Key Points

- Initial contacts between investor and community are important and prior information of the local population is crucial for laying a foundation for a good relationship. However, remaining realistic about what the investment can achieve and regular contacts to the community are equally important.
- Land issues in Zambia are highly contentious. Even if investors target state land, this may lead to dissatisfaction of the local population.
- Employment is often thought of as the main benefit to local communities. In reality, the potential of commercial farms to employ people from the local population is limited. High mechanization and demand for qualified labor leads to limited job opportunities for local communities.
- Outgrower schemes bear the potential to include large parts of the population but are a challenging endeavor in poor rural settings. We recommend that investors link up with experienced partners to set up such schemes. This also includes checks and balances for the investor.
- Investments are not positive in each and every regard. Trade-offs between socio-economic and environmental goals need to be communicated and negative effects need to be mitigated.
- Investors often invest in community infrastructure. We recommend that investors cooperate with the government in setting up infrastructure that typically is carried by the government.

INTRODUCTION: Zambia is—similar to many other developing countries, first and foremost in Sub-Saharan Africa—experiencing a growing interest in its agricultural farmland and attracts commercial agricultural investments (German, Schoneveld, and Mwangi 2013; Nolte 2014). Notwithstanding this commercialization of agriculture, Zambia’s agricultural sector is still dominated by small-scale farmers (Sitko, Chamberlin, and Hichaambwa 2015). Given the close proximity between small-scale and commercial farmers, it is highly likely that smallholder farmers are affected by the presence of commercial farms. The debate on whether land-based investments trigger development processes in their target regions, or whether they put the livelihood of local farmers at risk, is still ongoing. We share McCarthy’s (2010) and White et al.’s (2012) opinion that the outcomes of land deals critically depend on the specific terms of inclusion (or exclusion). These terms of inclusion describe in how far local communities participate in a project. We hence study the interactions between the investor and local communities as they are examples of how such large-scale agricultural investments include local communities in practice. In this report, we identify four points of contact between investors and local communities, namely initial contacts, farming operations, outgrower schemes, and investments in community infrastructure. Based on two case studies, we provide evidence on these interactions between investors and the local communities and the related challenges, and then derive several policy recommendations.

DATA AND STUDY SET UP: Our study is based on two large-scale farming operations that started their operation in the last five years: AmatheonAgri Zambia Ltd. and Chobe Agrivision (in the following we use the short forms: Amatheon and Chobe). Figure 1 shows the locations of both farms.

1 Both farms have been studied in other studies and will not be presented in detail here. Please refer to Chu and Phiri (2015) for more information on Amatheon Agri and to Chu (2013) for more information on Chobe Agrivision. In addition, both companies have home pages that provide background information: http://www.amatheon-agri.com and http://www.agrivisionafrica.com.
Both farms are extremely big in size,\(^2\) build their farming operations on titled state land (a *greenfield* investment in the case of Amatheon and in the case of Chobe a *brownfield* investment set up in an area with a long-standing tradition in commercial agriculture\(^3\)) and engage visibly in corporate social responsibility (CSR) activities. It is a deliberate choice to study two cases that have CSR high on their agenda. This is meant to generate insights into the diversity of interactions between investors and local communities and the associated challenges—investors without an emphasis on CSR policies are likely to have less points of contact with the local communities. This implies that the results are not representative for all investment cases in Zambia but are thought to draw a rather positive image as compared to investments that are not as involved in CSR policies.

We collected primary data in Zambia’s Central Province in October 2015 in the surroundings of both farms, in Mumbwa and Mkushi district (see Table 1 of Primary Data Sources on p. 8). We conducted in-depth interviews with the farm management teams and some key stakeholders. In addition, we did a number of focus group discussions (FGDs): Two FGDs with adjacent smallholder farmers close to each project, among them one FGD with men and one with women. We further conducted one FGD with outgrower farmers near Amatheon. The groups were assembled according to our request through an Amatheon coordinator and a government agricultural extension officer in the case of Chobe. We requested that the FGD should have between 7 and 15 participants, separated by sex, and targeted villages in which we knew that the investor has interacted with smallholder farmers.

