent of the rural population in most of the least developed countries (LDCs) is directly employed in agriculture while much of the rest of the population depends indirectly on the agricultural economy. The agricultural labour force accounts for 32 per cent of GDP:² this is due to the proportion of GDP accounted for by the agricultural sector, which in some cases is over 20 per cent (World Bank 2010).³ This explains why agricultural policy is critical in sub-Saharan Africa. Despite this, average cereal yields across the continent rose by less than 50 per cent from 1961 to 2010: an increase from 819kg/ha to 1,302kg/ha. This means that sub-Saharan Africa produces 2,405kg/ha less than the worldwide average. By contrast, the regional population grew over the period by a factor of 3.6 (from 235,988,196 to 854,266,626 people (World Bank 2012)). These huge differences highlight the problems regarding low production of food, especially non-processed food. Moreover, in comparison to other areas with similar agro-climatic conditions, sub-Saharan Africa performs particularly poorly. This is usually referred to as the 'yield gap': the difference between current and potential yield obtainable 'if appropriate practices, inputs, technologies and knowledge were applied' (OECD-FAO 2011). While this yield gap is greatest – and worsening – between sub-Saharan Africa and the rest of the world, the gap between the developed world and Latin America and South Asia is also remarkable (*cf* Sumberg, forthcoming).

Based on this, politicians of host countries and international organisations see in agricultural

Figure 1 The global pace of land acquisitions



Source Prepared by the authors, based on data by Anseeuw *et al.* (2012).

foreign investment a unique opportunity to stimulate labour markets, boost agricultural production and provide a solution to the world crisis. They contend that such investment programmes offer the possibility to meet the basic needs of the poor and stimulate development through the adoption of new technologies and infrastructural development. Investment projects are sold as offering attractive development opportunities for young people. Local people are promised jobs, better infrastructure, housing and improved access to markets. One example is Ethiopia where the government is openly inviting foreign investment to develop land so that the country can feed itself.⁴ Another high-profile case is sugarcane production by Addax in Sierra Leone where most of the promises made by politicians and the company at the beginning of the project remain unfulfilled. A report by The Oakland Institute shows that the company sold such agricultural projects as a development tool for local people, but only about 200 people are employed and these as casual labourers, earning around two dollars a day.⁵

The success of this policy of encouraging foreign investment in agriculture can be seen in the increase in land deals since 2008 (Figure 1). The 2008 food crisis was a major driver for land acquisition, providing incentives both for countries with available capital and vulnerable to food insecurity to invest; and for others, including

the least developed, to attract foreign investors through the introduction of legal and fiscal incentives and by minimising political risks.

From an economic perspective, the increase in foreign agricultural investment through the reclamation of huge areas of purportedly underused land might be considered a desirable market reaction to the excess demand for food on the one hand, and the creation of employment in recipient countries, on the other. Rising prices hold the promise of higher profits which attract (foreign) investments into LDCs. As property rights are often poorly defined in LDCs, in theory investments in agriculture can help in defining or redefining property rights.⁶ Property rights are necessary in order that large-scale food production can deliver its promise of securing nourishment for a growing world population. The idea is that property rights are defined and officially registered through non-central market interactions between the sellers (lessors) and buyers (leasers) of the land. In economic theory, clearly defined, enforceable property rights provide the essential incentive for investment (since without clear rights to the crop produced, nobody would be willing to cultivate the land), which in turn contributes to local development through the creation of new job opportunities.

Thus, investments in agriculture appear to offer attractive development opportunities for LDCs in terms of infrastructure (and associated job

creation), technology and knowledge. If these developments result in higher production and productivity, they could increase overall food security. Ideally, investors would reclaim fallow or underused land which would not affect the local population directly, but would be beneficial through the creation of better infrastructure and new jobs. This win-win situation would improve the position of all involved parties.⁷ From a macroeconomic viewpoint, agricultural projects can be seen as instruments to introduce young people into the agricultural sector, raising their expectations, minimising risks of failure and creating incentives to stimulate this critical economic sector. This could also contribute to controlling the exodus from rural to urban areas and to mitigating existing negative externalities of the rapid population growth of LDCs.

