

# LARGE-SCALE LAND INVESTMENTS A DANGER OR A DEVELOPMENT OPPORTUNITY?

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## Overview

*„We want development, for example roads, but only together with our lands and our forest. We do not want to lose our identity.“ – Farmer from Ka Nat Thum village, Ratanakiri, Cambodia*

*One of the lingering effects of the 2007-08 food price crisis is the proliferating acquisition of farmland in developing countries by other countries or private investors seeking to produce food, feed or fuel mainly for export.*

*In 2011, farmers in two regions where Welthungerhilfe supports rural development and food security projects were affected by large-scale land investments: in Ratanakiri Province, Cambodia, and in Pujehun District, Sierra Leone.*

*In the majority of villages, the land deals were initiated without prior information and consultation with the local land users. Even though still at a very early stage, the land investments have already initiated rapid transformations of rural livelihoods in areas so far not touched by large-scale commercial farming. In an environment characterized by poor governance, weak tenure security and vast power imbalances, local men and women's scope of action to anticipate or least influence such "investor-driven development processes" are limited, making beneficial outcomes for them unlikely.*

*For development actors, these observations put further importance to the question how resource poor rural women and men can be supported to actively, freely and meaningfully participate in rural transformation processes and to shape their own food and agriculture systems.*

## Rural development through large-scale land investments?

Triggered by exploding prices for agricultural commodities in 2007/08, the interest to lease agricultural land to produce food, feed or fuel has rapidly increased. The latest reports indicate that 227 million hectares of land – an area the size of north-west Europe – have been sold, leased or licensed since 2001; mostly since 2008, mostly to international investors, and largely in Africa (Oxfam, September 2011).

After the NGO 'Grain' brought the "global land grab" on the international agenda in 2008, a number of case studies have been initiated, with the aim of revealing the economic, social and ecological impacts of this new wave of large-scale investments. While some studies show more positive results (e.g. increasing productivity and involving farmers in markets and new technologies), others are more sceptical about pro-poor impacts.

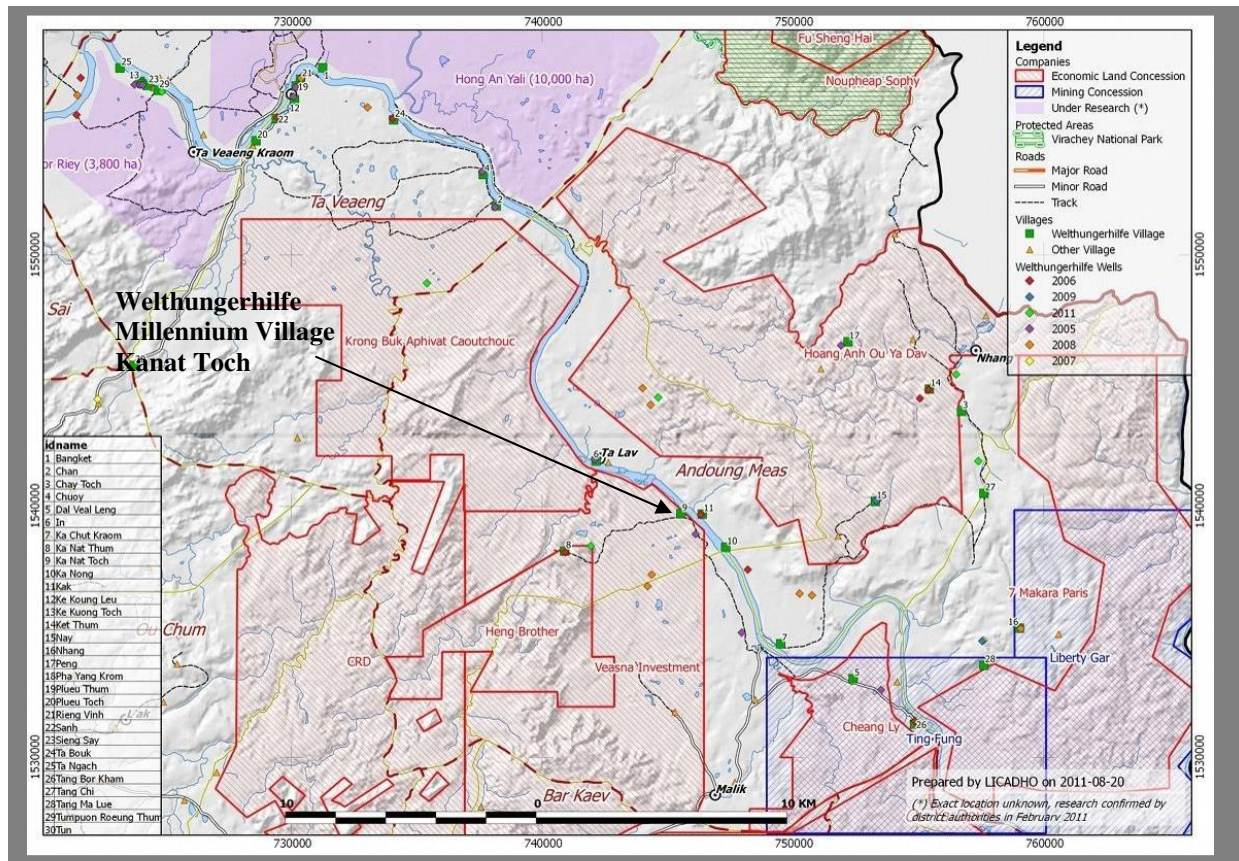
While both the need for further investment in rural areas and the risks of large-scale land deals are widely acknowledged, it remains