We stressed our independence from the investor and the government but cannot rule out: a) that participants were specifically chosen by the coordinator respectively the extension officer, and b) the possibility that participants thought we would work for the investor or the government. We, hence, treat our data with care and triangulate it with findings from the literature. Discussions were moderated (in Bemba and Nyanja) by one of the authors and a Zambian colleague, recorded, and later transcribed to English.

**ANALYSIS:** In the following, we discuss several points of contacts between the investor and the community. In particular, initial contacts, farming operation, outgrower schemes, and investments in community infrastructure. Based on our two case studies, we shed light on these
investor-community interactions and then identify associated challenges.

**Initial Contacts:** The very first point of contact between local communities and the investor usually takes place in the negotiation phase. Previous research has shown that local populations take part in negotiations through community consultations that are often perceived inadequate or lack completely, but are considered an important aspect of fair land deals (Cotula and Vermeulen 2011; Nolte and Voget-Kleschin 2014).

Experiences on initial contacts are different in our two case studies. In the case of Chobe, the land was formerly used for commercial farming (brownfield investment), and all negotiations were between Chobe and the former owner and no community consultation took place. People in the communities just heard that the land had changed owners when new jobs were created (FGDs 4 and 5).

Amatheon in contrast bought land from many different owners and often the land was not used for commercial agriculture before (greenfield investment). All land that Amatheon holds is state land, set aside for commercial farming during colonial times in the so-called big concession farm block\(^4\) (Chu and Phiri 2015: 11 pp.; Interview 2). However, the land, set in a rural agrarian context, was not developed and so people had settled on the seemingly vacant land (Chu and Phiri 2015; Interviews 1 and 2, FGD 2).

In the FGDs near Amatheon there are reports on different forms of initial contacts: First, there are negotiations with the former landowners. (Interview 2, FGD 3). During a FGD some men claim there is a lot of pressure on these owners, for instance one man nicely explains, “Pressure (…) is that those people have money and they will entice you with their money in order for you to sell them land” (FGD 3).

Second, there are those that settled on the land Amatheon leased (FGD 2). Even though these people are considered squatters by law Amatheon negotiates with them to find a solution accepted by all parties (Interview 2, Chu and Phiri (2015: 16-17)). Finally, Amatheon conducted community sensitization meetings, through chiefs and the village headmen in villages that are close to Amatheon. One woman explains what happened in such a meeting she attended: “They said what they had brought in the area and of what benefit it would be. So these people told everyone and everyone agreed that yes that is development in that people won’t die of hunger if they are people who are bringing good things whereby they will be farming and doing other things, our children will be getting jobs, for sure all will be well. We will learn from them, we will work with them.” (FGD 2).

A challenge in these initial contacts is optimistic promises made by investors and very different expectations by local communities. While it is crucial that local communities are informed about the coming of new investors—especially in the case of greenfield investments in rural agrarian contexts where local communities are heavily affected—it is equally important to be realistic about the project outcomes. Often local communities have very high expectations towards an international investor. Investors are perceived to be incredibly rich and solve many problems in the community. In the FGD many requests were raised that show the high expectations, for instance, “they could bring us a very big shop” (FGD 1), or “they can make us a market” (FGD 5), or referring to the school that Chobe built “we need a laboratory for senior grades. And technology changes, we need computers” (Interview 6). Given these high expectations, it is crucial that promises made in the initial stages are realistic. In the case of Amatheon, many participants complain that promises are not kept (FGDs 1 and 3), for instance one man explains, “The agreements we made with them when they first came here, they told the community that they will employ people first from here. (…) what is happening now is that many people from here Kaindu, have been laid off and they are bringing people from afar” (FGD 1). Additionally, one man sums up his view of Amatheon’s overall performance, “They did not perform up to our expectations” (FGD 3).

Another important issue is that communication between investor and communities is not finished after a first consultation meeting but needs to accompany a project continuously. In the case of Chobe, participants in the FGDs complain that “meeting them is the challenge. They are not

\(^4\) The big concession farm block is land demarcated by the colonial government to promote commercial farming (Interview 2).
open” (FGD 4), and that the only exchange they ever had with the investor concerned the building of the school (FGDs 4 and 5). Amatheon has regular community meetings (Interview 8) and puts up so-called suggestion boxes in the villages to facilitate exchange with the local communities but these are hardly used (Interviews 1 and 2) and they were not mentioned during the FGDs.

