

Fast track agribusiness expansion, land grabs and the role of European private and public financing in Zambia

A RIGHT TO FOOD PERSPECTIVE



HANDS OFF THE LAND

TAKE ACTION AGAINST LAND GRABBING

a joint project of TNI, FIAN International, FIAN Netherlands, FIAN Germany, FIAN Austria, IGO in Poland and FDCL in Germany.



IGO
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Preliminary notes

The intention of this study was to present some first illustrative insights of the implications recent land grabs had for the global food system (its functioning, governance, key actors...) and the human right to food, based on the mainstream perspective of a global value chain. Preliminary research results however showed that it is almost impossible to get validated, product-specific information from within this global value chain, e.g. which food processing company buys wheat from the specific 20,000 hectares of plantations of agribusiness company xy in country yz.

These preliminary results also pointed to another fact. Financial investors are playing a more and more relevant and decisive role in the expansion of agribusiness conglomerates. Thus it was decided to reduce the focus from multi-country study to one in-depth country study – namely Zambia – and to focus more tightly on the logic, role and impact of financial investors. With this shift, the initial idea of a perspective on the process of vertical integration (along the value chain, also referred to as from “farm to fork”) could be maintained or even expanded. Also, a right to food perspective could be applied as initially intended. It should additionally be noted that this is a desk study. The results should be understood as encouragement for more in-depth and especially on the ground research.

The following questions guided the research:

- What **role** does finance capital from Europe play in Zambian land grabbing and related agribusiness expansion? Does this involvement have **distinct features**?
- Which overall development **narratives** are used by financial investor vis-à-vis their economic/ financial narratives targeted to the business world?
- Can we draw implications from this desk research for the **right to food**, especially for issues of accountability and extraterritorial human rights obligations of European states?

1. Introduction: Land grabs and finance capital

Today it is widely accepted that land grabbing is not really a new phenomenon but the latest rush for land and related resources like water, which has its own distinct features. It must be seen in the context of multiple global crises: The climate crisis, the food price crisis, the energy (or fuel) crisis and the financial crisis. Some scholars specify that land grabbing is a “response to the convergence of [these] multiple crises”¹ where a fast track land concentration is one of the defining features.

This response to those crises is a response primarily by different types of powerful actors. It creates or reinforces their specific interests. The enforcement of these interests today is increasingly linked to the control of natural resources, especially land and water. Without being exhaustive, some key interests are:

- Finance capital (including banks, investment companies, hedge funds, pension schemes...) seeks for new and supposedly safer investment frontiers and models;
- Governments and a growing segment of the broader economy seek a transition from a fossil-based to a bio-based economy, which includes huge additional “land demands”.² The most prominent example is the agrofuel expansion;
- Proponents push for positive, facilitating, supportive frameworks for those investments (e.g. G8 Land Transparency Initiative, Benchmarking Business in Agriculture³, Farmland Principles⁴...);
- Agrifood businesses and some States seek to secure their supply of food and feedstuff via direct control over land (“vertical integration”).

The global food system⁵ thus can be understood as an important arena where actors cope with the crisis. A vast body of evidence today shows that these coping strategies – the enforcement of the related interests – are accompanied by sometimes extremely brutal conflicts over land and water with existing local land users. Less attention is given to the underlying deep structural transformation where local population, especially local land users, does not play a role

at all - or just an ancillary one. Plans from the World Bank blatantly underpin the implications. In its 2011 publication on land grabbing⁶ the bank proposes for example the expansion of maize cultivation on 148 million hectares land globally that has a very low population density. They calculate some 10 jobs for 1,000 hectares prospecting 1.48 Million jobs globally.⁷ Following the bank’s own numbers some 11.7 million people – almost a tenfold number - actually sustain their livelihood on those 148 million hectares. They would most probably be negatively affected by such a massive transformation. For Zambia, for example, the World Bank identifies 13 million hectares available for maize expansion alone.⁸

Apart from a fast track land concentration, the intensified financialisation of the global food system is an additional structural feature. In the past, the majority of agribusiness companies and financial investors refrained from participating in agricultural production itself. Intense concentration happened upstream and downstream the value chain: in the input market (seeds, fertilizer and agrochemicals), trade, processing and retail.⁹ The concentration process in the global food system largely ignored farming itself. This is why land is now seen as one of the last investment frontiers by the financial world.

Financialisation of agriculture and the food system

Based on Epstein financialisation can be defined as the „increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at national and international level”.

(Epstein (2005) Introduction: financialization and the world economy)

Commodification of land

...refers to a dominant assignment of economic value to land. This inherently needs to cut off its social, cultural, ecological, historic or territorial values and aspects.

The extensive entrance of financial actors in agricultural production thus is new and entails concrete changes. One of these changes is that the distance between the financial investor and effects of an investment increases „in ways that make the political context for opposition to financialisation is especially challenging“¹⁰. Clapp (2013) summarizes that this distance tends “to obscure the role that financial actors play in the food system, making it difficult to link them to the social and ecological consequences of financial investment activities on the ground”¹¹. From a human rights perspective accountability issues and state obligations vis-à-vis possible problematic food system outcomes are harder to address, e.g. “Who holds a responsibility for a specific forced eviction, human rights violation...?”

Consequently, recent scholars’ discussions are asking for further research addressing “where and how [financial

actors] are investing, via whom, and what kind of land uses and social relations are being produced through this influx of global capital”¹²? This study tries to shed some light on these questions and contribute to unpacking the distance (and with it the problem of accountability) by looking into the case of Zambia and its linkage to European finances involved.¹³

This study will not look at the financialisation in the context of agricultural commodities, commonly referred to as food speculation. It will take a look at the agricultural production itself, which in many cases takes the form of land grabbing. The perspective on finances also helps including a second aspect of scale. Apart from the strong focus of the mainstream debates on the size of land targeted or affected by this development, the scale of capital involved is as another key aspect.¹⁴

2. General information

2.1 The human right to food: the legal framework for Zambia and European States

Zambia is State Party to the International Covenant on Economic, Social and Cultural Rights (ICESCR). The right to adequate food is enshrined in its article 11 and thus has a legally binding character. The General Comment 12 of the UN Committee on Economic, Social and Cultural Rights (CESCR) is the authoritative interpretation of the right to food. It details the specific **state obligations to respect, protect and fulfill** the right to food. This defines that states must be held to account for (a) any measure, which undermines or prevents the enjoyment of the right (respect), (b) for effectively preventing third parties (individuals, groups, corporations, financial actors and other entities) from interfering in any way with the enjoyment of the right (protect) and (c) taking active steps to progressively improve the realization of the human right to adequate food (fulfill). At the regional level, Zambia is a State Party to the African Charter on Human and Peoples’ Rights.

All Member States of the European Union as well as Norway and Switzerland are also State Parties to the ICESCR. The human rights obligations of states include extraterritorial

obligations (ETOs), according to which they have the duty to take measures to respect and protect the enjoyment of human rights, including the right to adequate food and the right to water, in other countries. The extraterritorial human rights obligations have recently been clarified in the *Maastricht Principles on Extraterritorial Obligations of States in the area of Economic, Social and Cultural Rights*.¹⁵

Extraterritorial obligations encompass, on the one hand, obligations relating to the acts and omissions of a state, within or beyond its territory, that have effects on the enjoyment of human rights outside of that state’s territory, and on the other hand, obligations of a global character that are set out in the Charter of the United Nations. These are human rights instruments to take action individually and jointly through international cooperation to realize human rights universally.¹⁶

ETOs also include the states’ responsibility for the conduct of non-state actors, be it acts and omissions of non-state actors acting on the instructions or under the direction or control of the state, or acts and omissions of persons or entities which are not organs of the state, such as corporations and other business enterprises.¹⁷

Concretely, states have the obligation to avoid causing harm and must thus desist from acts and omissions that create a real risk of nullifying or impairing the enjoyment of human rights extraterritorially. The responsibility of states is engaged where such nullification or impairment is a foreseeable result of their conduct.¹⁸

In order to comply with their obligations, states must thus conduct prior assessment, with public participation, of the risks and potential extraterritorial impacts of their laws, policies and practices on the enjoyment of human rights. The results of the assessment must be made public.¹⁹

Regarding non-state actors, states have the duty to take necessary measures to ensure that those actors which they are in a position to regulate do not nullify or impair the enjoyment of human rights. This includes private individuals and organizations, but also transnational corporations and other business enterprises, where they or their parent or controlling company have their centre of activity, or where they are registered or domiciled, or have their main place of business or substantial business activity.²⁰

2.2 Poverty, growth and hunger in Zambia

Despite impressive overall economic growth rates of over 5.7 percent of GDP in the last 10 years, hunger remains a dominant problem in Zambia with 6 million people suffering hunger compared to 4.4 million in 2000.²¹ Even more, the agricultural sector, on which 85 percent of the people depend, has experienced even slightly higher growth rates between 6.6 and 8 percent in the last four years.²² With a Gini coefficient of 0.65 Zambia is one of the most unequal countries in the world.²³

EU Commissioner Piebalgs summarizes in 2013: "In recent years, Zambia has made huge progress in development; particularly in mining and agriculture. Yet despite its remarkable economic growth, Zambia is one of the most unequal countries in the world"²⁴ And the World Bank points out: "Zambia's economic growth has not translated into significant poverty reduction."²⁵ This indicates that growth in Zambia's agriculture has not been broad-based and the process bypasses or even marginalizes rural poor.

