Securing Land, Securing Investment: A Conceptual Framework for Equitable Land Governance in Foreign Direct Investments

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ABSTRACT

Investments are the engine of economic growth, and among multiple types of investments, foreign direct investment (FDI) is one of the most significant contributors. FDI plays a crucial role in attracting investors who eventually contribute to the economy. However, studies have indicated that, in many parts of the world, such as Ghana and other parts of Africa, land- grabbing activities by foreign investors have caused the locals and their families to involuntarily relocate to other settlements due to poverty. The concept of displacement and loss of property brings to the fore the matter of landowners' property and rights, which eventually disrupts Sustainable Development Goal 1 (SDG 1), which aims to end poverty in all forms everywhere. Therefore, this article attempts to propose a conceptual framework for land policy that can distribute land equitably among foreign direct investors and local communities. Using John Dunning's OLI paradigm and the Von Thünen model to develop the framework, it was found that location advantage, ownership advantage, and internalization advantage influence both foreign investors and locals.

Keywords: property rights, land grabbing, land policy, John Dunning's OLI paradigm, Von Thünen model

INTRODUCTION

Foreign direct investment (FDI) is widely regarded as a central driver of economic development, particularly in rapidly developing and resource-rich countries. Through capital inflows, job creation, and technology transfer, FDI contributes to national competitiveness and stimulates growth across multiple sectors (Osano & Koine, 2016; UNCTAD, 2023). As global markets become more integrated, competition among countries to attract FDI has intensified, prompting governments to expand incentives, liberalize investment regulations, and create investor-friendly environments (Dunning, 2001). Yet, despite its potential benefits, the growing involvement of foreign investors has also brought significant socio-economic and environmental challenges, particularly related to land governance.

Land remains one of the most contested and politically sensitive resources in developing economies. Large-scale land acquisitions for agriculture, mining, energy, and industrial zones often facilitated through FDI have raised concerns about dispossession, inequitable land distribution, and the erosion of customary land rights (Nolte et al., 2016). In numerous cases, foreign investors obtain land through opaque deals or under regulatory frameworks that inadequately protect local communities. As a result, land grabbing has emerged as a recurring challenge in Africa, Asia, and Latin America, leaving local populations vulnerable to displacement and loss of livelihood (Gilbert, 2017; Ndi, 2017). For communities dependent on ancestral lands, such dispossession disrupts socio-cultural identity and generates long-term economic instability.

Environmental effects further complicate the relationship between FDI and land use. Large-scale agricultural estates, mining operations, and industrial activities associated with foreign investment often contribute to

deforestation, soil degradation, and pollution (Adeel-Farooq et al., 2021). These environmental pressures not only undermine ecological balance but also threaten the long-term productivity of land posing risks both to investors and to communities whose livelihoods depend on natural resources (Hossain et al., 2020). Weak land tenure systems and poorly enforced governance structures amplify these risks, making disputes between investors and local populations increasingly common (Nolte et al., 2016).

Although scholarly attention to FDI's land-related consequences has grown, existing policies in many developing countries continue to prioritize economic growth over distributive justice and environmental protection (Cotula et al., 2019; Schoneveld, 2020). This imbalance undermines the social legitimacy of investment projects and creates persistent tensions between foreign investors and local communities. Addressing these challenges requires a holistic approach that integrates land governance, investment policy, and sustainable development principles.

In response, this paper aims to examine the intersection between FDI and equitable land governance, with a specific focus on conceptualizing a fair and sustainable approach to land distribution. Drawing on John Dunning's OLI paradigm and the Von Thünen model, the study proposes a conceptual framework that rethinks how land should be allocated and managed in FDI contexts. The framework emphasizes the need for strengthened institutions, transparent decision-making processes, community participation, and balanced spatial planning. In doing so, it provides a structured pathway for policymakers, investors, and civil society actors to advance land policies that promote both economic development and social equity.

LITERATURE REVIEW

This chapter reviews key literature on how FDI interacts with land systems and the governance issues that arise from investment-driven land acquisition, the implication of FDI towards local communities and lastly the issues boarder to global development goals particularly SDG which emphasis on poverty reduction.