**Farming Operations:** The second and most evident point of contact between the investor and the local communities is through the actual farming operations that have various effects on the surrounding communities. A direct result from the setting up of the farm is increasing land scarcity. Land scarcity is very hotly debated near both farms. For instance, a local government representative near Mkushi reports that investors now enter community land and divert streams from community land towards the commercial farm block as “there is quite big pressure on the land” (Interview 6). Especially in the case of Amatheon, there is a strong feeling of expropriation and worry about Amatheon’s expansion (FGDs 1-3), for instance one woman reports, “So we get worried that this buying of land is just too much. Maybe they can even get land where we stay. Where will we go?” (FGD 2). Men in one of the FGDs complain about Amatheon’s cattle “loitering and eating people’s maize” in the villages. In addition, access to the land is now blocked. Near both farms, participants in FGDs report about the problems arising: One man near Chobe claims that people can no longer pass through the land (FGD 4); near Amatheon men complain that they cannot use the rivers for fishing anymore (FGD 1), or collect honey as all the trees where cut (FGD 3). Amatheon claims so far only three households have been resettled and nine more are currently being relocated (Interview 8). All sources confirm that Amatheon negotiates with these families and compensates well (FGDs 2 and 3, Interview 1) and that “there has never been any conflict, no” (FGD 2). Chu and Phiri (2015: 18-19) find that Amatheon tries to avoid resettlements. In cases of resettlements, Amatheon consults with traditional leaders and local government and applies to international guidelines (World Bank Operational Policies and the International Finance Corporation’s Guidance Note 5. See http://siteresources.worldbank.org/INTFORESTS/Resources/OP412.pdf and http://www.ifc.org/wps/wcm/connect/22ad720048855b25880cda6a6515bb18/ResettlementHandbook.PDF?MOD=AJPERES).

Another result of the operational farm is employment creation—reported in both cases (FGDs 1-5; Interviews 5 and 6). There are permanent employees (Amatheon reports 253 permanent staff in December 2015, (Interview 8) and Chobe reports 140 employees in the Mkushi operations in 2015 (Interview 4)) and casual employment (Amatheon reports 518 casual workers in December 2015). Permanent employment seems rather uncontested—in the case of Chobe the farm is singled out as one of the better employers in the region (Interview 6). The only concern regarding permanent employment is the feeling that too many people from outside are employed under permanent contracts to the detriment of local labor (FGDs 1-4, Interview 6). Casual labor is, in contrast, much under debate. The first complaint is that the number of employed people is diminishing over time when the project matures and that due to high mechanization only a few people are employed (FGDs 2 and 3). For instance, one young man near the Chobe investment complains, “Now today they are cutting down on people saying that, [pause] that big job that we had, we are done. They have big machines,—fast fast [emphasis]—where there is bush work that should be done in five to six months; it is now done in two months” (FGD 4). The biggest complaint raised in villages close to Amatheon concerns the labor conditions. People report extremely long working hours, hard work despite very low payment, accidents without compensation, and bad treatment (FGDs 1-3).

In one of the groups women report that one benefit of Amatheon’s farming operation is food security. During a bad harvest in 2013, the only food available was the maize produced by Amatheon. One woman explains, “That maize which was ready for harvest in February where they used irrigation, it rescued most of us” (FGD 2).

Around both operations, community members fear adverse environmental effects due to the cutting of trees and use of chemicals (FGDs 3 and 4, Interview 6). One farmer near Amatheon claims, “We are just worried that maybe the rainfall (…) may change because of the deforestation they are doing” (FGD 3), and a
farmer near Chobe states in a similar vein, “It does not rain very much. The land gets damaged because there is not that traditional manure” (FGD 4). Another issue raised is that the machines create a lot of noise, day and night (FGD 3). This being said, both companies have conducted environmental and social impact assessments in which they propose environmental mitigation measures (e.g. Chobe Agrivision Ltd. 2011; AmatheonAgri Ltd. 2014b).