However, there are diverse and serious problems linked to much of the foreign investment in agriculture. Investors appear to be being given not only fallowed land, but also land under cultivation by local smallholders.⁸ Depending on the tract under negotiation, land has at least two important connotations: its productive aspect – whether it is located on a floodplain, close to water supplies, and with a higher soil quality – and the broader meaning to local land users. In most cases land, which passes from generation to generation, represents a critical element of the economic base for entire families, even if it is apparently underutilised.⁹ The areas most attractive for the state and investors to implement investment projects tend to be those needing less reclamation than other areas.

Moreover, in the process of gaining access to land for cultivation, local communities are often displaced (Cotula 2010: 56). These resettlements may be accompanied by human rights violations – that is, the right to property – against vulnerable individuals, who inevitably become worse off (WDR 2012). Such displacements not only affect the social and productive structure of local communities but also play an important role in framing the expectations of young local people as the current or next generation of producers. However, resistance to external investments tends to be weak because young people do not generally have effective bargaining power within their communities, since power is concentrated in a determined gerontocratic elite or hierarchy (te Lintelo, this *IDS Bulletin*). In

addition, the political promises of job creation are in most cases unfulfilled. This raises the question of whether such investment contracts can be expected to meet the needs of the local population through the creation of employment.

3 Public choice approach

The use of public choice theory allows us to apply a methodological approach to understanding the interests of politicians in deciding whether or not to promote large-scale investments. Public choice is commonly defined as the analysis of non-market decision-making. It is an interdisciplinary field that applies economic methodology to the study of politics: a fairly underdeveloped discipline until Buchanan's contribution to the understanding of how governments work and how they deal with the implementation of policies (Mercuro and Medema 2006; Mueller 2008). The complexity of the two systems is a significant issue in attempts to combine public choice and legal theories (Farber and Frickey 1991). The application of public choice theory to law involves examining the critical legal points in the decision-making process, and using economics to explain these points (*ibid.*). Public choice theory has the capacity to shed light on the processes of political decision-making, to understand and evaluate their outcomes, and ultimately propose how to make them more transparent. It also provides the possibility of applying an holistic analysis to the negotiation process, whereby multidimensional perspectives allow us to incorporate analytical elements that would not otherwise be possible to include.

Following public choice theory, if politicians are considered to be rational beings¹⁰ then institutions should be structured with this in mind. Public choice's assumption of democracy increases its relevance to sub-Saharan Africa due to the increase in elections in 2011 (OECD-FAO 2011). Of course, this does not suggest that problems will be solved; rather it signals incremental improvements in democratic participation and institutional modernisation. The rationality of politicians is based on the notion that individual preferences are maximised in the long run, over and above the preferences of their constituent voters. This, however, cannot be achieved without domestic support. As a result, politicians take into account the desires of domestic lobby groups, which, acting rationally are also trying to maximise their own profit. At

the same time investors, as actors in the negotiation process, are taken as rational individuals; they are also included as lobbyists. This means they enter into contracts only when convinced they will maximise their own profit. Thus, parties will always aim to protect their interests through investment contracts.

To this framework I add the interest groups approach, which is assumed in this article as part of public choice theory (Farber and Frickey 1991). This approach suggests that public choice models often treat the legislative process as a microeconomic system in which 'actual political choices are determined by the efforts of individuals and groups to further their own interests' (*ibid*: 39). Here, I concentrate on a micro-aspect of the whole body of decision-making, which is based on competition among pressure groups for political influence. Both theoretical approaches offer a solution as to why and whether states engage in contractual negotiations. This application of public choice to investment suggests that what matters is that the decision, with respect to investment contracts, satisfies the demands of the predominant lobby groups in the short term; long-term consequences are not taken into account.¹¹

The value of the analysis from the public choice perspective is in recognising institutions as an element of control of political rationality, meaning that the process of decision-making is directly correlated with the presence of institutions that constrain politicians in the use of power to satisfy their own needs and the guaranteeing of the redistribution of goods and services.¹² However, in the absence of appropriate institutions, parties (in this case decision-makers and investors) can behave in an opportunistic way without necessarily violating national law. In these cases international law may act to safeguard values and control or correct internal failures. This is the role of international law in my approach.