Foreign Direct Investment and Land Issues

Foreign Direct Investment (FDI) plays a central role in the development strategies of many countries, particularly in emerging economies seeking to accelerate growth, enhance infrastructure, and expand industrial capacity. By bringing in capital, technology, and managerial expertise, FDI is widely regarded as a catalyst for economic progress (Dunning, 2001; Osano & Koine, 2016). However, while FDI is often associated with productivity growth and improved economic opportunities, it also introduces a range of governance challenges especially relating to land acquisition, distributive justice, and equitable access to natural resources (Cotula, 2013).

In many developing countries, land functions not only as an economic asset but also as a foundation of identity, cultural heritage, and community survival. Foreign investors frequently demand large tracts of land for agriculture, mining, industrial zones, or mega-infrastructure projects. To attract such investment, governments often provide favourable policies, long-term leases, or investment incentives that may unintentionally bypass or marginalise existing land users (Deininger et al., 2011). This is particularly problematic in rural or indigenous contexts where land rights tend to be informal, customary, or undocumented (Amanor, 2012). When these rights are not formally recognised, communities become vulnerable to exclusion from decision-making processes affecting their land.

Weak land governance frameworks characterised by limited transparency, inadequate documentation, inconsistent legal enforcement, and discretionary political authority create conditions under which large-scale land acquisitions can occur with minimal consultation or consent from affected populations (Nolte et al., 2016; German et al., 2011). These structural weaknesses heighten the likelihood of land grabbing, forced displacement, resource loss, and social conflict, undermining the development objectives that FDI is expected to support (Borras & Franco, 2012). The resulting tensions reflect broader challenges within land

administration systems, where legal protections remain insufficient to balance investor interests with the rights and welfare of local communities.

These land-related challenges underscore the need for strengthened governance mechanisms to ensure fair, transparent, and sustainable development outcomes. Effective land management requires robust legal frameworks, transparent decision-making, participatory planning processes, and institutions capable of safeguarding community rights while supporting responsible investment (United Nations, 2015). Without such safeguards, FDI risks generating profit-driven development that benefits external investors while compromising local livelihoods, environmental sustainability, and long-term social stability.

Implication of FDI for local communities

Foreign Direct Investment (FDI) can generate substantial economic opportunities, yet its impacts on local communities—especially in rural and developing regions—are often complex and multidimensional. While FDI may create jobs, enhance infrastructure, and stimulate local markets, it also brings significant socio-economic, environmental, and cultural consequences. These impacts can be grouped into several key dimensions: displacement, livelihood loss, environmental degradation, and weakened land governance.

(a) Displacement and Loss of Land

One of the most immediate effects of FDI-driven land acquisitions is community displacement. In countries where land governance systems are weak and land rights are poorly documented; residents are vulnerable to losing access to land they have occupied for generations. Land grabbing often facilitated by opaque government negotiations with investors results in forced displacement, leaving families landless and without security (International Land Coalition, 2011). For example, in Ghana, large-scale land contracts covering more than two million hectares have displaced many rural households that previously relied on this land for farming and subsistence (Schoneveld et al., 2011; Nyari, 2018). Such displacement disrupts social stability and deepens existing inequalities.

(b) Loss of Livelihood

FDI projects frequently undermine traditional livelihood systems, particularly in rural areas where communities depend heavily on agriculture, fishing, forest resources, or pastoral activities. When land is converted for plantations, mining, or industrial purposes, local communities often lose access to productive land and natural resources. In Ethiopia, large-scale agricultural investments have displaced farming communities and degraded arable land, reducing long-term productivity and limiting income-generating opportunities (Rahmato, 2011; Lavers, 2012). Many displaced individuals migrate to nearby cities in search of work, contributing to urban overcrowding and rising unemployment. This long-term disruption of livelihood systems intensifies poverty and reduces community resilience.