At the same time the food import bill of Zambia skyrocketed from USD 60 million in 2000 to USD 350 million in 2012 even surmounting the cost for food imports during the 2008 food price crisis. At the same time, the food exports

rose even higher from USD 68 million to USD 486 million in 2012.²⁶ This gives leeway for further research on the groups that bear the import costs and the agents that benefit from exports.

2.3 Land in Zambia

As many other African countries, Zambia inherited a dual land system from the colonial era. Until the early 2000s almost all land has been customary land (94 percent²⁷) where local communities and the local chiefs decided on land use. At the same time all land is formally owned by the state, with the President as trustee.²⁸

Since colonial times the best land is used by commercial farmers in areas called farm blocks.²⁹ With the 1995 Land Law customary land can be transformed into state land (for leasehold) and can then be leased by private entities for 99 years. The initial promise of this policy was that small farmers should be able to register their land this way. In reality, this turned out to be a vehicle to acquire land for big national and international investors only (due to associated costs, bureaucratic and geographic hurdles...). This overall bias today is reinforced by a Presidential directive of 2002, which announced a focussed agricultural development strategy based on a Farm Block Development Plan about where new farm blocks – one in every province – were to be installed.³⁰ These farm blocks are located at main infrastructure corridors and within the prime crop areas, many actively used by local communities.³¹ The farm blocks have a size of 65,000 to 155,000 hectares. Each farm block is designed to attract at least one large-scale commercial farm ("core venture") of 10,000 hectares, several additional commercial farms of 1,000 to 5,000 hectares, as well as medium farms (50 to 900 hectares) and small farms (20 to 40 hectares), with the last two preferably under outgrower arrangements.³²

As a result large tracks of land have been given to large scale commercial farming activities in the recent years. Some experts estimate that today only 60 percent of the land is still under customary tenure.³³

As agriculture is the source of livelihood of 85 percent of the population, access to land and water is a key issue of food security in Zambia. The bottom 25 percent of the Zambian household hold a mean plot size of 0.6 hectares, barely enough to feed a family or sustain a livelihood.³⁴ Access to land for small scale food producers is a highly relevant human rights issue in Zambia.

This is in sharp contrast to the World Bank's overall assessment that in Zambia "vast tracts of suitable nonforested and unprotected land are not cultivated"³⁵. They calculate that 6 million hectares are available for soy expansion and 14 million hectares for maize expansion.³⁶ They argue that only 20 percent of land suitable for agriculture is cultivated implying the rest is not used or otherwise relevant for local communities and livelihoods.³⁷

Experts argue that a more distinct perspective on "available" land is required.³⁸ Jayne et al help shedding some light on this question for the Zambian context. They summarize the discussion on abundant land in Zambia as following: "However, [...] economically viable arable land is not in great abundance in Zambia after considering the current situation with respect to access to road infrastructure and access to services and markets. In fact, access to land is already a major problem for large segments of the rural population in Zambia. Moreover, depending of future land allocation policy, access to good quality land with a market potential may become increasingly beyond the reach of many small-scale farm households, making it more difficult to achieve a smallholder-led, pro-poor agricultural development trajectory."³⁹ This illustrates that especially along the main transport infrastructure, good quality land with access to water is scarce.

2.4 Contextualising Zambian agribusiness development

Agribusiness developments in southern Africa must be seen within the dominant discussion on agricultural development, where the identification of so called agricultural growth corridors in southern Africa by the *New Vision for Agriculture* of the World Economic Forum is a key issue.⁴⁰ This 'Vision' places itself within the 'feed the world in 2050' – construct. The homepage explains: "In order to feed a population of 9 billion in 2050, the world will need a New Vision for Agriculture - delivering food security, environmental sustainability and economic opportunity through agriculture."⁴¹ The growth corridors have been identified by transnational agribusiness companies and financial actors⁴² as prime areas for agro industrial development.⁴³ Two corridors are relevant here. One is the SAGCOT corridor from the deep water port of Dar es Salaam in Tanzania via northern Zambia, where a 'growth cluster' is identified.⁴⁴ The TAZARA railway connects the corridor up to the central Zambian town Kapiri Mposhi. The other one is the Nacala corridor, ranging from the seaport Nacala via Malawi (and its capital

Lilongwe) to Lusaka. In Mozambique the development of the growth corridor is especially pushed by the much criticised ProSAVANA project.⁴⁵

One of the biggest donor activities in Zambia is the project *Rehabilitation of the Great East Road*. This road (T4) connects Lusaka via the border city Chipata with Malawi and Mozambique. The 250 million Euro project is co-financed by the European Development Fund (45 million Euro), the European Investment Bank (1 million Euro), the African Development Bank and the Agence Française de Développement. It explicitly aims to connect Zambia via the Nacala corridor with the deep water port of Nacala in Mozambique.⁴⁶

In addition it must be noted that the dominant and most systematic approach for direct small farmer support is based on the contested concept of conservation agriculture (CA)⁴⁷ and is strongly relying on agrochemical input supply. With technical support from the FAO, the European Commission implemented a 7.4 million Euro project between 2009 and 2011 with the aim of an "implementation of "Conservation Agriculture" technologies. Timely execution of farming operations such as early planting, spot application of inorganic fertilizers and weed management."⁴⁸ The European Commission announced that "2013 will see the start of a new €11.1m programme to scale up conservation agriculture in Zambia."⁴⁹

Norway seems to play an additional relevant role in this context. The Government of Norway has a track record of at least 16 years of supporting CA via the Conservation Farming Unit (CFU), which is associated with the Zambian National Farmers Union.⁵⁰ They report on training 300,000 farmers during the last years.⁵¹ It should be brought to mind that the Norwegian Ministry of Trade and Industry holds 36.2 percent of the shares of the largest global fertilizer company Yara International ASA.⁵²

A joint trade policy program by UNIDO and WTO, financed by the Norwegian development cooperation NORAD (2.7 million Euro), aims at enhancing the export performance of Zambia by harmonizing technical regulation, especially in the agriculture and food sector, and at enhancing the "trade policy and negotiation capabilities of the Government of Zambia and involving the private sector in trade negotiations"⁵³ to foster integration in the global markets.⁵⁴

Overall the Government of Zambia highlights the following incentives for agriculture and agribusiness as these have been

identified as priority areas under the Zambia Development Agency (ZDA) Act:⁵⁵

- Zero percent on profits for a period of five years from the first year the profits are made. From year 6 to 8 only 50% of the profits will be taxed, and from 9 to 10, 75 % will be taxed.
- Zero tax on dividends for a period of 5 years from the first year dividends are declared.
- VAT deferment on capital equipment and machinery.

- Zero percent import duty on capital goods, machinery including trucks and specialized vehicles for five years.
- Tax regime of 0% duty and 0% VAT for fertiliser and herbicides.

It is noteworthy that Zambia has only ratified two Investment Protection and Promotion Agreements, one with Germany and one with Switzerland.⁵⁶ This might be a relevant impetus for the involvement of German financial actors in large scale land investments, also referred to as land grabbing, in Zambia.

3. The human right to adequate food and the global food system

The human right to food, as enshrined in the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights, today is a common reference of European policy makers and, sometimes, also private actors.

For a better understanding of the implications of the human right to food, one should have precise knowledge of its normative content. The General Comment Nr.12 (GC 12) provides the authoritative interpretation of the right to food.⁵⁷ Based on GC 12, the core content implies four aspects of the right to food: Adequacy, availability, accessibility and sustainability. For the purpose of this study, i.e. to focus on specific aspects of the food system development, we put a special emphasis on availability, accessibility and sustainability.⁵⁸

Access to land and natural resources is a key component of the right to food from multiple perspectives. First, GC 12 highlights that “feeding oneself directly from productive land or other natural resources” is a key element of availability of food⁵⁹. Second, access to land and natural resources provides the basis for economic activities of the vast majority of the rural population in the global south. They sell products from the land at the local or regional markets. This constitutes a key source of their “economic accessibility”⁶⁰ for the acquisition of food. Many debates on subsistence farming ignore this aspect. Food production for subsistence today is only one pillar, although an important one, of food security strategies at household level. Third, access to land and natural

resources is also entailed in “physical accessibility”. This holds true for the case if the gathering of fruits, nuts, tubers and hunting forms a pillar of livelihood and food security strategies. In reality in most cases a mix of all three aspects forms the ground of the realization of the right to food for rural communities.

The ability to individually or communally cultivate land (on the basis of ownership or other forms of tenure) is therefore a part of the basic content of the right to adequate food which must be respected, protected and fulfilled by states.