In terms of challenges, we identify the following: First, even though both investors target state land which is considered much less contentious than customary land (Nolte 2014), land issues are hotly debated and definitely emotionally charged. This holds particularly for the case of Amatheon as it is a greenfield investment. A major problem is that boundaries of customary land are not known to chiefs and the local communities. Even though the land has been state land for several decades, there is a strong perception of expropriation of local communities through Amatheon (FGDs 1-3, Interview 2). Amatheon does make an effort to reduce these conflicts and is very sensitive to this issue as becomes evident in their resettlement policy (AmatheonAgri Zambia Ltd. 2014a). Notwithstanding these efforts, land issues are one of the major grievances expressed in FGDs.

Second, another major grievance expressed in the FGDs relates to employment. People complain about low numbers of local employees and decreasing numbers of overall employment. In the case of Amatheon employment conditions and labor safety are harshly criticized.

A third challenge relates to the trade-offs of an investment project: Employment creation and other beneficial developments often materialize alongside negative developments such as environmental degradation. While the focus of this policy brief is not on the environmental effects, it is likely that there are trade-offs between socio-economic and environmental goals.

Outgrower Schemes: A third point of contact between investors and the local community relates to outgrower schemes referring to an agreement between a farmer and a firm. The farmers provide a certain quantity and quality of commodity. The firm then provides production support and processes the farmer’s produce or puts it on the market. Depending on the specific contract arrangements, production support typically includes the provision of credit, agricultural inputs in form of seeds, fertilizer and pesticides, and training in production methods (Eaton and Shepard 2001). While the effects of outgrower schemes on participating farmers are controversial in the literature, outgrower schemes in the context of large-scale land investments are considered a huge opportunity for land deals to be beneficial for local smallholders (Robertson and Pintrup-Andersen 2010; de Schutter 2011).

Amatheon has an operational scheme that they launched in April 2013 and are currently expanding while Chobe already launched their own scheme in Mpongwe and conducted first information meetings two week before we visited the villages near the Mkushi operations (Interview 6, FGD 4). Both investors mention their schemes as a tool to include the local population in the scope of their CSR policy. But they also make clear that it is business (Interviews 3, 4 and 7), and for Chobe that “smallholders are part of our supply chain” as they need produce for their own mill in Kitwe (Interview 7). Amatheon has the goal to involve 8,500 contract farmers for maize and soya beans until 2018 and had trained 3,500 farmers in October 2015 (Interview 3). Chobe wants to get a total of 50,000 tons of maize (and some wheat) for their mill and, hence, intends to involve 5,000 to 10,000 farmers successively (in Mkushi and Mpongwe) (Interview 4). Both investors work with a number of partners on the scheme. For instance, Chobe works with the LIMA credit scheme from the Zambia National Farmers Union; one of the co-founders explains (for the Mpongwe operations where the scheme is already operational) “We have connected right in the middle. They started delivering the products to us and we pay into the ZNPU bank accounts. (…) What we did? We facilitated a guaranteed market since we have the mills in Kitwe, we need produce” (Interview 4). Both schemes are group based; contract farmers are provided with inputs and training on conservation farming, have access to credit, and get a guaranteed market (Interviews 3, 4, and 7).

Accordingly, one of the main benefits reported in the case of Amatheon are trainings that local farmers receive in the scope of the outgrower scheme (FGDs 1-2), for Chobe, benefits from
future training sessions are expected (Interview 6, FGD 3).

Another benefit from the outgrower scheme in the case of Amatheon is the improved availability of inputs, such as seed and fertilizer, and better access to markets to sell the produce (FGDs 1-3). Before Amatheon came, the nearest market was Mumbwa, whereas, now people receive seeds and fertilizer at Amatheon depots and can later sell their harvest there. There are a few complaints about high input prizes (FGD 3), low selling prices, and delay in payments (FGD 1 and 3). In contrast, a woman reports that “We see that Amatheon is fair. They do not temper with the scale” (FGD 2). Again, for Chobe selling of inputs and buying of produce is planned in the scope of the outgrower scheme (Interviews 2, 5, and 7). Moreover, outgrower farmers have access to loans (FGDs 1-3).

A main challenge in the setting up outgrower schemes is the context: both investors operate in a poor rural setting where smallholder farmers are extremely vulnerable and have very low education levels. In such a setting there is obviously the risk that farmers become dependent on the investor. Moreover, the investor faces the challenge to explain the concept of the complex scheme. This can result in suspicion and mistrust, as evidenced by one farmer who states, “Honestly they are training but I think maybe they are training for a purpose. The purpose of doing what? Of gaining more than I put in…” (FGD 1).