(c) Environmental Degradation

Environmental decline is another critical implication of FDI. In contexts where environmental regulations are weak or poorly enforced, large-scale agricultural and industrial activities lead to deforestation, water contamination, loss of biodiversity, and soil degradation (Hossain et al., 2020). The environmental impacts are particularly severe for communities that rely directly on natural resources. A widely documented example is the Grasberg mine in Indonesia, where mining operations have destroyed rainforest ecosystems and polluted local river systems, directly harming indigenous communities (Ballard & Banks, 2003). Similar trends are observed in countries such as Ethiopia, where FDI-funded agricultural schemes have strained water resources and led to conflicts between investors and local populations (Rahmato, 2011).

(d) Weak Legal Protections and Governance Gaps

Weak legal frameworks often exacerbate the negative impacts of FDI on communities. In many developing countries, informal land tenure, incomplete land records, and inconsistent enforcement of land laws allow

foreign investors to secure land through legal loopholes or undocumented transactions (Deininger et al., 2011). These governance weaknesses create significant power imbalances, restricting communities' ability to challenge unfair acquisitions or negotiate for fair compensation. Even when displacement is legally sanctioned, compensation provided may be inadequate, failing to reflect the actual economic, cultural, and social value of the land (Cotula, 2013). Cases reported in Cambodia and Mozambique demonstrate how large-scale agribusiness concessions displace rural communities without meaningful consultation or proper compensation due to government bias toward investors (Baird, 2011; German et al., 2011).

Collectively, these implications demonstrate that while FDI has the potential to contribute to development, poorly regulated investment can produce severe and long-lasting harm to local communities. Addressing these challenges requires a stronger land governance system that upholds community rights, enforces environmental safeguards, and ensures that development benefits are distributed equitably.

Sustainable Development Goal 1 and Land Issues

Sustainable Development Goal 1 (SDG 1) seeks to eradicate poverty in all its forms, and this objective is closely connected to issues of land access, land use, and equitable land governance (United Nations, 2015). In many developing regions, land is the foundation of livelihoods, food security, and long-term economic stability. As such, how land is allocated, managed, and governed plays a decisive role in determining whether communities can escape poverty or remain vulnerable to dispossession and marginalization.

Research by Torres-Rojo et al. (2005) on community forest enterprises (CFEs) in Mexico demonstrates the potential of community managed land to support poverty reduction. Their study on the El Balcón CFE illustrates that when communities maintain ownership and management control over land resources, they can generate substantial economic gains while promoting sustainable land practices. Despite early challenges such as internal disputes and managerial inefficiencies El Balcón eventually achieved a profit margin of 20%–35%. This outcome highlights the transformative power of strategic, community-led land management in improving livelihoods and fostering long-term economic resilience.

Changes in land use driven by rapid development further demonstrate the connection between land and poverty. Liang et al. (2022) examined the spatial transformation of coastal Vietnam and found that globalization, urban expansion, and FDI have significantly altered land distribution. Between 2000 and 2020, construction land increased from 2.72% to 4.40%, replacing forests, grasslands, and other natural areas. These findings indicate that urbanization and population growth place intense pressure on land resources, often reducing the availability of land for local communities and traditional livelihoods. Consequently, region-specific land policies are necessary to balance economic development with environmental protection and social well-being, in line with the objectives of SDG 1.

At a broader policy level, the governance of land ownership and tenure systems plays a fundamental role in poverty reduction. Sun and Yin (2024) emphasize that fair, transparent, and inclusive land ownership arrangements are crucial for rural poverty. Their findings, which are also relevant to contexts such as Mexico and Vietnam, underscore the importance of community involvement and context-appropriate land policies in ensuring that development benefits are distributed equitably. Their research highlights that land is not merely an economic asset but also a vital element of social equity and sustainable growth. Taken together, these studies suggest that meaningful progress toward SDG 1 requires land policies that recognize and protect community rights, encourage sustainable land use, and prevent exploitative land acquisitions. Ensuring fair access to land supported by strong governance frameworks remains central to reducing poverty and promoting inclusive development.