With this as a normative approach, we have to assume that decision-makers must take into account their international obligations.¹³ However, in cases where states are signatories of international treaties that protect violated values – that is, workers' rights – and international law does not act, international law can be seen to fail; and these cases occur often. This failure has been justified in different ways. Putnam (1988) argues

that decisions at domestic and international levels do not necessarily need to be harmonised – although this would be preferable. His basic argument is that states that meet their international obligations improve their reputations; however *ex post* violations cannot be enforced. Therefore, it is necessary to create a *de facto* interaction between national and international institutions, to avoid opportunistic behaviour and legal failures. This application of public choice to investment suggests that institutions matter (Rodrik *et al.* 2004). They have the ability to guarantee positive outcomes and can increase welfare. I assume that, depending on the pressure domestic interest groups are able to exert on government and the level and quality of participation they have in the decision-making process, positive outcomes may follow.¹⁴

4 Overview to contract investments

Eighty investment contracts were analysed by the author during the course of this research. Although more would clearly have been preferable, constraints on access – for instance, for confidentiality reasons – made this impossible. These cases, combined with detailed work by other researchers, form the basis of the analysis.¹⁵ The data refers to four countries: Ethiopia, Mali, Mozambique and Sierra Leone.

The first generally observed characteristic in the contracts is that they are vague and imprecise. Different characteristics are found in each contract, but I have taken into account only those elements that could potentially guarantee the protection and promotion of jobs and thus their contribution to local development. In terms of the size of projects, the range is vast: from 431 to 400,000 hectares. Equally, the subjects of the contracts are very broad, covering the production of non-processed foods, biofuels, extraction of raw materials, livestock production, as well as development of the tourism sector. From what can be observed in the contracts, only food production is covered: further processing is not included. In almost every case, the investors are registered companies in the host country but financed by parent companies abroad. The analysed contracts were signed between October 2010 and February 2011, and are all publicly available (Table 1).

The findings indicate that 87.5 per cent of the contracts analysed do not include specific

Table 1 FAI contracts signed, October 2010–February 2011: selected SSA countries

Countries	Size (ha)	No of contracts
Ethiopia	338,097	20
Mali	147,400	5
Sierra Leone	48,516	3
Mozambique	975,010	52
Total	1,509,023	80

Source Prepared by the author.

regulations guaranteeing environment and human rights protection for the local population.¹⁶ The implication, I argue, is that politicians assume that implementation of the projects will not affect the lives of local people and that the investments *per se* will generate employment. Using the information provided in the contracts, it appears that food production is the principal rationale of the investments. Regarding the destination of the production, anecdotal evidence suggests that investors are export-oriented (*The Economist* 2011). In addition, I found no evidence of investors discussing the consequences of investments with local stakeholders. Furthermore, the absence of monitoring, renegotiation, flexibility (with the exemption of *force majeure*) and exit mechanisms is common to all contracts.

With these observations stated, it is important to point out some potential limitations to the research:

- 1 The research covers a tiny proportion of total contracts so this sample cannot necessarily be considered a true reflection of all large-scale investment;¹⁷
- 2 Contractual negotiations cannot be directly compared because they are generally made in secret; nevertheless, I aimed at maximising the sample of contracts to obtain a picture of the presence or absence of social clauses;
- 3 Even when contracts were acquired, the nature of the research made it impossible to corroborate the actual presence of investors in the region. This is a limitation, since reports of international organisations assert that about 70 per cent of contracted land remains fallow (Cotula 2010). As a result, I do not consider whether such deals have been

annulled or cancelled or not yet started, given that the contracts do not specify a date upon which work should begin;

- 4 This article focuses on analysis of the inclusion of social clauses in such contracts as a possible solution to negative externalities stemming from them. Even in these cases, from a legal point of view, weak contracts can prevent the legal system from holding investors to account. Conversely, even well-negotiated contracts may be poorly implemented and produce disappointing results (Cotula 2011).

5 Can FAI stimulate the local job market?

In order to evaluate this question using public choice theory, I focus on the rationality of the parties on the one hand and on the bargaining power of potentially affected people on the other. If all players were considered rational and in a similar position of power, then contracts would not look as they do: in reality they are unbalanced – investor-oriented – and do not provide mechanisms guaranteeing the delivery of *ex ante* promises. These aspects allow us to deduce that not all parties have the same bargaining power in negotiation of contracts – at least as rational actors. While it has been consistently highlighted that communities are ignored in decision-making processes, we can observe (following te Lintelo, this *IDS Bulletin*) that even if communities' interests are taken into account, young people – who are the most affected as discussed above – do not have voice due to the gerontocratic structure of their local communities. The question arises as to how contracts should be designed to guarantee promotion of local development, especially for young people. The second question is why politicians behave as they do.