contested whether such large-scale land deals can be shaped in such a way that they reduce poverty and hunger.

## Large-scale land investments meet NGO supported rural development

Welthungerhilfe and its partners in developing countries are increasingly confronted with large-scale land deals affecting smallholder farmers who are supported through rural development projects. In Ratanakiri Province, Cambodia, land previously used by smallholders participating in a food security project was leased mostly to Vietnamese investors for rubber plantations; in Pujehun District, Sierra Leone, an Indian investor and a company with Belgian roots acquired land to grow oil palms. In the same area Welthungerhilfe had initiated a food security project.

Villages in both countries are now situated within concession areas. While it is clear that some land previously used will be lost, the extent to which certain areas will be cut out from the investments is unknown.



Not only do the initiated land deals have implications for rural livelihoods in the concerned areas; they also challenge “traditional” approaches to rural development promoting help to self-help and local ownership. Two independent case studies were commissioned to examine the perspectives of local stakeholders on such investments and the wider implications for development processes.

### Conflicting development models: weaker lobby for smallholders

In Sierra Leone as well as in Cambodia, the examined investments constitute only small parts of a much bigger picture: While in Cambodia about 1.9 million hectares have been granted to investors since 1992 (which constitutes approximately 52% of all arable land available in the country), an estimated 500.000 hectares of farmland had been leased or were under negotiation for lease in Sierra Leone by early 2011.

In both countries, governments aim to make agriculture the driving force of economic growth and poverty reduction. While both countries see the private sector as a strategic partner for agricultural development, in particular Sierra Leonean’s policies are particularly oriented towards the improvement and commercialisation of smallholder agriculture. However, the initiated studies show that even though both agricultural development models

are entrenched in political strategies, foreign direct investments get more attention and incentives in an environment characterized by weak governance and asymmetric power relations.

In both countries, at least parts of the government side closely with the investors. Yet, neither “governments” nor individual institutions at country level constitute homogenous blocks: The dividing line between support for “big push” investments versus rather smallholder encouragement may traverse one single ministry at different levels of government. In Cambodia, for example, lower level officials are more critical of the implementation and impact of the land deals; however, even if they realize that the companies do not abide by their contracts they feel powerless to interfere directly. One communal chief even asked for international support to influence the process.

### Rapid transformation of rural economies and societies

The examined land deals in Cambodia and Sierra Leone, though still at a very early stage, have triggered far-reaching transformation processes in the rural areas concerned.

The situation in Cambodia and Sierra Leone, both belonging to the poorest countries in the world with a considerable share of the population suffering from food insecurity, is very



Clearing of lands for a nursery establishment at a SOCFIN plantation near Kortunahun village, Sierra Leone.

different. Nevertheless, the two countries share certain features when it comes to small-scale agriculture.

Most importantly, land use rights and reliable access to other resources are fundamental for rural livelihoods though they might be complemented by other income sources. In both countries, some villages are already affected by the companies' clearing activities resulting in land losses for individual families. The rapid (and largely unwanted) transformation from a farming society to a quasi landless society more or less dependent on wage labour results in profound anxiety and uncertainty.