Theoretical Framework

This study integrates two well-established theories John Dunning's OLI Paradigm and Von Thünen's Land Use Model to construct a conceptual framework that supports equitable and sustainable land distribution in FDIdriven development. With that being said, these theories offer complementary perspectives that explain

why investors choose specific locations, how land is valued spatially, and how policymakers can align investment needs with social and environmental priorities.

John Dunning's OLI Paradigm and Land Allocation

John Dunning's eclectic paradigm, commonly known as the OLI framework, is one of the most influential theories for explaining why firms engage in foreign direct investment (FDI) rather than alternative forms of internationalization such as trade or licensing. The paradigm posits that a firm will undertake FDI when three sets of advantages Ownership (O), Location (L), and Internalization (I)—are simultaneously present (Dunning, 2001). Although the OLI framework was originally developed to understand firm behaviour, it also provides valuable insights into how and where land is allocated for FDI projects, as well as the implications for host communities.

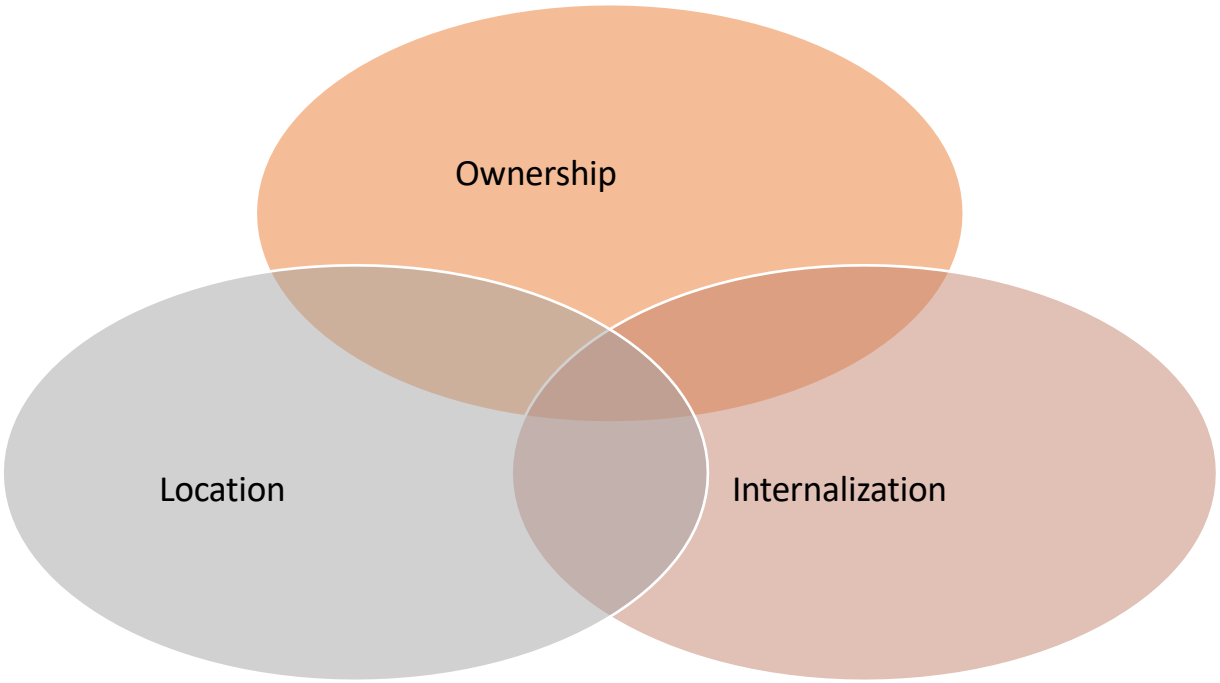

Figure 1: John Dunning's OLI paradigm (1970)

Ownership advantages refer to firm-specific resources and capabilities that give a multinational enterprise a competitive edge over local or foreign rivals. These may include proprietary technology, superior managerial skills, advanced production techniques, access to global markets, brand reputation, financial strength, and accumulated experience in managing complex projects (Makoni, 2015; Sharmiladevi, 2017). In the context of land-based investments, ownership advantages determine which firms can mobilise capital-intensive projects that demand significant land areas, such as plantations, mining operations, industrial zones, or large-scale infrastructure. Firms with strong ownership advantages are often better positioned to negotiate with host governments, influence regulatory frameworks, and secure favourable land deals.