Rational investors cannot be seen as development promoters, they are simply investors and their goal is to maximise profits (see Häberli, forthcoming). This is the essence of being an investor. This also means that investors will always go for the most efficient way to produce in order to maximise their profits. Major advantages of investing in sub-Saharan Africa can be seen as the low costs of labour and land, and weak institutions. However, institutional weakness has inherent contradictions since it increases political risks (i.e. of future expropriations). Investors need to be compensated for political risk, that is, through

attractive tax preferences and free transfer of capital, otherwise they would not invest, and this takes the form of realising low production and labour costs. As a consequence, regulation is needed to ensure positive outcomes for recipient communities. However, this was ignored in the vast majority of contracts analysed. This omission causes opportunistic behaviour.¹⁸

Institutions play a decisive role in controlling the rationality of politicians. Well-designed institutions could potentially circumvent the situation where politicians, investors and individuals act opportunistically. Institutions in this case could prevent huge disparities in information and create incentives to behave differently. However, since legal institutions are generally lacking, or are weak, then providing improved contracts and information will produce negligible improvements in outcomes, at least in the short term. This argument is advanced to explain why policies, which are sold as ‘well-intentioned’, produce contrary effects. The worst part of the story is that even when contracts are signed under these conditions, they are completely legal at the national level. However, this is not the case at international level. Nevertheless, international law does not offer easy mechanisms for access by affected local populations.

These factors highlight the need for integrating regulations to protect and recognise the right to work, thus obliging foreign and national large-scale investors to integrate local populations – especially young people – into their programmes and guarantee their improved wellbeing. Furthermore, states as members of the International Labour Organization are obliged to respect and promote workers’ rights as expressed in the *1998 Declaration on Fundamental Principles and Rights at Work* (ILO 1998), meaning that the absence of workers’ protection in such contracts (given the risks associated with the violation of workers’ rights through the implementation of such investment programmes) suggests that states are flagrant violators of (1) the norms of the International Labour Organization and (2) the human right to work.

Apart from violating international treaties, countries involved are annulling the possibility of any kind of meaningful local development and may produce social outcomes that generate detrimental effects for communities, such as

increased food insecurity (see Shepard (2011); Robertson and Pinstrup-Andersen (2010); and Nelson *et al.* (2010)). Policies are needed which support and stimulate agriculture-based local industry which, as discussed above, is the most important economic sector for the poor, being a major component of balanced, just development (Pinstrup-Andersen and Watson 2011).

A further problem is ‘worker import’, occurring because firms based in other developing countries bring in their own workers and ignore the local workforce, avoiding the need for investment in education and training in know-how. ‘Worker import’ also enables firms to charge low end-product prices on the one side. On the other side it does reduce employment opportunities for local people and consequently it leads to a migration effect in which people may have to migrate to other regions promising better conditions (Oleschak 2009). I argue that this can be construed as a form of social dumping whereby firms import the low costs rather than migrating to where costs are low. The non-inclusion of clauses guaranteeing the inclusion of local people results in a lack of market access for local producers and consumers, despite the fact that many investors promise such access. I argue that these promises are, *a priori*, empty.

Having made a rational evaluation of agricultural foreign investments, I cannot support the idea that this policy, as currently implemented, can ameliorate the latent problems of unemployment and underemployment, without creating social distortions. At the same time, the legality of such contracts cannot be rejected, given the institutional framework of host countries.

6 Conclusions

This article has sought to evaluate whether new agricultural policies based on the introduction of large-scale investments can alleviate the problem of employment especially of young people, one of the most vulnerable groups in sub-Saharan Africa. There is an urgent need to address the land issue, given the rapid proliferation of land investments, regional market conditions, the demographic situation and criticisms of land grabs promulgated by sections of the media and civil society in recent years. In this final section I highlight the most important considerations, at least in theory, for future international policy design.

