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Research Report

The Political Ecology of Chinese Investment in Uganda: the Case of Hanhe Farm

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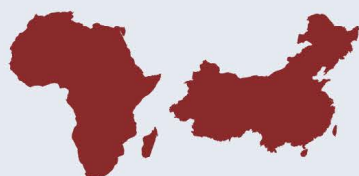
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POLICY BRIEF

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THE POLITICAL ECOLOGY OF CHINESE AGRICULTURE INVESTMENT IN UGANDA: THE CASE OF HANHE FARM

BY JOSH MAIYO

Hanhe Farm, located in the Nakaseke Administrative District, is the first private Chinese land-based agriculture enterprise in Uganda. This case can be used to examine the political context of land acquisition in Uganda, the ecological impact of land-use changes, and local community experiences and responses to conflicts over access to land and protection of ecological rights. The research findings demonstrate how the political and economic interests of international and national elite converge through formal and informal networks to access resources in violation of local communities' social and ecological rights. It highlights governance failures that precipitate ecological destruction, entrench power imbalances, and promote marginalization of local communities.

Chinese engagement in Uganda, as in other parts of Africa, has been portrayed as an aggressive and exploitative plunder of resources that has adverse socio-ecological consequences. Despite these misgivings, Uganda has actively courted Chinese investment in its agriculture sector. Uganda's agriculture minister has openly invited Chinese farmers to acquire “abundant” land in Uganda to grow crops for export.

The Government of Uganda has identified agriculture as the main driver for economic growth, poverty reduction, and overall development. Rural poverty is understood to result largely from poor agriculture productivity associated with traditional smallholder farming practices. Commercial-oriented agrarian reform is thus prescribed as the solution to rural poverty. The drive toward large-scale commercialized agriculture is aligned with the country's wider strategy of attracting foreign direct investment (FDI) to boost overall economic growth.

Uganda's state-driven agrarian reform program—the Plan for Modernization of Agriculture—developed in the midst of an escalating global rush for farmland. Policy-driven agricultural commercialization and capitalist commercial investments in arable land led Uganda to become one of the prime targets for a new wave of “land grabs.” China in particular stands out as one of the most valued “investors.”

To date, no systematic studies have been conducted on the scale, patterns, and effects of Chinese agriculture engagement in Uganda. Research on Chinese companies in Kampala shows that, while investments in oil and gas, manufacturing, infrastructure, telecommunications, and trade are on the rise, agriculture sector investment is still low.

In light of Uganda's commercially-oriented agrarian reform agenda and the increasing importance of China as a leading source of FDI, this research uses the case of the Chinese-owned **Hanhe Farm**—the only Chinese commercial agriculture investment in Uganda—to examine the political and policy context in which foreign access to farmland is facilitated, and the resulting socio-ecological impacts associated with these processes.

CHINESE AGRICULTURAL INVESTMENT IN AFRICA

The scale and scope of Chinese investment in Uganda's agriculture sector are poorly understood. Available data show that Chinese ventures account for less than one percent of Uganda's foreign large-scale land acquisitions. Media accounts and databases tracking the scale of foreign land acquisitions, such as the Land Matrix, give conflicting and outdated figures, and often cite Chinese investments that do not actually exist (see Table 1). Except for the Hanhe Farm and the China-Uganda Friendship Demonstration Farm, there is no evidence of any other Chinese agricultural investment in Uganda.

Table 1: Chinese agriculture investments in Uganda as portrayed in the media

Investor	Year	Reported Size (ha)	Actual Size (ha)	Crops
Li Zhu, Dafei International Investment	2008	800	0	n/a
350 'Chinese farmers'	2009	4,000	0	n/a
Hanhe Farm Uganda	2009	8,100	160	Mushrooms, various
Liu Jianjun		4,000	0	n/a
China-Uganda Friendship Agricultural Technology Demonstration Centre	2009	8	?	Fish

Researcher with a Chinese staff member at Hanhe Farm



Photo credit: Josh Maiyo

discussions were conducted with a total of 22 farmers drawn from the community around Hanhe Farm. Additionally, extensive life histories and in-depth interviews were conducted with three Chinese and five local staff at Hanhe Farm.

RESEARCH METHODS

Hanhe Farm was selected as a case study for this research after an extensive search in various online sources and an initial site visit in September 2012 established that it was the only operational private Chinese agriculture project in Uganda.

Data collection for this research project began in September 2012 and lasted until April 2014. Data were primarily obtained from extensive observations during more than 10 site visits to the Hanhe Farm, and interactions with local community members over the one-and-a-half-year period. A total of 24 semi-structured interviews were conducted with agriculture ministry experts and local government officers. Eight individual in-depth interviews and two focus group

WHAT IS HANHE FARM?

China's engagement in Ugandan agriculture started in 1973 when Beijing provided assistance for the construction and rehabilitation of two rice irrigation schemes in Eastern Uganda. Hanhe Farm is the first, and so far the only, Chinese private land-based agriculture enterprise in Uganda, representing a new shift from bilateral government aid projects.