Location advantages are particularly important for this study. They describe the characteristics of a host country or specific regions within it that make investing there more attractive than in alternative locations (Wilson & Baack, 2012). These advantages can stem from natural endowments (fertile soils, mineral resources, water availability), economic factors (labour costs, market size, infrastructure quality), or institutional conditions (political stability, regulatory frameworks, investment incentives, land laws). From a land governance perspective, location advantages help explain why foreign investors are drawn to certain regions and land types. For example, areas with fertile agricultural land, proximity to transport corridors, and relatively weak land tenure protections may become "hotspots" for FDI-driven land acquisitions. This illustrates how location factors and governance weaknesses can combine to steer investment towards territories inhabited by vulnerable communities. Internalization advantages capture the benefits firms gain by keeping

certain activities within their organisational boundaries rather than contracting them out to local partners or using market-based arrangements (Rahman et al., 2018). These advantages arise when internal coordination is more efficient than arm's-length transactions, particularly where there are risks of opportunism, technology leakage, or high transaction costs. In the context of land-based FDI, internalization may motivate foreign firms to acquire full control over land and associated operations rather than engage in joint ventures with local communities—so they can secure long-term access, standardize production, and protect proprietary knowledge. This often reduces the bargaining power of local actors and can marginalise community voices in land-related decision-making.

When the O, L, and I advantage are considered together, they not only explain why a firm chooses FDI but also provide insight into how land is targeted, acquired, and used. Ownership advantages enable investors to mobilise large-scale projects; location advantages influence where those projects are situated; and internalization advantages shape the form of control over land and production processes. For host countries, this means that land allocation is not neutral or random but closely linked to global corporate strategies and structural power imbalances between investors, states, and local communities.

Therefore, applying the OLI paradigm to land governance highlights a critical policy challenge: how to align investor-driven decisions with socially just and sustainable land allocation. If location advantages are defined only in economic terms (e.g., low costs, weak regulation), FDI may be drawn towards areas where local rights are least protected. This creates a strong case for revisiting land policy and regulatory frameworks, so that "advantages" are redefined to include respect for community rights, environmental safeguards, and long-term social stability.

Von Thünen's Land Use Model and Spatial Zoning

The Von Thünen model, originally developed in the early 19th century, is a classical spatial theory that explains how land use patterns are organised around a central market under conditions of rational economic behaviour (Morency-Lavoie, 2015). The model assumes an isolated state with a single city at the centre, surrounded by homogeneous land. Transport costs increase with distance from the city, and land users seek to maximise profit by choosing crops and activities that best balance production revenue, land rent, and transportation costs.