Furthermore, the anticipation of change has started to impact those families that are not (yet) directly affected and have not (yet) lost land: In Cambodia, for example, some farmers have stopped allowing their cattle to roam freely during the dry season, since they are afraid their animals will be confiscated should they enter plantation sites. In the remote villages of Ratanakiri province, the influx of outsiders has led to feelings of insecurity and has begun to affect the traditional life style of indigenous communities.

But some more positive impacts can be observed as well: In Sierra Leone in particular, young men who had no work before are glad about new employment opportunities at the plantations that have started to emerge. In addition, secondary businesses have started up to serve the needs of plantation workers (e.g. food stalls).

### Risk for many, opportunity for some

When asked about their view on the future impact of the investments, local men and women voice fears as well as hopes. In particular, people worry that

- the loss of land and the reduced access to natural resources will impede their access to sufficient food,
- crime will increase and new social conflicts will emerge (e.g. with migrant workers),
- the loss of land also will mean the loss of a traditional way of life, and their identity will vanish (in particular in Cambodia where wage labour is not a tradition),
- income from wage labour at the plantations will not make up for the land losses, and that
- there will be too much competition for too few jobs.

In Sierra Leone, landowners received direct cash payments from the investors. But the amount of rent received is very low (USD 2.50-6 / hectare/ year) and thus, these payments are rather a reason for friction. Especially since they are not negotiated with the farmers. Additional benefits expected from the investments were

- new employment opportunities (even though plantations normally employ less people per hectare than family agriculture according to FAO, paid labour is attractive for some, especially young men),
- increased income from their own agriculture (for people in surrounding areas who keep their fields), and
- improved social and technical infrastructure (better access to education, rehabilitation/ construction of roads, establishment of health centres).

However, in both Cambodia and Sierra Leone, the vast majority of villagers indicated that – overall – the negative impact of the loss of forest and farmland outweighs the possible benefits.

With the local economy transformed, new perspectives open up for some individuals. Thus some local people welcome the investments, in particular after decades of neglect.



Jebbeh Kamarra's new canteen near SOCFIN field office, Sierra Leone.

However, findings indicate that larger groups of rural societies do not see sufficient possibilities to help shape the transformation process in so it will yield sufficient benefits for them.

On the contrary, the loss of land implies that men and women will have even less means to provide for a decent livelihood and less space to shape their own food and agricultural systems.

### Investor-driven versus community-driven development

Development aims at *“the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom.”* (UN Declaration on the Right to Development, 1986).

The majority of villagers in Cambodia as well as in Sierra Leone were not consulted prior to the conclusion and implementation of the land deals in their area. In Cambodia, local men and women found out about the investment by noticing newcomers in the area who were taking soil samples or by discovering marked trees delineating the leased land. In one of the land deals in Sierra Leone (the “SOCFIN case”), information was provided by a piecemeal: Initially, people were told that only the land of a former government plantation would be leased to a company; only at a very late stage did it become clear to the villagers that *“all land will be taken”*.

Even though, local men and women are the legitimate land owners, tenure security is weak. Traditional roles are misinterpreted in favour of the investors (for example, the local authority signing lease contracts “on behalf of” the land-owning families), lease contracts are very un-specific and enforcement of laws and safeguards is missing.

So far, the investment of the Indian company SIVA in Sierra Leone has been implemented differently: Here, the traditional authority initiated a consultative process. He advised villagers to lease only those lands that they do not need for their own food production and plantations. After discussions at village, section and chiefdom levels, there was general agreement that the investor should come. Under the leadership of the traditional authority, landowning families themselves identified the area that they were willing to lease to the company. Not every village allotted land for leasing because of land scarcity.

Though, here, too the view of many local farmers on future developments is partly character-

ized by uncertainty and anxiety, the impression prevailed that villagers affected by the SIVA-investment feel as acting subjects of the process. No indication of coercion surfaced during interviews and group discussions conducted as part of the case study. However, interviews conducted as part of the study revealed that the farmers, who had agreed to lease land, did not yet know how low the rent would be. Furthermore, it has to be taken into account that the investor has already used a considerable amount of funds to “smooth” the entry process: At national level USD 100,000 were donated for Sierra Leone’s 50th anniversary activities; USD 10,000 “development funds” were given to each of the chiefdoms where SIVA will lease land.