An often misunderstood or misinterpreted aspect of the right to food is the aspect of “availability of food in a quantity and quality sufficient to satisfy the dietary needs”. As we will see later, debates around land grabs often argue with an overall increased availability of food by referring to enhanced productivity of large scale industrial agriculture. This productivity argument is highly contested in itself.⁶¹ By taking a right to food perspective, we find an important qualification of food availability in GC 12. Food must be available “where it is needed in accordance with demand”⁶². Thus, the manifold references on increased food production are by far not sufficient to have a positive qualification on the right to food. As we will see later, if food was produced for export or to a well-off urban middle class, this increased availability linked to land “needs” could have negative implications regarding the right to food for poor rural and urban groups.

Globally, 70 to 80 Percent of the hungry people live in rural areas. From this perspective, availability of food must be qualified by an enhanced availability for rural, often geographically marginalized population. This also points to issues of rising food imports and exploding food import bills of many African countries.

This qualification of availability of food can also be found in discussions around localized food security (e.g. food sovereignty), the heavily underrepresented counterpart of food security discussions and strategies around the notion of global quantities and on “How to feed the world in 2050”⁶³.

Finally, “sustainability” incorporates the notion of long-term availability and accessibility.⁶⁴ Sustainability does not only refer to a non-deterioration of the natural basis of food production (soil, water... focus on ecological aspects). It also comprises an overall stable supply via availability and accessibility. This aspect has an increasing relevance for discussions about food systems when financial investors

in agricultural production will ‘react to market signals’ and quickly shift from national supply for example to more lucrative markets in the EU or from food markets to bioplastic or agrofuel markets⁶⁵. Scholars point out that this second, additional and deteriorating aspect becomes more and more relevant as they see an evolving “flex crops complex”⁶⁶ which is characterized by crops like soy or maize becoming more and more dominant because of their multiple uses for food, feed, fuel and other industrial sectors.

Besides respecting, protecting and fulfilling the accessibility, availability and sustainability of the right to food, states at the same time have general human rights obligations compelling them to abide by the principles of non-discrimination, equality, non-retrogression, transparency, participation, accountability and rule of law. Despite being very relevant for the topics of this study, these general obligations are the focus of more extensive discussion in other publications like case studies on Mozambique and Cambodia.⁶⁷

4. Finance investments and the expansion of agribusiness: The case of European capital in Zambia

“Increasing consolidation and integration” is what South Africa’s Standard Bank’s⁶⁸ senior manager explains as a dominant trend in the agribusiness sector in Southern Africa. This process “results in the maximisation of shareholder value due to process optimisation and revenue enhancement initiatives”, he further outlines.⁶⁹

As reported by the investment magazine *Africa investor* in 2011, 6 out of 19 agribusiness investment funds explicitly focus on investing in Zambia.⁷⁰ The total capital in the 19 funds listed was reported at USD 2.4 billion.⁷¹

In the following examples we try to contribute to a broader picture of the role and the relevance of European finances in the land and agricultural sector in Zambia. Where data was available, human rights issues, namely issues on economic accessibility of food through job creation, on access to land, and on availability of food “where it is needed”, have been addressed. As data is still thin, some examples only list the financial investors without any reference to the possible

impacts. Indeed, this desk study only provides an overview. It should encourage further investigations on land concentration, access to land, labour issues and national food security.

4.1 Private financial investors

4.1.1 Amatheon Agri

Amatheon Agri Holding N.V. is an investment company based in Berlin, Germany.⁷² The investment firm Sapinda, located in the same building, holds a majority share in Amatheon Agri.⁷³ Through its subsidiary Amatheon Agri Zambia Ltd the company presently holds 30.000 hectares in the farm block Big Concession in Mumbwa district⁷⁴, located some 200 km west of Lusaka, with the typical lease contracts over 99 years. Their plans are “to purchase and develop up to 60,000 hectares of the Big Concession farming block”⁷⁵. They intend to invest USD 50 million where reportedly USD 15 million ha reportedly been used as of mid-2012.⁷⁶ The focus of the production is on soy, wheat and

barley, with cattle and timber as optional future operations.⁷⁷ The activity in Big Concession is presented as a first project of a company with a much bigger interest in additional land.⁷⁸ The company's long term objectives are "vertical integration of arable land into Zambia's value chain"⁷⁹ and "to replicate [its investment model] elsewhere in Africa"⁸⁰. In early 2013 they harvested the first soy.

Zambia's national press echoed Amatheon's message about "ensuring sustainable food supply"⁸¹ by heralding "Germany pumps K257bn into food security, job creation"⁸². The country's Vice-President explains: "The interest of the Government in a project like this lies in direct employment and food security...".⁸³ However, information about the actual effects on job creation, food security and land issues are sparse. Amatheon's promotion video puts a strong emphasis on job creation⁸⁴, whereas their environmental impact statement promises an employment creation of 1,000 jobs.^{85 86} On the other hand, their website refers to "more than 100 permanent staff"⁸⁷. Explanations, such as one general manager Rob Boucher gave by stating that "everything here is computerized"⁸⁸, hint towards an overall dilemma of large scale industrial agriculture: It offers an extremely low potential of job creation.⁸⁹

As on land issues, a press report on the recently submitted Environmental Impact Statement explains that "the project will displace about 39 households and fields will be affected."⁹⁰ The video spot by Amatheon is also showing people who have been moved due to company activities.⁹¹ The press report's reference to a related Resettlement Action Plan however indicates a much broader impact. The "company is expected to construct 140 housing blocks in 2013, 150 blocks in 2014 and 160 blocks in 2015 for the affected people"⁹².

In relation to national food security, it is important to understand the logic of the financial investors. Their overall target of the products is the African market, "the new middle class, who can afford it".⁹³

Reportedly, GIZ from Germany has been invited by Amatheon to train smallholders to grow soy for Amatheon in a contract farming scheme.⁹⁴

4.1.2 DWSGALO

Back in 2010 FIAN reported about an agricultural land fund owned by DWS, the fund manager branch of Deutsche Bank Group. This private equity fund, called DWSGALO (or DWS

GALOF, Global Agricultural Land and Opportunities Fund), was established in 2007, is registered in Cayman Islands, and managed by Singapore based *Duxton Asset Management*. The fund promises 18 percent returns for its investors. In 2010 the fund acquired 104,000 hectares of land mainly in three African countries as well as Argentina and Australia and had assets of 110 million Euro.⁹⁵

In Zambia, it acquired about 27,000 hectares of land in 2008 in the Districts of Choma and Kalomo, Southern Province, most probably via *African Crops Limited* (ACL)⁹⁶. ACL is incorporated in Zambia since 2007 and also registered under the same address as DWSGALO in Cayman Islands.⁹⁷ Altogether 10 different plots of land have been acquired where primarily tobacco is grown, but also wheat, soy and maize.⁹⁸ At least the land acquired in Choma District is reportedly all statutory land. The different plot acquisitions must be seen in the context of a pooling activity of the investor with the plan to start selling the consolidated investments in 2014.⁹⁹

Concerns have been raised by locals that by reopening commercial farms through the investment, local small farmers were about to lose access to grazing areas which they had previously grazed their cattle upon.¹⁰⁰ In addition, local communities seem to actually have better access to water with the help of the construction of a dam, but without any legal security. This, as well, must be seen in relation to the process of pooling land under one owner, which constitutes for a high degree of dependency locally.

The farms especially provided casual employment for the local population. "Pay was reported to be low (beginning at ZMK 3,500/day, increasing to ZMK12,000/day over time), while protective equipment was provided, but not regulated."¹⁰¹

4.1.3 Ferrostaal

The reportedly biggest land deal by a German company took place in Muchinga Province, primarily in Mpika District (until 2011 Mpika was part of the Northern Province). Press reported first in 2009 of a Memorandum of Understanding (MoU) between **MAN Ferrostaal**¹⁰² and the Zambian Government. One report details that overall 191,103 hectares of land have been proposed to Ferrostaal and entitled as 'land being reserve for infrastructure development'.¹⁰³ Another source refers to 150,000 hectares defined in the MoU.¹⁰⁴

Ferrostaal was founded 1910 in the Netherlands, with their main activity lying in the traditional energy sector, while

recently also pursuing an expansion in renewable energy. The company is based in Essen, Germany. After multiple sales, it is actually owned by the MPC Industries GmbH, a company established for the purpose to acquire Ferrostaal. The majority share is owned by the German Schroeder family with a “substantial minority share” held by an unknown investment company based in Abu Dhabi.¹⁰⁵

Together with its South African partner *Deulco Renewable Energy*, the company planned to install a major agrofuel project based on jatropha. The plan was to start the project in 2011 with a 5 year project horizon. Following a letter to KASA, Ferrostaal withdrew from the project in 2010 due to “overall strategic decisions”¹⁰⁶. Despite only 7.5 hectares initially being planted by Ferrostaal and Deulco, on the ground research reports that “there have been displacements and negative impacts among a population that is already vulnerable.”¹⁰⁷

In addition, the transition of vast tracks of land from customary to state land might turn out to become a highly problematic issue that remains as heritage of the MAN Ferrostaal deal. Indeed KASA reported that local people are presently talking about Zampalm¹⁰⁸, a recently created palm oil plantation branch of Zambian agribusiness giant Zambeef (see Chapter 4.2.2). This company seems to be active in that region. If these developments matched or overlapped with the land handed over to MAN Ferrostaal remains unclear.