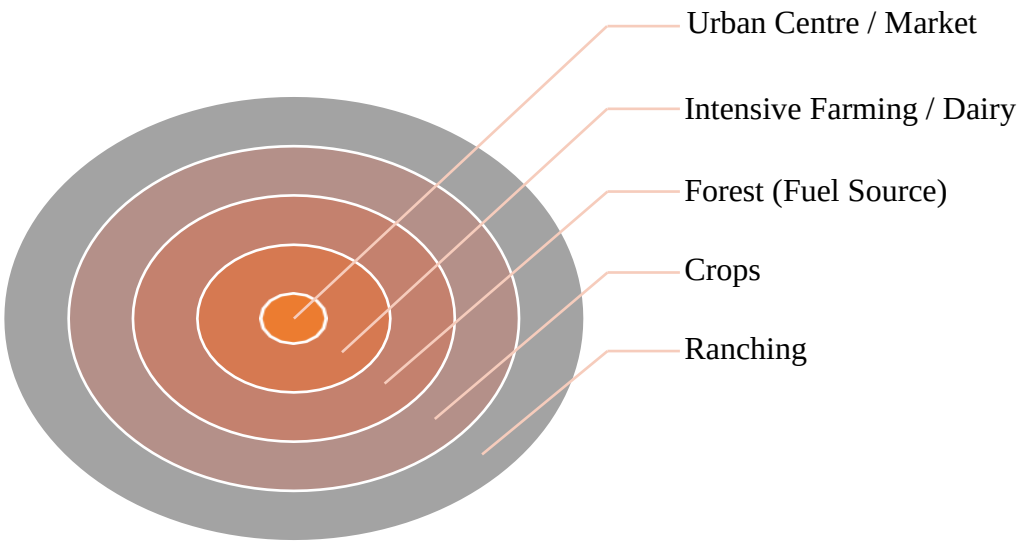

Figure 2: The Von Thünen's model (1826)

In its original formulation, Von Thünen identified concentric rings around the central market, each dedicated to different land uses: intensive farming and dairy closest to the city; followed by forests, field crops, and extensive livestock ranching further away. The logic is straightforward: activities that are highly perishable or expensive to transport are located near the centre, while activities that require large areas of land but have

lower transport costs can be located further away. Although the model was based on historical agrarian economies, its core insight that spatial patterns of land use reflect trade-offs between accessibility, production costs, and land rent remains highly relevant.

In contemporary settings, Von Thünen's principles can be adapted to understand how urban expansion, infrastructure development, and FDI reshape land use in both peri-urban and rural areas. As cities grow and transportation networks improve, land near urban centres tends to be converted to high value uses such as residential, industrial, or commercial development. Agricultural and forest lands are pushed outward, often into territories previously occupied by smallholders or indigenous communities. This process reflects an underlying economic logic like Von Thünen's: land closer to markets becomes more valuable for intensive and high profit uses, while more extensive land uses are displaced towards the periphery (Imai et al., 2023).

When FDI is introduced into this spatial dynamic, the model helps explain why foreign investors often seek land at distances from major markets, ports, or industrial hubs. For example, large-scale plantations and resource extraction projects may be in outer zones where land is cheaper and more abundant, but still sufficiently connected to transport corridors. At the same time, special economic zones, export-processing areas, and logistics hubs may cluster closer to urban centres. This creates a layered geography of investment that mirrors the logic of concentric land-use rings, even if real-world patterns are more complex.

In this study, Von Thünen's model is not applied rigidly but used as a conceptual tool to develop a threezone structure for land allocation: a peri-urban zone, an intermediate zone, and a remote zone. Each zone reflects different combinations of accessibility, land value, and social dependency. The peri-urban zone prioritises community livelihoods and small-scale economic activities; the intermediate zone is envisioned as a collaborative space where both FDI and local actors can engage; and the remote zone is allocated for large-scale FDI projects that require extensive land areas but should not displace dense populations. By building on Von Thünen's spatial logic, the framework provides a systematic basis for distinguishing between areas that should be protected for local use and those that may be more appropriate for capital-intensive investments.

In a nutshell, the adapted Von Thünen perspective reinforces that land allocation decisions must consider spatial patterns, accessibility, and distances. Where FDI projects are located has direct implications for community welfare, environmental health, and sustainable development. Incorporating spatial thinking into land policy therefore promotes more equitable and conflict-sensitive development outcomes.

Integrating the OLI Paradigm and Von Thünen's Model

The integration of Dunning's OLI paradigm and Von Thünen's land-use model offers a comprehensive and theoretically robust foundation for understanding and governing land allocation in the context of FDI. While the OLI paradigm explains the motivations behind foreign investment namely ownership advantages, locational attributes, and internalisation incentives (Dunning, 2001). Von Thünen's spatial logic provides insight into where such investments are likely to be concentrated by linking land value, transport costs, market distance, and landuse suitability (Von Thünen, 1966; Morency-Lavoie, 2015). When synthesised, these theories reveal that FDI tends to seek locations with favourable economic and governance conditions but may gravitate toward areas where community land rights are weak, land is cheaper, and regulatory oversight is limited. This increases the likelihood of dispossession, conflict, and environmental degradation (Cotula, 2013; Nolte et al., 2016; Deininger et al., 2011).