- **Hanhe Farm covers an area of 400 acres in Nakaseke Administrative District.** The farm is part of a multipurpose project managed by Hanhe International Company, which is owned by Qiu Lijun, who is said to be a member of the Chinese Parliament.
- **As of April 2014, the farm employed 21 staff: 5 Chinese and 16 Ugandan workers.** Of the Chinese staff, one is the farm manager, and his wife is the farm cook and oversees the kitchen garden. The farm also has two Chinese foremen: one in charge of the maize mill and the other in charge of mushroom production. The proprietor's wife is the general manager.
- **At the first site visit in September 2012, only about half of the 400 acres had been cleared, and about 70 acres were under cultivation.** The acreage in productive use for crop growing declined to less than 20 acres by April 2014.
- **Agriculture production activities on the farm include a small piggery of less than ten pigs, a chicken coup with indigenous African breeds, mushroom seed development, and maize cultivation.** During an interview in April 2014, the wife of proprietor Qiu Lijun stated that they had decided to concentrate on two main agricultural production activities: expanding mushroom production and establishing large-scale fish production through aquaculture.
- **In February 2014, ten fishponds measuring approximately 20 by 50 meters were excavated on the farm.** 20,000 fish fingerlings, obtained from the China-Uganda Friendship Farm outside Kampala, were subsequently introduced into the ponds.
- **The farm is also engaged in maize milling.** A 30-ton capacity maize milling plant was installed on the farm in late 2011, but remained idle for almost two years due to inadequate electricity supply and a lack of raw materials (maize). Milling operations began in December 2013, but are still hindered by frequent electricity disruptions.
- **Media reports suggesting that support and funding for the Hanhe Farm come primarily from the China-Africa Development Fund (CAD-Fund) within the China Development Bank should be questioned.** There is no mention of the Hanhe project on the CAD-Fund website. In interviews, the general manager maintained that they had financed the Hanhe Farm entirely from their own private funds. In media reports, Mr. Lijun has said that he has invested up to US\$2 million in the farm over the last five years, and has tried to encourage other private Chinese investors to join in the venture.
- **Hanhe Farm's parent company, Hebei Agricultural Science and Technology Co. Ltd., has been accused of fraud in China.** Investors have charged the company with misrepresenting its land holdings in Uganda as more extensive than they actually are.

Entrance to Hanhe Farm



Photo credit: Josh Maiyo

PROCESS AND POLITICS OF LAND ACQUISITION

The case of Hanhe Farm demonstrates the complex web of political and private enterprise connections and the role of brokers in the land acquisition process in Uganda.

- **Interviews in Uganda revealed that it is virtually impossible for foreigners to acquire land without the help of brokers.** A number of local actors have allegedly been involved in facilitating access to land for Hanhe: a highly politically connected broker, Mr. Lubega, claimed to have brought the Chinese to Uganda and paved the way for Hanhe's acquisition of the farm; a retired army general, who is also a member of parliament and the coordinator of veteran's affairs in the region, is said to have introduced the Chinese investors to the president; and the president's own brother, who is also a retired army general, is a client and close business associate of Hanhe Farm.
- **It is not clear how much the Hanhe Uganda Company paid for the lease.** Attempts to obtain the figure from the Uganda Investment Authority, the district land office, the Hanhe Company, and the primary leaseholder proved fruitless, all citing confidentiality. In an interview, a local councilor gave a rough estimate of about 50 million Ugandan Shillings—approximately US\$20,000—which amounts to about US\$50 per acre for a 30 year lease.
- **Chinese and foreign engagement has become highly politicized:** Ugandan officials use the existence of Hanhe Farm and other foreign investments to demonstrate much-needed investor confidence in their county, and foreign investors establish close relationships with elites and power structures in Uganda to accrue benefits from state patronage systems. Local politicians competing for votes in the 2011 general election turned the presence of Chinese foreign investment on the farm into a political tool; each wanted to be associated with the symbol and promise of development and thus promised all manner of support, including offers to lobby for electricity connection to the farm.

In an interview, the proprietor's wife proudly displayed a picture hanging on her living room wall of her husband and the president of Uganda at the State House—the president's official residence. This display of closeness to the highest seat of power was further affirmed by the president's visit to Hanhe Farm in February 2014. The politicization of the farm, and the unwitting alignment of the investors with the ruling elites, is unlikely to engender support among the losers of political battles at both at the local and the national level.

IMPACT OF FARM INVESTMENT

Conflict

The Hanhe Farm sits on public land. Before the farm was established, the land was accessible to the community for grazing, fishing, harvesting of reeds for making mats and roofing houses, and for harvesting clay soil for brick making.