4.1.4 Further private financing

EmVest Group is an agricultural investment company for institutional investors operating in Sub Sahara Africa. It is a buyout from Emergent Asset Management, which includes the African Land Fund (ALF).¹⁰⁹ One of EmVest’s five goals is “To be a practitioner of vertical integration for the purpose of enhancing investment returns and diversifying risk”¹¹⁰. It has a business address in London. TLG Capital, London-based frontier market investment firm Exotix Partners LLP and Truestone Impact Investment Management (also London-based) have invested in EmVest.¹¹¹ US institutional investor Vanderbilt University has reportedly taken steps to withdraw its investment in EmVest after accusations on land grabs, followed by protests of university students.¹¹² Under its Zambia subsidiary EmVest Livingstone they acquired the 2,513 hectares Kalongo Estate.¹¹³

Bonafarm Group is a Hungarian agribusiness owned by food industry magnate Sándor Csányi. It reportedly won the tender to develop the core venture at Nasanga Farm Block, a 10,000

hectares farm, in late 2011.¹¹⁴ No further information has been found. Nasanga Farm Block is a 155,000 hectares farm block located in Central Province, Serenje District, connected to the TAZARA railway track.

Zambia Sugar Plc holds a 17,000 hectares sugar cane estate (known as Nakambala Estate) in Mazabuka, Southern province. The operations were originally established by Tate & Lyle in the 1960’s and later became Zambia Sugar Company Ltd (ZSC) where the Government of Zambia (through its Industrial Development Corporation) held 81 percent of the shares in 1984. ZSC was privatized in 1995/6. Today Illovo Group Holdings Ltd., a subsidiary of Illovo Sugar Ltd., a regional southern African sugar company with plantations in Zambia, Malawi, South Africa, Tanzania, Swaziland and Mozambique, holds 81.6 percent of the shares. Illovo in turn is a subsidiary of London-based Associated British Foods Plc which holds 51.4 percent of its issued shares.¹¹⁵ A 2013 report by NGO Action Aid emblematically highlights the international financial flows of such company conglomerates. The report mentions that substantial payments are made to Illovo sister or parent companies outside Zambia, including a value of 21 percent of the profits of Zambia Sugar between 2007 and 2011 transferred to such companies in Ireland and Mauritius.¹¹⁶

Dar Farms International Limited is a company reportedly owned by Greek businessmen. Dar Farms seems to hold between 60,000 and 76,000 hectares of land in Mpongwe District, Coppertbelt Province via eight farms where cattle ranching dominates.¹¹⁷

4.2 Involvement of development and institutional finances

4.2.1 Chayton Africa

Chobe Agrivision Company Ltd is a commercial farming company in Zambia owned by Mauritius based investment firm Chayton Africa (formally Chayton Atlas Investments). In 2009 they signed an Investment Promotion and Protection Agreement with the Government of Zambia¹¹⁸, including tax breaks.¹¹⁹ In 2010 Chayton targeted “an investment horizon of 10 years, at the end of which it will exit via trade sale or IPO”¹²⁰. The overall plan of Chayton is to aggregate 100,000 hectares of land in Zambia and neighbouring countries like Botswana.¹²¹ With 73 percent equity share of Chayton Africa¹²², Zeder, the food and agribusiness investment branch of PSG Group¹²³, a JSE listed investment firm, holds

a controlling interest in Chayton. One of the two main investment strategies of Zeder is labelled “agri-evolution”: investments “whereby the old agricultural cooperatives (coops) are converted to companies with a profit motive as its primary objective.”¹²⁴

Until today Chayton acquired seven farms in Zambia totalling 16,916 hectares.¹²⁵ Six of them, namely Whispering Hope, Parklands and four Asamenga farms are allocated at Mkushi farm block, a 176,000 hectares farm block set aside by the colonial government in the 1950ties for European tobacco farmers.¹²⁶ The seventh and biggest, Somawhe Estates, is located in Copperbelt Province, in Mpongwe Farm Block (called Munkumpu Farm Block when it was established in the late 1970s). It was formerly part of a CDC investment, but eventually transferred to MDC (see chapter 4.2.2.). In 2006 one of the four MDC farms (Munkumpu Farm) was bought up by the Danish Africa Development Company A/S (65% shareholding) and the Industrial Fund for Developing Countries (IFU, 35% shareholding) and renamed as Somawhe Estates Limited (SOya MAize WHEat).¹²⁷

Despite promising 1,639 jobs¹²⁸, Chobe today employs only 390 workers, more than 50 percent on a casual, precarious base.¹²⁹ As they took over existing farms, the jobs already existing can hardly be presented as new jobs created by the investment injection. On the contrary, the takeover of existing large farms was accompanied by job losses “as a result of mechanisation”¹³⁰.

Additional insight on these jobs is given by the Multilateral Investment Guarantee Agency (MIGA, part of the World Bank Group), who backs Chayton’s investment with a contract of guarantee: “During operations the farm will directly employ approximately 15-20 people in keeping with an increasingly mechanized and computer-driven agricultural industry. International senior management staff already employed on Whispering Hope and Parklands farms will also manage Amasenga farm.”¹³¹

Recent research reports hint to land related conflicts around Mkushi farm block due to a surge of “commercial” farming activities in the block. A peasant woman explains on the expansion process:

“The only bad thing is that these investors were initially allocated state land and farming blocks and are now migrating from the state land to the chief’s land where we live. The question now is where are we going to stay? Where are we going to look for firewood

because these people are getting all the land – even our forests and wooded lands. [...] But the chief keeps telling us not to go to certain areas because it now belongs to these investors.”¹³²

Another smallholder states:

“I think the government has concentrated on the people that are coming from other countries leaving the indigenous Zambians to suffer at the expense of the investors. [...] Acquiring land for a Zambian is more difficult than for a foreigner.”¹³³

MIGA reports of a long standing land conflict at Somawhe Estates, where “Chobe will engage with the community through local leadership and formalize this arrangement and demarcate the land area to prevent encroachment of this community.”¹³⁴

In August 2011, the **African Agricultural Trade and Investment Fund (AATIF)** invested 10 Million USD in Chobe Agrivision via Chayton Africa. The AATIF is a fund based in Luxembourg and set up by the German Ministry for Economic Cooperation and Development (BMZ and its financial assistance branch KfW Development Bank) in cooperation with Deutsche Bank AG. “The Fund’s mission is to realize the potential of Africa’s agricultural production, manufacturing, service provision and trade for the benefit of the poor.”¹³⁵ Today the fund has a volume of 141 Million USD (mayor shareholders in Mio. USD: 62 BMZ, 26 KfW, 26 DB and 19 religious institutions).¹³⁶ It is expected that the returns of the fund will be at a high single-digit level. Because of a cascading fund arrangement (via A, B and C shares) loss of profits will first hit BMZ, then KfW and in the end Deutsche Bank and the other investors.¹³⁷ The fund is managed by Deutsche Bank.

In October 2012 the *Norwegian Investment Fund for Developing Countries (Norfund)*, owned by the Norwegian Government) acquired 21 Percent of Chayton Africa for 10 Million USD.¹³⁸ Norfund’s explicit aim is to contribute to poverty reduction.¹³⁹

Apart from job promises, MIGA also refers to overall “local and regional economic multiplier effects”, an argument that has also been prominently taken up by BMZ¹⁴⁰. No details on how these effects unfold are available at the assessment of MIGA. Based on the corresponding theoretical concept, multiplier effects highly depend on the change of economic activity, on how much supplies and services (including jobs)

are purchased locally, and on how much of the economic return is circulating locally or regionally.¹⁴¹ For none of these three aspects, Chayton seems to be a promising vehicle: the farms existed already, machinery, seeds, fertilizer and high skilled labour are most probably sourced outside the local economy, whereas capital gains can be extracted, flowing to Mauritius and – via AATIF – to Luxemburg. Furthermore “multiplier effects tend to be much weaker when the source of agricultural growth is concentrated in relatively few hands”¹⁴².

On top of all this, Zeder’s latest acquisition, the Mpongwe Milling company, located in the city of Kitwe, is an indication of a further “maximisation of shareholder value due to process optimisation and revenue enhancement initiatives”. Chayton explains: “By diversifying along the agricultural value chain we believe we can create synergies across our portfolio of investments, from primary production to processing and distribution, maximising margins and buffering commodity price volatility”¹⁴³. Financial investments of this type are made to reduce multiplier effects as those are seen as areas for a maximization of margins. To put it simple: if Chayton purchased something from Zeder owned seed companies (Klein Karoo Seed Zambia, Agricol), processed that item in Zeder owned Mpongwe Milling and sold it via Zeder owned Pioneerfoods, the returns for Zeder would surely rise, but the gains of the local economy outside the Zeder conglomerate would most probably shrink.¹⁴⁴

The most recent MIGA report explains: “As with the Whispering Hope, Parklands and Amasenga operations, all of the crops are intended for consumption within Zambia.”¹⁴⁵ Chayton CEO Neil Crowder seems to have a broader conception here, stating “Our goal is to feed Africa”¹⁴⁶. Regarding the narrative of feeding Zambia or Africa, Chu concludes: “Despite Chayton’s claims to ‘feed Africa’, the reality is that investors such as Chayton are really feeding Africa’s growing urban middle classes, and this is where the opportunity for growth lies.”¹⁴⁷ In addition, Chu points to the risk of a falling copper price in combination with a related shrinking of the purchasing power of this group resulting in a rise of food exports.

