

Investing in Africa: The Political Economy of Agricultural Growth

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1 Introduction

If investments are good for growth, then a question which has always exercised the minds of economists and policy-makers historically, is just how to generate, attract, secure and sustain them. This is not a question to which there are easy answers, although there is no shortage of economic models which seek to identify the determinants of growth and propose universally applicable principles. One perspective that has become dominant in policy circles suggests that “secure” property rights constitute the *sine qua non* for the generation of investments, as well as for increased productivity, income and growth. This perspective, which is currently being applied across developing countries, is, however, contested by another school of thought which argues that evidence on the correlation between the rights regime (or the governance environment) and the direction and pattern of investment flows is very thin indeed. China is one frequently cited example in this connection, but the cases of Nigeria and Angola, two of the most important destinations for foreign investment flows in Africa, have also been cited. Investor behaviour, though, is very often based on subjective sentiments, hunches about possibilities that may exist, and the mentality of the herd, and not so much on *a priori* calculations about whether or not property rights are “secure”. This article explores these alternative perspectives, examining some elements of the political economy of growth and investment.

2 Investment and growth: questioning universal models

A review of historical and contemporary data on the international flow of investments indicates the

small share of foreign capital receipts accounted for by Africa. Correcting this situation has been a long-standing preoccupation which has resulted in policy being formulated with the express goal of attracting investments. In practice, attracting investment has invariably been interpreted to mean *foreign* capital and has always consisted of endeavouring to provide the conditions, which it is thought foreign investors are seeking. These conditions have varied in detail in their mixes over time, and the particular issues on which emphasis has been placed have also shifted – as frequently as the mood of economists and fund managers. Consequently, there has been an excessive orientation of policy towards what it is thought will attract such foreign investors. African economies have therefore hardly been driven by a domestic logic and have been disproportionately submitted to external impulses, to their detriment.

Thus in the early independence years, African countries were told (and accepted) that a favourable tax climate was critical to attracting foreign investments. Virtually every country adopted a set of investment-attracting tax holidays – often in competition with one another, but to little positive effect. Subsequently, as the nationalist coalitions that inherited power from the colonial authorities began to unravel and conflicts of varying dimensions broke out, emphasis shifted to the imperative of political stability for the attraction of foreign capital. To this were added the necessity for “democracy”, the “rule of law”, “press freedom”, “governmental accountability” and “transparency”, “judicial independence” – in sum, “good governance”.

However, in spite of the various measures adopted, Africa’s quest for foreign investments has

yielded very little by way of results. Indeed, if anything, the continent has not only suffered a flight of capital but also enjoys the dubious distinction of being a net exporter of capital (Boyce and Ndikumana 2001). Meanwhile, under the guise of “good governance”, a process of large-scale land/property alienation and concentration is being facilitated in different parts of the continent.

But there is of course no one universally applicable and valid model of policy for achieving growth or securing property rights. The tragedy of Africa has been the all too frequent temptation to lift policies from the historical experiences of other peoples and to apply them, out of context, to the continent in an ossified form in the guise of a universal model that works for all and for all time. This approach to “doing” development in Africa is itself part and parcel of a broader methodological flaw in the study of the continent by which, as Mamdani (1995: 602–16) has observed, most scholars and policy-makers are conditioned into thinking and acting by analogy in order to address the numerous challenges facing the continent.

When we reflect on issues of agricultural growth and investment in Africa, the temptation is often very strong to do so on the basis of a set of rigid, mutually exclusive and even outrightly opposed dichotomies set by the dominant (external) discourse. So public is seen in opposition to private; statutory is set against customary; state in contrast to market; individual as opposed to collective; urban versus rural, and so on. Although in some instances such categories and distinctions may be useful, all too often they are absolutised to a point where they become obscurantist and mystifying, and do not relate to the real contexts and problems of Africa. In all African societies livelihoods must constantly straddle, negotiate and inhabit these dichotomies. In other words, the dichotomies are articulated, mixed together and combined in peoples’ lives and practices in more complex ways than is captured by the approach of treating them as distinct and exclusive, oppositional categories in policy debate.

3 Debating markets and property rights

This way of debating policy alternatives has restricted visions and excluded opportunities. For example, the interconnection between property rights, investments and growth in Africa has been a long-standing issue of policy interest and scholarly

debate which has acquired a new significance in the context of the economic crisis and structural adjustment experience of the last two and a half decades in Africa. The dominant and prevailing policy approach – supported by these types of scholarly arguments – is premised on the assumption that there is a close relationship of causation between the property rights regime, the flow of investments and the achievement of growth. This perspective has a long history but it is mostly symbolised today by the work of the Peruvian researcher-consultant, Hernando de Soto (2000) and the policy orientation of the World Bank (2002).

According to this school, Africa’s development has been stymied by the absence of a coherent set of enforceable property laws that could stimulate the growth of the market. The absence of a coherent property regime has, in turn, meant the underdevelopment of the market and the private sector with the attendant consequences for growth. Even where property laws exist, they are discriminatory against the private sector and loaded against the free market, with the same adverse outcomes for investment and growth. The scope for trading in property and property instruments, a domestic property financing market, and the legal framework for contracts are either non-existent, highly limited or over-regulated, the argument goes. In order for African countries to succeed in attracting the magnitude of investments which they require for generating growth, they would have to establish property regimes that are friendly to the private sector and driven by the forces of the market. In practice, this has translated into policy efforts designed to establish market-based property regimes and institutions, encourage the registration of titles to property, promote legal/judicial reform for the protection of private property rights, set up a framework for the enforcement of contracts, recast the role of the state, and divest the state of its landed assets and property.