In 2004, a wealthy Ugandan private investor acquired the lease for the land, promising to compensate existing tenants. During an interview in June 2013, the investor claimed to have compensated the occupants through an elected representative. However, interviews with previous occupants of the land, as well as available documents signed between the lessor and the previous occupants, show that only half of the occupants were actually compensated. Documents also show that the lessor owes outstanding arrears that, ten years later, he has still failed to pay. Former occupants say the amount of money that was paid was "too little" to enable them to buy land of similar size elsewhere. Moreover, some female occupants were left stranded after only the male occupants were compensated. In an interview with a former resident and evictee:

"The doctor bought the land from the veterans including my husband who sold the land without my knowledge. I don't know what transpired between them, but I know some money changed hands. I think only 5 or 6 people out of about 17 shareholders were paid. I don't know how much money they were paid; I think it was about 300,000 Uganda Shillings (approximately US\$90) for 30 acres. We were forced to take the money and leave, so my husband left and we have not seen him since."

Ecological Impact

Since beginning operations in 2010, Hanhe Farm has initiated a number of land-use changes that may have socio-ecological consequences:

- **During visits to the farm, the researcher observed that drainage trenches were dug on several sections of the farm.** The farm manager admitted that the trenches were necessary to mitigate severe flooding during the rainy season. Flooding was also cited as the reason that commercial crop production had been abandoned on the farm—the soil was too waterlogged to sustain agricultural activity.
- **Additionally, the researcher observed evidence of the use of chemical spraying to control the rapidly growing vegetation that threatens to take over the cleared, but unused, land area on the farm.**
- **In the ten fishponds that were dug in February 2014, fish feed is added directly into the water, and is likely to seep into the ground and contaminate the ground water that flows into the swamp and further downstream.** The long-term ecological consequences of this practice may not yet be apparent, but plans to expand fish farming as the main economic activity will most likely increase the amount of foreign matter introduced into the soil and swamp water.

As a consequence of these land-use changes, Hanhe Farm has been accused of violating environmental regulations on wetland use.

- **As early as 2011, complaints from local residents and some local government officials were reported in national newspapers, radio and online portals.** The complaints cited potential environmental degradation arising from the farm's activities, such as excavation, digging of drainage trenches, and diversion of the river. Community residents expressed fear that these activities would reduce the water volume and have adverse effects on the livelihoods of the immediate community, as well as the pastoralist communities further downstream.
- **Inquiries at the National Environment Management Authority (NEMA) revealed that the farm had been operating for almost three years without the mandatory wetland user permit, which was issued only in February 2013.** The certificate of approval contained a set of conditions specifying that the permit was only issued for crop growing activities: Hanhe Farm was responsible for carrying out a separate Environmental Impact Assessment (EIA) for other planned components of the project such as the maize mill, small scale factories, and other auxiliary activities. So far this has not been done.
- **Observations on the farm indicate that the farm could be in violation of most, if not all, of the conditions stipulated in the certificate of approval.** However, enforcement is compromised by a number of factors including a lack of financial and human resources for effective monitoring and supervision of wetland use throughout the local administrative district; political interference from the central government and political elites; a lack of support from NEMA and relevant ministries for enforcement of regulations; and, in some cases, political intimidation and threats to junior officers on the ground.

- **Questions have also been raised as to why and how the wetland, which is supposed to be a protected site, came to be allocated for private commercial use in the first place.** Extensive interviews show that lease permits for the land were completed without consent from the local District Land Board, which is mandated by law to oversee the administration of public land within its jurisdiction. A senior official at NEMA admitted that Hanhe Farm was not an isolated case. He blamed environmental governance failures on institutional weaknesses at the local government level, thus absolving NEMA of any culpability. The fact that the president visited the farm on no less than two occasions, and actually commissioned the unauthorized maize mill, indicates a level of either willful or negligent complicity at the highest levels of government that undermines the interests of local communities in favor of investors.

LESSONS AND RECOMMENDATIONS

- (1) The lack of a system of tracking and assessing the process and scale of Chinese and other foreign land-based investments in Uganda makes it difficult to ascertain the real scale of foreign land acquisitions without doing extensive fieldwork. Making such information available to the public would be in the interest of *open governance* and *accountability*, and would make it easier to assess the impact and implications of Chinese investment in Uganda.
- (2) Foreign investors interested in acquiring arable land should conduct due diligence to ensure that the land they obtain has been legally and justly acquired in full compliance with national laws, and adheres to the principles of *free, prior and informed consent*, and the Food and Agriculture Organization's *Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security*.
- (3) Investors should also ensure that their land-use practices adhere to *national environmental and land-use guidelines*, as well as international standards on ecological and sustainable land use.
- (4) Hanhe's parent firm, Hebei Agricultural Science and Technology Co. Ltd., has been accused of defrauding Chinese investors who thought they were buying land in Uganda. Private Chinese firms are less likely to have the reputational concerns of state-owned firms. Thus, *careful scrutiny* on the part of African political leadership is needed before providing high-level political support for privately run firms like Hebei Hanhe.

FOR FURTHER READING

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