Building on this theoretical integration, the proposed framework establishes a set of guiding principles that operationalise these insights into actionable governance mechanisms. The first principle, strategic spatial zoning, draws directly from Von Thünen's spatial logic by categorising land into peri-urban, intermediate, and remote zones according to population density, accessibility, livelihood dependency, and ecological sensitivity. Peri-urban areas characterised by dense settlement and high community reliance require strong protection from large-scale FDI, whereas intermediate zones can support co-governance arrangements. Remote zones, where

dependency is lower, may accommodate land-intensive investments under strict social and environmental safeguards (Imai et al., 2023). This zoning mechanism enables governments to anticipate conflict zones and steer FDI toward socially appropriate areas.

The second principle focuses on balancing investor and community interests, ensuring that FDI contributes to inclusive development rather than reinforcing inequality. Although the OLI paradigm clarifies why investors target specific regions (Dunning, 2001), governance frameworks must ensure that such investment does not undermine local welfare. Inclusive business models such as joint ventures, contract farming, and benefit-sharing schemes are particularly suitable in intermediate zones, allowing local communities to secure income, employment, and technological benefits (Torres-Rojo et al., 2005).

The third principle, strengthening legal and institutional safeguards, is essential for preventing exploitative land acquisitions. Weak tenure systems, opaque land administration, and discretionary political decision-making often facilitate land grabs (Deininger et al., 2011; Nolte et al., 2016). Strengthening land registries, securing customary rights, and ensuring accessible dispute-resolution mechanisms supported by international norms such as FPIC are critical for fostering accountability and fairness.

The fourth principle emphasises long-term environmental and social sustainability, recognising that landintensive FDI can cause irreversible ecological and livelihood impacts if not properly regulated. Rigorous Environmental Impact Assessments, biodiversity safeguards, and ecological monitoring are necessary to mitigate risks, particularly in remote or environmentally sensitive areas (German et al., 2011). These measures align with global sustainable development commitments, particularly SDG 1, which links poverty reduction to secure land rights and environmental stewardship (United Nations, 2015).

Finally, the principle of institutionalising meaningful community participation underscores the importance of ensuring that affected populations are engaged throughout the land-allocation process. Participation must move beyond symbolic consultation and include active involvement in planning, negotiation, monitoring investor compliance, and evaluating long-term impacts (Baird, 2011). Such participatory governance enhances legitimacy, reduces conflict, and ensures that land-use outcomes reflect community needs and aspirations. Taken together, the integration of investor-behaviour theory (OLI), spatial-economic land-use theory (Von Thünen), and the above governance principles forms a unified and coherent conceptual framework. This framework not only explains the dynamics of FDI-driven land allocation but also provides a practical structure for designing equitable, conflict-sensitive, and sustainable land governance systems in developing economies.

Proposed Conceptual Framework

The conceptual framework developed in this study provides an integrated and spatially grounded approach for allocating land in Foreign Direct Investment (FDI) projects. It synthesizes insights from Dunning's OLI Paradigm, which explains investor motivations and the factors that attract multinational enterprises (Dunning, 2001), and Von Thünen's Land Use Model, which clarifies how land value, distance, transport cost, and spatial suitability shape patterns of land use (Von Thünen, 1966; Morency-Lavoie, 2015). By integrating these two theoretical foundations, the framework establishes a structured system—represented through three concentric zones—that helps policymakers determine where FDI should be directed and which areas must be protected to ensure equitable and sustainable land governance.