Against this dominant perspective is a second school which challenges the suggestion that Africa did not have a coherent property regime prior to the introduction of ongoing reform efforts. It also questions the view that the only way to attract investment and stimulate growth is first to liberalise the property market and then establish formal, private titles. This school also argues the position that the marketisation of property and property rights along dominant neoliberal lines produces a

new generation of inequalities characterised by a concurrent process of alienation, concentration, dispossession, loss of access and landlessness. The establishment of private property rights not only produces new rigidities in ownership and use that undermines a long history of popular access, it also does not necessarily guarantee private property title-holders access to investment funds (Moyo 2005; Delville *et al.* 2002; Toulmin and Quan 2000).

At the same time as land privatisation and marketisation have acted to undermine the peasantry, the second school argues, such processes have also fuelled a speculative bubble from which a minority class of people have benefited. Furthermore, the one-sided policy emphasis on the creation and/or enhancement of a free market in property as a way of securing rights, and the push for privatisation of ownership, have undermined systems of communal ownership that were central to household social security and rights of access and use. In the face of this, the expected reduction in land litigation has not materialised, as various interests challenge the basis of the acquisition of rights by the private holders of title. Privatisation and titling have also undermined household food security; furthermore, they would seem to have worsened not just class inequalities but also gender inequalities, closing off possibilities which previously existed for access to and use of land by women. According to this school, marketisation and privatisation have failed to deliver the economic benefits which their advocates promised and have, instead, created a host of social dislocations with major ramifications. Such a perspective pushes us to think more broadly about the politics of investment and growth, and its consequences for rural livelihoods, citizenship and the state.

4 Livelihoods, citizens and the state: politics in context

So how do these debates articulate with the conditions and contexts on the ground in rural Africa? It is not at all evident that the priority of the local agricultural population in many parts of Africa is the achievement of individualisation, titling, registration and privatisation. For the foreseeable future, the peoples of Africa will continue to live and function within multiple tenure regimes that do not necessarily obstruct growth but which could well benefit from the disciplines of a wider public and developmental purpose. For this to happen

attention must be paid to the numerous equity and distributional problems that arise. But, more than this, energies will have to be mobilised to ensure that African economies respond more to domestic impulses, and less to externally imposed models and solutions.

Studies from different parts of the continent suggest that gains in terms of improved productivity, household income and rural food security are more likely from such simple measures as investments in basic agricultural infrastructure (water, feeder roads, etc.) and the upgrading of technology than from a disproportionate rush to market-based approaches and titling. Instead of the supposed benefits of the new neoliberal order, an intensive and simultaneous process of land alienation, concentration and growing landlessness seems to be under way. The discontent which the reforms have produced has stirred citizen pressures for state intervention which other underlying trends in the economy and society make imperative if a sustainable social peace is to be achieved.

Central to the disputes and conflicts over land, agriculture and the agrarian order that are taking place across Africa today, are a host of citizenship issues that have come to the fore. These are articulated in terms of rights of ownership, access and use, the very nature of ownership itself (individual vs. communal, freehold vs. fixed-term leases, etc.), the rights of “indigenes” and the entitlements of “settlers”. This suggests very basic questions about who is a rural citizen, a farmer or herder, and what rights do they have? Today, the land and wider agrarian question in Africa is also simultaneously a citizenship question which touches directly on the role of the state and the social policies that underpin the economic reform choices which are made.

In matters of securing property rights, promoting investments and reviving growth – as in other policy areas – the state has played, and should continue to play, an important role. This role ought to go way beyond the earlier minimalist functions which first-generation neoliberalism sought to allocate to the state and the provision of an enabling environment, which more recent neoliberal perspectives have tried to assign. Historically, no process of sustained growth has occurred without a strong, capable state that is both willing and able to take on a proactive role.

5 Conclusion

Based on history and experience, rather than simplistic, ideologically defined models, the relations of causation between investment, property rights and agricultural growth are not as clear-cut as is often assumed. In some cases, investments have flowed or slowed, and growth has accelerated or decelerated irrespective of the property regime in place. Moreover, an approach which is built on a wholesale instrumentalisation of the property rights regime – as de Soto and others seem to advocate – is one which should be treated with extreme caution.

Pursuing blindly only one route to investment and growth, underpinned by assumptions about property rights and markets, could be as

diversionary as it is irresponsible and unjust. It is diversionary because it is now a settled fact that a key aspect of the productivity problems bedevilling African agriculture derives from the unfavourable terms of trade for the continent's commodity exports and the extensive use of subsidies by Europe and the USA to the detriment of the African smallholder. It is irresponsible insofar as it side-tracks, *ab initio*, the necessary focus on thorough-going land and agrarian reform that ought to be the starting point for any project of socio-economic transformation in Africa. It is unjust because, in contexts which are already characterised by extensive differentiation and inequality, a decision to focus exclusively on rules and the security of title as the anchor on which to base policy could easily become a recipe for the reinforcement of an unjust *status quo*.

Note

* This article is based on notes for the keynote presentation: 'Property rights, investment, opportunity and growth: Africa in a global context', delivered at the conference 'Land in Africa: Market Asset or Secure Livelihood', organised by the Natural Resources Institute, Royal African Society and the Institute for Environment and Development (IIED) in November 2004.

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