Given the depressed status of regional labour markets, policies oriented towards improving the local economic situation and satisfying basic needs are urgently required. Thus, the introduction of large-scale investments in agriculture cannot be rejected as a strategy outright. A strong justification for the inclusion of these projects in national policy frameworks is that it would not be possible for recipient countries to attract firms for small-scale investments, due to the political risks of engaging in such countries. The investors who are able to take on this risk are large-scale investors.

Where the introduction of policies supporting large-scale investment has been a sovereign decision made by host countries, we need to evaluate how such policies should be harmoniously introduced to address the social problems affecting local communities. It has been shown theoretically and empirically that approaches used to introduce such policies are often unacceptable and unsustainable. Chinsinga and Chasukwa (this *IDS Bulletin*) provide an empirical study demonstrating the frustration of affected young people due to non-compliance of investors in delivering promised benefits; associated with uncompensated expropriations, distortion of social structures and inability to guarantee secure employment. Below I identify factors which need to be taken into account if such effects are to be reversed.

Institutional arrangements play a central role at both the national and international level. In recognition that host countries may not be able to introduce new policies correctly, the international legal order may be applied to correct national failure and promote local welfare. International law offers two different institutional mechanisms that are able to protect the rights of affected people, states and investors: human rights and investment jurisdictions.

At the national level contracting parties need to create effective institutions and effective contracts. If parties are considered as rational, it is necessary to promote participation in institutional design and also in contractual design: the nerve point where national institutions frequently fail. Thus, international law may play a role in making it possible for young local people to be part of the discussion and have an effective voice in decision-making

processes. Given the problems discussed above associated with weak institutions, namely their inability to counterbalance politicians' individual rational decision-making, there is an urgent need for some form of regulation to guarantee the welfare of local people. It is vital that national and international mechanisms are activated to avert increases in poverty levels, food insecurity, damage to social and cultural structures, and to stimulate the creation of employment in productive sectors.

The inclusion of social clauses adopted in this theoretical approach is just one example of how contracting parties would benefit from the introduction of legal guaranties in contractual arrangements. However, as discussed, affected or potentially affected people must take part in such negotiating processes. To achieve the inclusion of such clauses, states first need to create an obligation for investors to integrate local populations into large-scale investment projects and recognise them as formal workers. They need to stipulate decent salaries within the prevailing national context and implement these through renegotiation and monitoring mechanisms (which could be implemented by NGOs or independent organisations), and explicitly recognise ILO standards and relevant norms (i.e. Safety and Health in Agriculture Convention (No 184)). The role of local organisations in promoting involvement of local people is a very important factor in creating a direct connection between international and local actors. It is questionable, however, how such initiatives could really work in societies dominated by powerful elites. Even when large-scale contracts include initiatives to promote development or positively engage local populations, even well-intentioned investors are unable to achieve this without creating negative externalities, unless institutions at the national level can provide balance.

The contracts analysed demonstrate that it is not possible from a rational theory viewpoint that they produce the desirable effects. Looking at clauses with potential for creation of new and decent jobs, I suggest that the inclusion of labour protection can stimulate depressed rural economies and serve as an incentive for young people to stay in rural areas and contribute to personal and economic development for a determinate life period. Such clauses could also

bring together groups and interests to create incentives in agricultural areas, as well as serving to minimise risks to young people engaging in exploitative or less favourable employment. The adoption of effective labour regulations can also produce a collective internalisation of the negative aspects of such investment projects. In doing so, investment projects could realise in practice the policy recommendations provided by the ILO to alleviate unemployment and underemployment in the least developed countries.

This article is intended as an academic contribution to discussions on the phenomenon of large-scale investment and its impact on rural unemployment, which mainly affects young

people. More empirical research into the micro and macro impacts of large-scale agricultural investment on local populations, and the particular situation and interests of young people, their backgrounds and also their personal and collective expectations and motivations is needed. There is also a need to investigate the creation of mechanisms to connect young people with international organisations to improve opportunities for participation in negotiations and discussion processes. Nonetheless, this contribution has attempted to show, from a law and economics perspective, how effective institutional changes at national and international levels could contribute to reversing the negative externalities which exacerbate generational problems of agricultural investment policies.