To understand the dynamics and developments, it is important to get a better understanding of Chayton’s controlling actors – those operating from a distance. Zeder’s annual report explains: “Zeder has historically only taken non-controlling strategic stakes in entities. The acquisition of controlling interests in both Agricol and Chayton illustrates Zeder’s refined

strategy to include playing a more active role in determining strategy, and to help expand the respective businesses.”¹⁴⁸

This is relevant for two reasons. Firstly, it demonstrates that financial actors seek a **dominant role** in defining strategies and taking decisions vis-à-vis the farming company (here Zeder vis-à-vis Chobe Agrivision, but also Norfund as shareholder of Chayton vis-à-vis Chobe Agrivision). This is very relevant for issues like job creation, wages, export strategies or possible shifts to non-food-markets of flex crops¹⁴⁹. Secondly, it illustrates the increased **responsibilities** for the consequences of economic activities on the ground.

4.2.2 Zambeef

A key agribusiness actor in Zambia is Zambeef Products PLC. Zambeef has a remarkable expansion history. Since its incorporation in 1994 the company evolved from a local butchery to one of the biggest meat producers and agribusinesses in sub-Saharan Africa. They are one of the few, probably the only African agribusiness companies listed at *London Stock Exchange*, and its CEO Francis Grogan was selected *Africa’s Entrepreneur of the Year 2013* by CNBC.¹⁵⁰ With their “Robust business model of vertical integration”, “the Zambeef group continues to pursue a vertically integrated business model, from primary production to processing and distribution to retailing the finished products in a value-added form directly to the end consumer through its own extensive retail network. This ensures value-add and margin capture throughout the value chain.”¹⁵¹ Apart from African countries they export their products to China, India, Hong Kong, UK and Italy.¹⁵²

Zambeef is substantially supported by money from development banks. *Deutsche Investitions- und Entwicklungsgesellschaft (DEG)*¹⁵³ and *International Finance Corporation (IFC)*¹⁵⁴ provided 15.2 and 28.7 million Euro loans respectively.¹⁵⁵ DEG highlighted its support under the banner “DEG supports staple food production in Zambia”¹⁵⁶ whereas IFC headed its press release “Support the expansion of Zambeef Products Plc in Africa”¹⁵⁷. The risk management activities of IFC are to a large extent based on the DEG appraisal.

The ‘primary production’ of Zambeef is done on five estates: Huntley farm, Sinazongwe farm, Chiawa farm, Mpongwe estate and Mpika palm oil plantation. Following its own report, Zambeef planted 21,000 hectares of land in 2013, using mainly soy, maize, wheat and palm oil seeds.¹⁵⁸ Their overall land bank in Zambia seems to be above 100,000 hectares, as

the palm oil plantation reportedly has 16,000 hectares of land not yet cultivated¹⁵⁹ and the three farms of Mpongwe estate purchased from *ETC Bio-Energy* in 2011 are a total size of 46,874 hectares.¹⁶⁰

In the context of at least three of the estates, land related disputes have been reported. A summary Environmental & Social Review conducted by IFC in 2010 refers to 45 families relocated in Mpika and three center pivots “enchroaching on 21 families” due to “Chiawa Farm’s expansion programme”¹⁶¹.

The Mpongwe estate has been target to a more prominent, long standing land conflict, which reportedly started around 2003 between the former companies and local villagers. In the early 1980s a joint venture between the government of Zambia and UKs *Commonwealth Development Corporation* (CDC, formerly *Colonial Development Corporation*), called *Mpongwe Development Company (MDC)* established the 46,874 hectares referred to above. In 2005 CDC owned 100 percent of the shares in MDC. Through its liquidation in 2006, three of the four MDC farms were sold to ETC Bio-Energy.¹⁶²

Some settlements existed (some reportedly still exist) within the whole farm block area. In one specific case legal disputes between local villagers and the MDC have been fought over the last years (also referred to as “Francis Kamanda and 51 others”). In 2010 the Supreme Court ruled in favor of MDC, which in turn was disputed by villagers as it overruled a decision of the High Court in favor of the villagers in 2007.¹⁶³ In the course of the last few years some villagers were removed, while others were not. Mujenja explains the actual situation as follows: “In some cases, the company has tried to reach a compromise by allowing squatters to use company land for free, on the understanding that they can be moved out when the company needs the land.”¹⁶⁴

Overall there is a “growing dissatisfaction among villagers due to land pressure”¹⁶⁵. As a reaction, Zambeef reportedly “is considering introducing an outgrower scheme whereby land would be subleased to local farmers for these to produce for the company on contract.”¹⁶⁶ In this context of growing land scarcity, the former Member of Parliament for Mpongwe at the time of the MDC land transaction, who is now a local villager, reportedly regrets that he had given land to MDC in the 1970s and wished it could be returned to the villagers.

The local significance of the land conflict can probably best be gauged by the following quote: “a senior manager suggested that the biggest number of those in prison cells in Luanshya town probably have something to do with

MDC”¹⁶⁷. It is unclear, though, how this relates to the IFC Environmental & Social Review Summary (2012) where they state their Performance Standard 5 “Land Acquisition and Involuntary Resettlement does not apply to the current investment”.¹⁶⁸

Based on data of the previous owner ETC Bio-Energy public revenue for the 46,874 hectares is USD 1.2 per hectare (land rent and water rights only, as corporation tax and payments for local authorities are exempted).¹⁶⁹

Mujenja sees the Mpongwe investment project outside “the recent wave of agricultural investments that has attracted much international attention over the past few years.”¹⁷⁰ Taking the recent expansion strategy of Zambeef and their investment into production itself into account, this can be contested.

4.2.3 Further involvement of public and institutional finances

SilverStreet Private Equity Strategies SICAR is a private equity fund based in Luxembourg¹⁷¹, which holds a sub-fund called *Silverlands Fund*. *Silverlands Fund* has a target capitalization of USD 450 million and invests “across the value chain in the agricultural sector but with a core focus on farmland/primary production businesses.”¹⁷² Zambia is one of six African target countries. However it is unclear whether concrete land acquisitions have been done in Zambia. In 2011 Danish pension fund *Pensionskassernes Administration* (PKA) invested 33.5 million Euro (DKK 250 million) in the *Silverlands Fund*. PKA has earmarked the fivefold (DKK 1.3 billion) for investments in agriculture.¹⁷³

The *African Agriculture Fund (AAF)* is a USD 243 million fund set up by the Agence Française de Développement (AFD), the African Development Bank (AfDB) and the Spanish Agency for International Development Cooperation (AECID).¹⁷⁴ It is managed by the private equity fund management firm Phatisa. Their “sizeable investment into Zambia’s poultry protein chain”¹⁷⁵ includes two soya farms of unknown size in Copperbelt province around Luanshya (Kanyenda in October 2012 and Kafubu in December 2012).¹⁷⁶

The *Investment Fund for Developing Countries (IFU)* is an independent Danish government-owned fund. Supported by Danish credit institution Danbia, IFU invested DKK 3 million in shares and DKK 1.9 million in loans (some 650,000 Euro) in the 3,000 ha Chulumenda Farm in Lusaka Province, close to Chongwe.¹⁷⁷

5. Conclusion

In its global report the World Bank concluded that in Zambia “as of late 2009, implementation had not yet started on any of the farm block projects designed by ZDA, suggesting that investor interest may be limited.”¹⁷⁸ While not being exhaustive, the list of European finance investment alone involved in Zambia’s agribusiness and land indicates that this has changed as of today. This is strongly underpinned by the development of (recorded)¹⁷⁹ agricultural investment in Zambia. From 2000 to 2011 the volume skyrocketed from USD 8 million to USD 482 million with a strong increase in 2009 (see Table 1).

Indeed, the overall picture is one of European finance capital, public and private, playing a significant role in the recent agribusiness expansion in Zambia, especially including expansion of control over farmland as missing link of the completed vertical value chain integration of finance capital. This picture also points to an overall responsibility of European actors for recent developments in Zambia, including issues of growing land scarcity. The High Level Panel of Experts (HLPE) of the Committee on World Food Security (CFS) concludes in its recent report “Investing in Smallholder Agriculture for Food Security” that the agricultural “sector is undergoing great transformations that are of vital national interest, that are often against the interests of smallholders, and that are neither inevitable nor a matter of chance, but of social choice”¹⁸¹. In Zambia, this choice seems to be more and more dominated by a small group of agribusinesses and financial investors, including European ones, exposing small farmers to greater competition on land and production.