**Investments in Community Infrastructure:** A fourth point of contact between investors and communities relates to infrastructure improvement. All FGDs and several interviewees (FGDs 1-5, Interviews 2, 5, and 6) report on the improvements of schools—including teacher houses and electrification—for both investment projects. Besides this, there are accounts of the creation of boreholes and health facilities. However, people also critically state that roads are being damaged by Amatheon’s trucks (FGD 3). Near Amatheon smallholder farmers also claim that there is social development, through support of a local football team (FGD 1).

Investors do deliberate infrastructure improvements in the name of corporate social responsibility (CSR) but also highlight the importance of such projects for the success of the company. In this regard it is important to establish a positive relationship with the communities. Both investors got support for these projects from donors; Amatheon collaborated with World Vision and Chobe with Norfund on the building of the schools (Interviews 1 and 4).

One of the challenges arising from these projects relates to the question of responsibility for infrastructure development. On the one hand building schools and other infrastructure is a clear signal of the investor for long-term interest in the investment region and in a good relationship with the community. Especially in a rural setting with poor infrastructure there is the huge opportunity for these regions to benefit from the investment. On the other hand, basic infrastructure development is the responsibility of the government. Hence, it is hard to understand the 5-year tax holiday investors in agriculture enjoy in Zambia (ZDA 2015) and at the same time see commercial farms investing in basic infrastructure in the name of CSR. In many FGDs it became evident that expectations towards the investors are high (see above) and that people do not make a distinction between the commercial farm and a charity organization. This image is reinforced by infrastructure investments through the investor and results in a major source of misunderstandings.

**POLICY RECOMMENDATIONS:** Based on our two case studies, we looked into four different contact points between investor and local communities: initial contacts, farming operations, outgrower schemes, and investments in community infrastructure. These contact points exemplify how the projects include local communities. Based on the analysis of these four contact points we derive the following policy recommendations:

*First,* initial contacts between the investor and the community are important and prior information is crucial for laying a foundation for a good relationship. However, it is also important to be realistic about what the investment can achieve. Our cases show that expectations are high and frustration sets in if promises are not kept. Moreover, it is important for the investor to maintain contact to the community and find a communication channel for regular interactions. The job is not done after a first consultation.
Second, we found that even though state land was targeted in both cases, land conflicts could arise, particularly in the case of greenfield investments. Investors need to acknowledge that contentious land issues are in Zambia and be aware that land acquisitions—even though in accordance with the Zambian law—may lead to dissatisfaction of the local population and require very sensitive approaches. This again highlights the importance of continuous communication between the investor and the communities.

Third, investors need to be transparent about the potential of the farm to employ people from the local population. Often farms are highly mechanized, so there is very limited permanent employment—often none for local people. These jobs require qualified labor that is often hard to find near the farms and, hence, people from outside the community might be employed. Local people are only employed for casual jobs. It goes without saying that investors need to adhere to labor norms, also for casual labor. In one of the cases studied, there are serious concerns over labor conditions.

Fourth, outgrower schemes have the potential to include large parts of the population despite low employment creation from farming operations—but are a challenging endeavor in poor rural settings. We recommend that investors link up with experienced partners to set up such schemes. This not only brings in experience, but can also guarantee some checks and balances on the investors. There definitely is the risk that contract farmers become too dependent on the investor so the contracts in place and the implementation of such schemes need to be monitored to guarantee that smallholder farmers benefit from them.

Fifth, investments are most likely not positive in each and every regard. There are trade-offs between socio-economic and environmental goals. This aspect needs to be acknowledged and communicated, and negative impacts need to be mitigated. Mitigation measures in turn need to be monitored.

Sixth, investors often take a share in infrastructure developments. While this is generally welcome, it reinforces high expectations towards an investor. In addition, investors take over responsibilities that are typically carried by the government. We, hence, recommend that if investors engage in infrastructure development they should work with the government.

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Acquisition in Sub-Saharan Africa: Legal Deficiency or Elite Capture of the Rule of Law?
World Development 48: 1–18.


Table 1. Primary Data Sources

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Source: Authors.

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