Notes

- * Support from the German Research Association and Future Agricultures Consortium is gratefully acknowledged. I would like to thank Jim Sumberg, Christine Okali, José Caiado and Daragh McGreal for their helpful comments.
- 1 This article is based on a co-authored working paper (not published) written by myself and Daragh McGreal, presented at the conference ‘Young People, Farming and Food’, 19–21 March 2012, Accra, Ghana.
- 2 World Bank Data (2010).
- 3 Percentage of GDP from agriculture represents the proportion of an economy’s total domestic output of goods and services which are a result of value added by the agricultural sector.
- 4 The prime minister of Ethiopia stated: ‘We want to develop our land to feed ourselves rather than admire the beauty of fallow fields while we starve.’ See Siddharth Varadarajan (2011). However, members of local and foreign organisations, who observed how the projects have been run, stated that such projects involve human rights violations and that, given the limited capacities of local people, it is not possible for them to ‘say’ anything about the deals. They also stated that promises regarding local development are being ignored. See WDR (2012).
- 5 See The Oakland Institute (2011a).
- 6 Property rights can be defined as a bundle of rights to dispose of freely and exclude others from its use.
- 7 World Bank research done by Deininger *et al.* (2011: XXXIII) describes the possibilities of development that such projects offer: ‘Investments can provide benefits through four channels: (1) supporting social infrastructure, often through community development funds using land compensation; (2) generating employment; (3) providing access to markets and technology for local producers; and (4) higher local or national tax revenue.’
- 8 This effect is also stated by the World Bank (*ibid.*): ‘If investments generated profits, social impacts depended not only on the magnitude of benefits, but also on the mix of different types of benefits. For example, entrepreneurial and skilled people could gain from jobs created by an investment, while vulnerable groups or women lost access to livelihood resources without being compensated. This illustrates the importance of clearly addressing distributional issues upfront.’
- 9 See Tadele and Ayalew Gella, this *IDS Bulletin*.
- 10 This means they try to maximise their pay-offs and are focused on the possibility of re-election (Campaign-contribution approach).
- 11 I have divided the approach in this way because if the action ‘engage or don’t engage’ is allocated on the same timeline as the action ‘consider domestic constituents or don’t’, I note that both decisions are relatively independent of one another. Nevertheless, I consider that both decisions have an important effect on political acceptance and political stability.
- 12 In addition to the problem I can see regarding countries which are active in large-scale agricultural negotiations (the absence of

efficient institutions on the national level), I suggest that the situation on the international level can be seen as little different. If we consider the participation of countries in which such anomalies/problems take place, as members of international organisations and international treaties, the question about enforcement remains unanswered.

- 13 ILO binding treaties: in 1921 ILO (No 11) aimed to secure the same right of association for those engaged in agriculture as for industrial workers. As well as the extension of social protection that include: Workmen's Compensation (Agriculture) Convention, 1921 (No 12); Sickness Insurance (Agriculture) Convention, 1927 (No 25); Old-Age Insurance (Agriculture) Convention, 1933 (No 36); Invalidity Insurance (Agriculture) Convention, 1933 (No 38); Survivor's Insurance (Agriculture) Convention, 1933 (No 40); Minimum Wage Fixing Machinery (Agriculture) Convention, 1951 (No 99); Holidays with Pay (Agriculture) Convention, 1952 (No 101); Labour Inspection (Agriculture) Convention, 1969 (No 129) and Recommendation No 133 of 1969; and the Plantations Convention, 1958 (No 110) and Recommendation No 110 of 1958. Most recently, the International Labour

Conference adopted the Safety and Health in Agriculture Convention, 2001 (No 184). Source: ILO (2003).

- 14 An example of this is Madagascar, where the pressure of the citizenry with regards to a contentious investment contract led to important changes. See Rivo *et al.* (2011).
- 15 See The Oakland Institute www.oaklandinstitute.org (accessed 20 August 2012).
- 16 However, it has been reported elsewhere that in Mozambique there were more than 2,000 new jobs promised; at the time of reporting, however, not more than 50 have been created. See *The Economist* (2011).
- 17 Deininger *et al.* (2011). International organisations such as the World Bank point out that more than 80 million hectares are affected by land grabbing. However, latest studies report more than three times that. See Andrianirina-Ratsialonana *et al.* (2011), Anseeuw *et al.* (2012).
- 18 Opportunistic behaviour is defined as: self-interested behaviour that involves some element of guile, deception, misrepresentation, or bad faith. In this case it takes the form of violation of property rights (Williamson 1985).

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