Based to the guiding questions in the introduction, the following general conclusions can be drawn:

- European financial investors support the establishment and/ or the expansion of large agribusiness conglomerates in Zambia either directly (e.g. Chobe Agrivision, Silverlands Fund) or indirectly (e.g. AATIF). Most of them pursue a strategy of **vertical integration**, including direct engagement in farming. Return on investment for the investor (not for the farm) is the dominant motivation.
- Financial investors seem to seek more and more **direct control** over the farming activities, e.g. via controlling shares. This can be summarized as “actively managed investments in farmland”¹⁸², where finance capital investing in farmland directly decides over and controls the farming activities.
- As typical characteristic of the global land grab debates, investments are flanked by **narratives on job creation** (direct or indirect via outgrower schemes), **feeding hungry people**, and – when the first two dissolve – a fall back narrative on multiplier (or spill-over) effects, which are all hard to prove.
- **Development financing** from Europe plays a significant role within the accelerated agribusiness expansion in Zambia, supporting and reinforcing the demand for land.
- Based on the drivers and interests summarized in chapter 1, it seems that a **mix of different interests** within one investment is quite frequent, as that investment is often executed by multiple actors (development agencies, banks, agribusiness, financial investors...). And while all of them put forward some supposed long term benefits for development, some investors intend to bail out of an investment after consolidation and/ or “successful” expansion. Such realistic changes in shareholder structures vis-à-vis a typical 99-year land lease raise questions about the sustainability of these activities, the validity of promises made by donors and investors (jobs, feeding Zambia only...), and the relevance of speculative behaviour of these investors with regards to possibly contradicting interests of actors within one investment.

Table 1. *Pledged investments in Agriculture in Zambia in million USD, 2000 – 2011*¹⁸⁰

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Value	8	25	12	36	25	32	61	63	63	315	194	482

5.1 Finance capital for pro-poor agricultural development?

Chobe Agrivision exemplifies the move towards the financialization of Zambia's agriculture. This becomes explicit by the shift to a "profit motive as its primary objective"¹⁸³, where profits of the financial investors and the shareholders are at stake and decision-making is based on increasing shareholder value. This in turn can be linked to "revenue enhancing initiatives" like a move to high mechanisation, cost saving though low wages and precarious working conditions, and a very small number of jobs within the field of production. This makes multiplier effects less likely. The impressive growth rates in Zambia's agriculture vis-à-vis growing malnutrition and hunger seem to underpin this tendency.

According to a 1972 annual CDC report on Zambia (see chapter 4.2.2) the need for high returns to cover basic costs of a financial investment (e.g. fund management fees) is substantive and seems to contradict a support focus on small-scale food producers: "many agricultural projects, particularly involving smallholders ... have had to be ruled out in the past because ... the overall rate of return is well below that necessary to cover the service of the capital invested"¹⁸⁴. This clearly calls into question huge financial investment vehicles as adequate instruments to support small-scale food producers. Additional research on a more detailed picture of the flows of returns and the final beneficiaries is surely needed.

The study shows that in reality we are not dealing with just one actor within a land area concerned (normally referred to in literature on land grabbing) but a mix of actors – with shares, loans, on-board/ off-board, controlling and non-controlling interests. This fact makes it more complex to hold those actors to account for the impact on the ground. Hence, the **identification and assignment of human rights responsibilities** and related obligations becomes more challenging, while at the same time financial investors seek more and more controlling and decision-making power in these investments (e.g. Norfund as shareholder, Zeder holding controlling shares...). Experience shows that this constellation often leads to a displacing of responsibilities to other actors and levels of the interested parties.¹⁸⁵

It should be mentioned here that in many cases the involved companies and financial investors highlight the social impact of their investments through specific **social projects**; this habit is commonly referred to as *Corporate Social Responsibility* (e.g. Amatheon Agri is providing electrification for a school). Those projects are explicitly not part of the study as they are not part of the core economic activity.

Labour-expelling (or "labour-saving") investments or loss of access to land and related responsibilities cannot just be evened out by instances such as these social projects.

5.1.1 Anything different with donor capital?

Overall, the booming donor financing for large private investments is presented as leverage where a government contributes with a small share. In an instance when the overall investment brought about positive poverty reduction outcomes, the tiny donor tranche alone would never be able to bring about the same. The substantial donor financing of the largest agribusiness actors in Zambia must be seen in this context. In the light of the cases discussed in this paper, this logic must be questioned. Indeed it seems realistic that an alternative USD 10 million donor only project (referring to AATIF and Norfund each injecting USD 10 million in Chayton) focussing on support for smallholder agriculture and the strengthening of local markets and food systems would have a much broader and direct effect on poverty reduction and food security for the rural poor.

Also the overall bet on multiplier effects of these large scale commercial agriculture investments seems at least questionable. Based on key characteristics of those investments economic theories suggest that they are the most ineffective instruments to produce such effects and typically do not reach the rural poor.

AATIF also highlights its cooperation with the International Labour Organisation (ILO). Since the Chayton investment sustains relatively few jobs, the relevance of the focus on core labour standards remains unclear, as well. Here again the question arises if increased support of EU donors for state control of compliance with labour standards, which are binding in Zambia¹⁸⁶, is a better approach.

As highlighted in the cases discussed, such investments bear real risks of nullifying or impairing the realization of the human right to food. A general issue that arises from those donor activities is **public accountability**. Institutions which are entrusted with public resources (e.g. Norfund, BMZ, AFD...) have an obligation to be answerable for fiscal and social responsibilities to parliaments or the general public. A conflict arises when those institutions argue that relevant information cannot be disclosed due to contractual agreements with the private sector.¹⁸⁷

More detailed risks and questions from a right to food perspective are discussed in the following chapter.

5.2 A right to food perspective with regards to the findings

Based on the right to food framework presented in chapter 3, this chapter identifies real risks of impairing, nullifying or violating the right to food.

5.2.1 Access to land: Increasing pressure on land is a growing and structural problem

National Government policies are biased towards improving access to land for large scale commercial agricultural investments especially in areas with good infrastructure, good soils and access to water. Apart from the policy to establish commercial farm blocks, flanking policy incentives targeting large scale commercial investors only (supply with infrastructure, tax exemptions...) provide a strong indirect instrument for their access to land. This contradicts the 6th National Development Plan 2011-2015 where the “Government will facilitate equitable access to land for agricultural purposes”.¹⁸⁸

Today, the mix of reinforced, sometimes expanding activities on long established farm blocks (e.g. Zambeef in Mpongwe), the establishment of new farm blocks (e.g. Nasanga Farm Block) and the transfer of communal land to state land (e.g. the case of Ferrostaal) reportedly leads to a **growing land-scarcity and conflicts** between local communities and new investors.

As shown above, there is clearly no overall availability of vast tracks of land in Zambia, as suggested by the World Bank. Availability of land in Zambia is location-specific and land scarcity is a relevant and growing socio-economic issue in many areas where the investments take place. This is especially true along the key transport infrastructure of Zambia, where almost all recent investments take place. In areas with good access to infrastructure, high soil quality and good access to water there are no vast tracks of available, free land.

From a right to food perspective, enhanced access to land for landless or land-poor rural groups should be a policy priority. In Zambia, rural population grew by more than 400,000 over the last ten years.¹⁸⁹ Thus, guaranteeing access to land for future generations also forms part of the right to food obligation of the Zambian state and must be included in a discussion around extraterritorial human rights obligations of European states.

5.2.2 Availability of “agro-evolutionary” food for the rural poor

Within their narrative of feeding Zambia or Africa, the investors emphasize an increased and sustainable (stable) availability of food through their activities. From a right to food perspective the following aspects are relevant for this discussion:

First, most of the hungry people live in rural areas. For the investors, on the contrary, the urban middle class is identified as the consumer target group where most profits can be realized. For them, the poor, especially the rural poor are not the consumer group targeted. This fact makes a positive impact on the availability of food for the group that should be clearly prioritized within a right to food framework unlikely.

Second, some investors promise to produce for Zambian consumption only. This is also taken up as an argument by MIGA in the case of Chayton. As for job creation, it is unclear if this promise will be realized. Instead, as profit motives are the prime objective, agribusiness investors are likely to export to more lucrative consumer markets like South Africa or even Europe. The construction of an enhanced export infrastructure (e.g. Nacala corridor) increases competitiveness of Zambian food production and makes such a shift even more likely in the future.

Researchers also point out, that the targeted middle class in Zambia is strongly dependent on the world market price for copper, Zambia’s most important export product.¹⁹⁰ Falling copper prices, which hit the urban middle class, might be another scenario for a shift to more lucrative consumer markets abroad.

In the end, seeking the most profitable consumer market may highly contradict the need for food availability in rural Zambia, whereas possible overall productivity gains linked to a shift in market supply can turn out to be problematic from a right to food perspective. This problem will even turn out to be aggravated if investments replace local food production (e.g. Mpongwe).

Third, in the context of an emerging global flex crops complex, additional markets for fiber and fuel will increase competition for biomass. Thus, availability of food in Zambia is likely to be exposed to additional market demands from abroad. A possible contestation over “my food or your fuel” will be answered on the basis of purchasing power where it is unlikely that the poor will succeed. So, oversimplified assumptions on availability of food should be treated with caution.