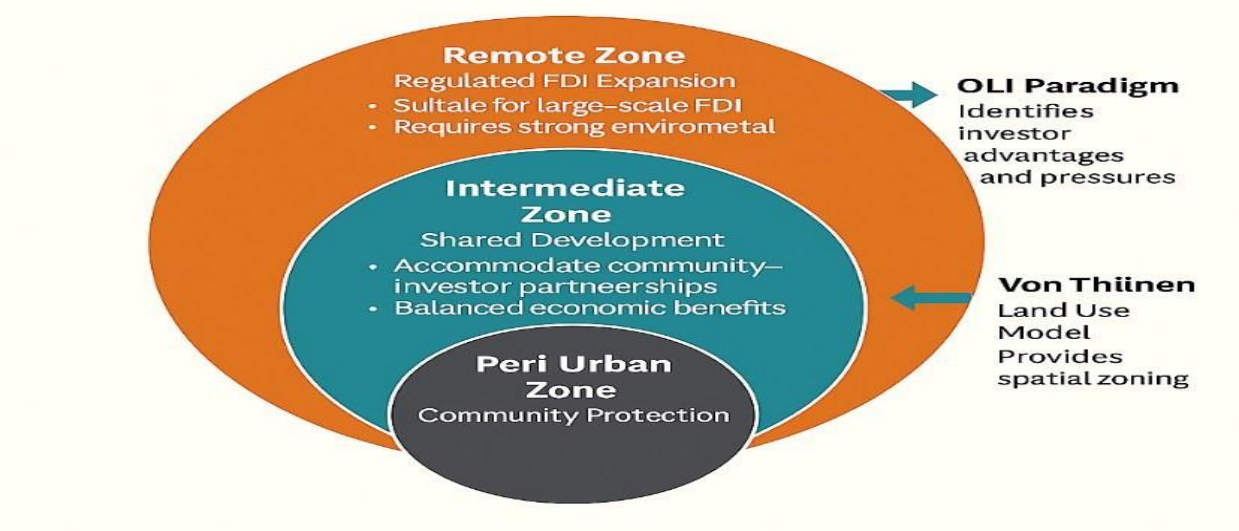

Figure 3: The proposed conceptual framework

At the core of the model is the Peri-Urban Zone, representing areas with high population density, strong customary tenure systems, and deep livelihood dependence on land. These areas are the most socially sensitive, and displacement here carries significant economic and cultural consequences. Empirical studies demonstrate that communities with secure land rights exhibit better welfare outcomes and reduced vulnerability to poverty (Deininger et al., 2011). Therefore, in this framework, the Peri-Urban Zone is designated as a Community Protection Zone, where large-scale FDI is restricted. Only small-scale, socially beneficial or community-driven investments are permitted, ensuring that the rights and livelihoods of affected populations remain protected (Cotula, 2013).

The next layer, the Intermediate Zone, functions as a transitional space where community and investor interests can be aligned without displacing local populations. This zone supports shared development through inclusive investment models such as joint ventures, contract farming, and community–investor partnerships. Such inclusive arrangements have been shown to improve local participation, strengthen livelihood resilience, and create balanced economic benefits (Torres-Rojo et al., 2005). The Intermediate Zone operationalizes the principle that FDI can contribute to development while safeguarding social equity, if collaboration and benefitsharing mechanisms are built into investment agreements.

The outermost layer, the Remote Zone, contains land with low population density and minimal livelihood dependency. These areas are typically the most suitable for regulated FDI expansion, particularly for landintensive sectors such as plantations, mining, industrial parks, and infrastructure development. However, research shows that large-scale projects can produce significant environmental impacts if poorly regulated (German, Schoneveld & Mwangi, 2011). Therefore, development in this zone requires strong environmental safeguards, including rigorous Environmental Impact Assessments, biodiversity protection, and long-term ecological monitoring. While this zone accommodates the highest level of FDI, investment must remain consistent with national sustainability commitments, including the poverty-reduction and environmental objectives outlined in the Sustainable Development Goals (United Nations, 2015).

By integrating the economic logic of investor behaviors (OLI) with the spatial logic of land suitability (Von Thünen), the conceptual framework enables policymakers to align investment activities with social, environmental, and spatial considerations. Together, the three zones create a governance mechanism that channels large-scale FDI toward areas with lower social risk, provides structured spaces for investor–community collaboration, and protects high-dependency lands where communities are most vulnerable. To conclude, the framework above in figure 3.1, offers a balanced, conflict-sensitive, and sustainability-oriented approach to land allocation, ensuring that FDI contributes meaningfully to national development without compromising community rights or environmental integrity.

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