5.2.3 Economic accessibility of food through wage work?

The UN Special Rapporteur on the Right to Food details a key problem within these investments and raises general concerns in his report on the neighboring country Malawi: “capital-intensive farming minimises labour use. [...] A priority for Malawi in the years to come is the creation of more employment opportunities, which may require the promotion of labour-intensive technologies and practices: the adoption of labour-saving technologies, though part of any long-term development strategy, must be gradual so as to avoid social disruptions.”¹⁹¹

Peters illustrates this key problem of large scale financial investments in land in sub-Saharan Africa: “The very fact that the deals are taking place mainly in countries where there is already a large and growing gap between availability of jobs and those seeking them makes the potential of overall loss for existing population more likely.”¹⁹²

As for the case of Chayton, their investment today sustains (and does not create new ones) some 150 full time jobs. To give an illustrative calculation: via AATIF and Norfund USD 20 million of European donor money support sustaining jobs with USD 133,333 per job.¹⁹³

Some investors refer to wages above the legal minimum wage.¹⁹⁴ As there are no further details to be found on this, it was not possible to assess if these provided for a living wage.

As the job narrative pulverizes when land investments are going into the production phase, financial investors and the donors involved, as well as the government of Zambia shift

towards a supposedly newer, modern narrative. Smallholder farmers are said to profit from these investments via forms of **contract farming/ outgrower schemes**. The plans for the new commercial farm blocks for example integrate outgrower schemes as satellite activities around the 10,000 hectares core ventures. Also, financial investors (e.g. Amatheon, AATIF) highlight outgrower schemes as a key strategy to reach small farmers. Overall no information has been found on legally binding commitments, legal frameworks and formal schemes for these outgrower activities.

Prospects for positive outcomes for marginalized and vulnerable groups must be treated with caution. First, outgrowers described in the government farm block strategies are assumed to have 20 to 100 hectares of land at their disposal, whereas a typical size for smallholder farms, based on official documents, is up to 2 hectares. These documents already perceive farmers with 2-10 hectares of land as emergent farmers, showing that marginalized and vulnerable farmers are clearly not targeted.¹⁹⁵ Second, in the case of sugar cane, the World Bank concludes for Zambia that an “Outgrower sugar scheme results in an average wages lower wage than alternative smallholder cropping options”¹⁹⁶. Third, there is a conflict between transaction costs (a key economic variable for investors) and markets opportunities for smallholders. In one reported case transaction costs are kept low as „outgrowers do not have alternative buyers of cane and this prevents from side-selling their cane”¹⁹⁷. Fourth, literature strongly suggests that if outgrower schemes are not embedded in an explicit pro-poor and enforceable legal framework, which seems to be the case in Zambia, positive effects for marginalized groups are less likely.¹⁹⁸

6. Recommendations

Within a human rights framework, small-scale food producers, including pastoralists, smallholder farmers, fisher-folk, landless populations, women, youth and indigenous communities, cannot be treated as relative equals amongst other categories of investors. Even more, it is not enough for investments simply to ‘promote’ or generate co-benefits for small-scale producers or hope for vague economic multiplier effects, as found in the case of Zambia.

The strong national focus on large scale agroindustrial expansion clearly **marginalizes already vulnerable rural population** in Zambia further. It has negative effects on the availability of land to vulnerable groups and reduces the space for small scale farmer oriented agricultural policies or programs aimed at improving their livelihoods. This is particularly harmful for countries such as Zambia, where 80 percent of the rural population live in poverty, most of whom depend on agriculture.

Within a human rights framework, States must **explicitly prioritize** poor, vulnerable and marginalized groups, including within policy discourses as well as within decision-making processes and actions. Effective participation of these groups in policy processes must be pro-actively encouraged and supported. Based on their extraterritorial obligations, donors in the EU should apply a human rights based investment framework which - especially in contexts of prevailing rural poverty and hunger - **prioritizes investments by and for small food producers.**

The **specific obligations** of states to respect, protect and fulfill the right to food are based on the normative content of the right to food as outlined in chapter 2.1. The obligation to respect, thus, requires that states do not take any measure which destroys or prevents the enjoyment of the right to food. The obligation to protect requires that states take measures in order to prevent third parties (individuals, groups, corporations and other entities) from interfering in any way with the enjoyment of the rights to water and to food. Finally, states have the obligation to fulfil, i.e. to take the necessary measures directed towards the full realization of these rights, including particularly active steps to improve the access to and use of resources.

To comply with their extraterritorial obligations under the right to food, European member states and the EU should introduce regulatory mechanisms. **States as financiers in agriculture and land** must conduct **prior assessment**, with public participation, of the risks and potential **extraterritorial impacts** of their planned activities and investments on the enjoyment of human rights.

- a. The results of the assessment must be made public, ensuring that local affected groups have adequate access to this information;
- b. Investment plans must reflect the result of these human rights and social impact assessments.

In the **Zambian context** this includes a prior investigation of the consequences of the investments funded by those states with respect to **equitable access** to water, land and food, the **availability** of food for marginalized groups (including long term perspectives), and the impact related to access to land for a future growing rural population in Zambia.

The **Zambian state** and the **European Union** and **EU member states**, in case they are (co-financers of such investments, must:

- a. guarantee that all relevant information is disclosed and not bound to restrictive disclosure agreements with private investors;

- b. introduce an effective complaint mechanism to investigate on issues related to the impairing or nullifying of the right to food through their investments;
- c. adopt effective measures to ensure cessation of violations of land rights and the right to food, as well as effective remedies, which includes ensuring a legal space in cooperation agreements with private investors.

States as home states of private investors should safeguard that the investments do not violate the right to food. This could be done among other things, by

- a. Regulating the private investors to
 - Disclose information about the exact location of the land currently acquired and applied for;
 - Disclose impact assessments required for the **Zambian Development Agency**;
 - Disclose information about creation of employment and employment conditions, and whether these abide with **Zambian labor laws**;
 - Disclose information about the commitments made to the communities;
 - Compensate communities for possible damages and losses suffered;
 - Freeze further expansion when existing conflicts have not been resolved;
- b. Introducing monitoring mechanisms in the respective embassies to track TNC activities, which includes the introduction of reporting duties for the investors on activities that may affect human rights and the request by the host states of reports on the records of investors/companies abiding to local legislation and norms and respecting the human rights of the local population;
- c. Introducing a complaint mechanism to be able to receive complaints by local human rights defenders related to violations of legitimate tenure rights and human rights. This could be introduced building upon the **EU Guidelines on Human Rights Defenders.**

Embassies of involved EU states and the **EU delegation** should play a key role by monitoring the impact of these investments, which includes the application of **UN-Tenure Guidelines**, and by making their results public. This could be done by establishing a formal monitoring mechanism.

Notes

- 1 See especially Borras et al. (2012) Land grabbing in Latin America and the Caribbean, p.851 and McMichael(2012)The land grab and the corporate food system restructuring.
- 2 This process is possibly spearheaded by productive capital (“real economy”) and followed/ reinforced by financial capital. See Clapp (2013) Financialization, Distance and Global Food Politics, p.3
- 3 See for example the presentation of IFC, World Bank: <http://de.slideshare.net/riatenorio/augusto-and-grahame-ppt> (accessed 12.11. 2013)
- 4 <http://www.unpri.org/areas-of-work/implementation-support/the-principles-for-responsible-investment-in-farmland/>
- 5 Within the dominant discourses the term food system tends to be reduced/ strongly focusing to international trade, overall availability of food/ production volumes and retailer activities. This ignores the multifaceted realities of food production, distribution and consumption. Thus food system - be it local, national or global - should be understood based on a holistic view encompassing food production (including e.g. systems of seed reproduction, access to and control over land and natural resources, land concentration), processing, distribution and marketing (including informal systems, religious systems, inter-household distribution and local markets), social relations, enabling and disabling policies (subsidies, trade policies, public investments...) as well as cultural aspects and issues of consumption related to nutrition and health . From a right to food perspective, the food system can be seen as the social construct that affects the realization of the right to food including all aspects of normative content of the right to food (see chapter 3).
- 6 World Bank (2011) Rising global interest in farmland, p. 39, 172, 173,
- 7 Keeping in mind the bad quality of many such seasonal and precarious jobs, as we will see later in this study.
- 8 World Bank (2011) Rising global interest in farmland, p.84
- 9 For an overview of this concentration process see: Econexus, Bern Declaration (2013) Agropoly. Available at: http://www.econexus.info/sites/econexus/files/Agropoly_Econexus_BerneDeclaration.pdf
- 10 Clapp (2013) Financialization, Distance and Global Food Politics, p.2
- 11 Ibid. p.2
- 12 Hall (2012) The next Great Track? South African commercial farmers move north, p.839
- 13 Zambia was chosen based on initial research results highlighting the relevant role of German and European actors.
- 14 See: Borras et al (2012) Land Grabbing in Latin America and the Caribbean, p.850
- 15 Maastricht Principles on Extraterritorial Obligations of States in the area of Economic, Social and Cultural Rights, February 2012, <http://www.fian.org/resources/documents/others/maastrichtprinciples-on-extraterritorial-obligations-of-states/pdf>
- 16 Maastricht Principle 8
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- 24 European Commission (18th June 2013) Press release: EU signs new agreement to boost agriculture and promotes access to energy in Zambia
- 25 <http://www.worldbank.org/en/country/zambia/overview> (accessed 12.11.2013)
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- 27 Ministry of Lands (2003) Draft Land Policy, quoted in Jayne et al (2008) Access to Land and Poverty Reduction in Rural Zambia: Connecting the Policy Issues, p.33
- 28 For an in-depth discussion on this see: Peters (2013) Land appropriation, surplus people and a battle over visions of agrarian futures in Africa
- 29 KASA (2012) Land ist Leben. Landrechte in Sambia, p.12
- 30 Ministry of Finance and National Planning (2005) Farm Block Development Plan 2005-2007
- 31 See e.g. Zambia Development Agency (2010) ZDA Nansanga Farm Block Development, p.33
- 32 Ministry of Agriculture and Cooperatives (2006) Report of the EIA carried out for Nansanga farm block, p.38
- 33 KASA (2012) Land ist Leben. Landrechte in Sambia, p.12
- 34 Jayne et al (2008) Access to Land and Poverty Reduction in Rural Zambia: Connecting the Policy Issues, p.9
- 35 World Bank (2011) Rising global interest in farmland, p.xxxvii
- 36 Ibid., p.84f
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- 38 See e.g. for the Philippines Borras, Carranza, Franco, Alano (2011) The fundamental flawed ‚marginal lands’ narrative
- 39 Jayne et al (2008) Access to Land and Poverty Reduction in Rural Zambia: Connecting the Policy Issues, p.1f
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- 41 <http://www.weforum.org/issues/agriculture-and-food-security> (accessed 29.10.2013)
- 42 AGCO Corporation, Anheuser-Busch InBev, A.P. Møller-Maersk, BASF SE, Bayer CropScience AG, Bunge Limited, Cargill Incorporated, Carlsberg, CF Industries Holdings Inc., The Coca-Cola Company, Diageo Plc., DuPont, General Mills Inc., HEINEKEN, International Finance Corporation, Mondelez International, Monsanto Company, The Mosaic Company, Nestlé SA, Novozymes, OCP Group, PepsiCo Inc., Rabobank International, Royal DSM, SABMiller, Sinar Mas Agribusiness & Food, Swiss Reinsurance Company, Syngenta Crop Protection AG, Unilever, United Phosphorus Ltd, Wilmar International Limited, Wal-Mart Stores Inc., and Yara International ASA.
- 43 For a critical analysis see: Econexus (2013) African Agricultural Growth Corridor and the New Alliance for Food Security and Nutrition. Who benefits, who loses?
- 44 SAGCOT (2011) Investment blueprint, p.32
- 45 For a critical analysis see: Funada-Claasen (2013) Fukushima, ProSAVANA and Ruth First
- 46 European Commission et al (2011) EU-Africa Infrastructure Trust. Annual Report 2011, p.33. A 2013 Press release talks of different numbers, namely an agreement on 118 million Euro support by the European Union on top of 25 million Euro by the European development fund. See: European Commission (18th June 2013) Press release: EU signs new agreement to boost agriculture and promotes access to energy in Zambia
- 47 Very roughly, this concept entails three pillars: minimum soil disruption (reduced or zero tillage), pest control through agrochemicals and seasonal/ annual crop rotation. For an overview of arguments see e.g. Giller et al (2009) Conservation agriculture and smallholder farming: The heretics view
- 48 Europaid (2012) Fact Sheet MDG1. Agriculture. Supporting farmers to cope with rising prices of agricultural commodities in Zambia. It is unclear if this project has been part of the 17 million Euro Farmer Input Support Response Initiative (FISRI) from 2009 to 2012.
- 49 DEVCO (2013) EU Development Cooperation with Zambia. Fact Sheet 2013

- 50 <http://conservationagriculture.org/> (accessed 13.12.2013)
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- 53 WTO (21st November 2007) Committee on Technical Barriers to Trade. Nowegian Technical Assistance, p.3
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- 57 CESCR 1999 General Comment 12. The right to adequate food; E/C.12/1999/5
- 58 Acknowledging that issues of adequacy, especially of nutritional aspects of food, are highly relevant in the context of shifting food production from local diversified food production to staple food and supermarket supplies.
- 59 It is a bit confusing but access to land is mainly an aspect of availability, rather than accessibility from a human rights perspective. Nevertheless, GC 12 also refers to access to land as an aspect of accessibility in the context of ancestral lands of indigenous population groups.
- 60 CESCR 1999: „Economic accessibility implies that personal or household financial costs associated with the acquisition of food for an adequate diet should be at a level such that the attainment and satisfaction of other basic needs are not threatened or compromised. Economic accessibility applies to any acquisition pattern or entitlement through which people procure their food and is a measure of the extent to which it is satisfactory for the enjoyment of the right to adequate food.”
- 61 Based on Chayanov’s theory of an inverse relationship between farm size and efficiency. Even the productivity debate itself (typically linked and mixed with aspects of ‘efficiency’) often ignores the different types of productivity link labor productivity, hectare productivity, energy productivity or even capital productivity. For critical discussions on large scale vs small scale productivity see e.g.: Unal (2008) Small Is Beautiful: Evidence of an Inverse Relationship between Farm Size and Yield in Turkey
- 62 CESCR 1999
- 63 Name of an FAO study in 2009, that presents the key reference s for decision makers, agribusiness and development experts within global food security debates. http://www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf
- 64 CESCR 1999
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- 66 Borras, Franco, Gomez, Kay, Spoor (2012) Land grabbing in Latin America and the Caribbean
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- 75 Environmental Impact Statement, quoted in Zambia Daily Mail (September 6th, 2013) Mumbwa to have farming block
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- 79 Abstract to a presentation of Carl-Heinrich Bruhn, Amatheon’s chief executive officer, held on March 18th, 2013 at Potsdam Institute for Climate Impact Research
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- 180 Size of investments pledged when obtaining investment licenses. The amounts actually invested may be different. Sources: 2000-2009 data from Zambia Development Agency, quoted in Mujenja (2012) Dynamics of large scale investments in agriculture: Lessons from Kaleya Smallholder Company and Mpongwe Development Company, p.20; 2010-2011 data US Department of State (2013) 2013 Investment Climate Statement – Zambia (<http://www.state.gov/e/eb/rls/othr/ics/2013/204763.htm> , accessed 16.9.2013)
- 181 HLPE (2013) Investing in smallholder agriculture for food security, p.11
- 182 Detlef Schöne, CEO of German Aquila Capital, talks about „aktiv gemanagten Investments in landwirtschaftlichen Grund und Boden“, see http://www.fondscheck.de/news/Artikel-Aquila_Capital_verstaerkt_Expertise_fuer_globale_Agrarinvestments-4324369? (accessed December 19th, 2013)
- 183 PSG Group (2012) Annual Report 2012, p.6
- 184 Quoted in Mujenja (2012) Dynamics of large scale investments in agriculture: Lessons from Kaleya Smallholder Company and Mpongwe Development Company, p.33
- 185 See e.g. FIAN (2012) The Human Rights Impacts of Tree Plantations in Niassa, Mozambique, p.29
- 186 Zambia has ratified all core ILO labour conventions in addition to the ICESCR
- 187 Even under the *freedom of information law* in Germany, BMZ denied access to key information on social impact of the DEG, who bought shares of a company holding 135,000 hectares of land in Paraguay.
- 188 Republic of Zambia (2011) 6th National Development Plan 2011-2015, p.111
- 189 World Bank data at: <http://data.worldbank.org/indicator/SP.RUR.TOTL> (accessed December 12th, 2013)
- 190 Chu (2013) Creating a Zambian Breadbasket, p.17
- 191 Office of the High Commissioner for Human Rights, Mandate of the Special Rapporteur on the right to food, Mission to Malawi, End-of-Mission Statement, July 22nd, 2013, p.7
- 192 Peters (2013) Land appropriation, surplus people and a battle over visions of agrarian futures in Africa, p. 549
- 193 This calculation draws on a comparable method in: World Bank (2011) Rising global interest in farmland
- 194 Kruchem (2013) Land and Water, p.84
- 195 Choma Municipal Council (2006) Choma District Situation Analysis Report 2006, quoted in Chu (2012), p.6
- 196 World Bank (2011) Rising Global Interest in Farm Land, p.47
- 197 Mujenja (2012) Dynamics of large scale investments in agriculture: Lessons from Kaleya Smallholder Company and Mpongwe Development Company, p.35
- 198 See e.g.: Li (2011) Centering labor in the land grab debate

HANDS OFF THE LAND

TAKE ACTION AGAINST LAND GRABBING

a joint project of TNI, FIAN International, FIAN Netherlands, FIAN Germany, FIAN Austria, IGO in Poland and FDCL in Germany.