*“We, the land owners, were not consulted on the arrangements and therefore did not know what the agreement was. We expressed our unwillingness to give up our lands. But the chief told us that he is the sole custodian of the lands and that whatever he says is final.”*

Farmer Kpumbu village, Pujehun District, Sierra Leone

*“My main goal is to educate them [the farmers] to understand the value of development in this area, to educate them to make money. (...) It is true: the government has experienced conflicts with local people, because locals do not clearly understand the purpose of the government policy for economic growth.”*

Provincial Governor, Ratanakiri, Cambodia

*“The rent is low [2.50 USD]. However, investment costs in Sierra Leone are high due to lack of infrastructure and local experts. Whereas investment costs per ha of plantation in Indonesia are at 2,700 USD and in Malaysia at approximately 3,000 USD, the estimated investment costs in Sierra Leone amount to 5,000-7,000 USD.”*

Manager of SIVA Bio Palm Energy, Pujehun District, Sierra Leone

In Cambodia and in those villages that are affected by the SOCFIN-investment in Sierra Leone the situation is very different: Land use changes and the consequences resulting therefrom are not the result of *“active, free and meaningful participation”*. The transformation process is driven by the investors and parts of the government who both have their own agenda and own interests.

In Sierra Leone, for example, the government acts as intermediary in the SOCFIN-case leas-

ing the land from the people and sub-leasing it to the investor. This involvement of the government as contractual partner in the lease agreement, and partaking in a defined amount of the rent, represents a conflict of interest given the Government's obligation to serve and protect the interests of the citizens.

**The investments – an overview:**

**Cambodia, Ratanakiri Province**

- Investors: Vietnamese companies (Krong Buk, Heng Brothers, inter alia)
- Size of leased area: only known for 3 of the 7 investments; 2,361-6,891 hectares
- Duration of lease contract: only known for 2 of the 7 investments: both 70 years
- Crop to be cultivated: only known for 3 of the 7 investments; rubber, acacia

**Sierra Leone, Pujehun District**

- Investors: SOCFIN Agricultural Company (S.L.) Limited; SIVA Bio Palm Energy Limited Company
- Size of leased area: SOCFIN 6,560 hectares (but aiming at 12,0000); SIVA approx. 37,000 hectares
- Duration of lease: both investments 50 years, possible extension for another 21 years
- Crop to be cultivated: mainly palm oil

**Little space for local communities to anticipate and shape foreign investments**

In such unbalanced settings, peoples' scope for action is very limited: In Cambodia farmers' efforts to get information, to have a clear demarcation between their land and the company's land and to keep their farmland and forest were unsuccessful: Attempts to address the company failed. From the onset interaction between company staff and villagers was not based on trust, but was rather characterized by both intimidation and unfulfilled promises. Since it is common in Cambodia for military or district police to guard land concessions, indigenous people are also insecure about the role of the state in such deals. Despite such insecurity, two of the investigated villages wrote letters of complaint to the authorities. But those letters also did not prompt any action.

Demands of landowners affected by the SOCFIN-investment in Sierra Leone to review the conditions of the initiated deal also did not lead to a resolution. Even though a "Grievance Committee" was set up designed to receive complaints and resolve them, so far no activities were initiated by the committee despite growing discontent. In early October 2011, landowners affected by the SOCFIN-investment started blocking the operations of the company

and protested against the working conditions in the company plantations. According to news reports, 15 protesters were arrested and accused of unlawful assembly, riotous conduct and using threatening language.

**Changed framework conditions for non-governmental development organisations**

Even without such an escalation, large-scale land investments change the conditions for development projects aiming to support food security and rural development profoundly. Activities initially set up, such as support of smallholders to improve or diversify their production may lapse given the insecurity of land access and land use in future. For some, food security from the family farm may become less attractive than cash income from plantations or services. At the same time, for many of the affected men and women support in other areas, such as land rights information or legal counselling may become relevant.

In Cambodia as well as in Sierra Leone, the large-scale investments were as unexpected for Welthungerhilfe as they were for the affected men and women: Even though agreements existed with the responsible line ministries defining the areas of Welthungerhilfe's engagement, no indication was provided that feasibility studies had already been conducted years before to screen the areas for potential land investments.

Furthermore, it turned out that in such cases any engagement of foreign organizations on behalf of the affected population may easily be perceived as "interference in internal affairs" by the respective government. Hence, international development organizations have to increase support for national lobby and advocacy organizations: Capacity building beyond the individual land investment case is required to shape overall framework conditions determined by strategies and policies. In particular in countries that receive a high amount of foreign direct investments (FDI) in agriculture, preventive action should be initiated: for example, increasing knowledge of people, local authorities and civil society groups about land laws and regulations, informing local men and women about the risks of leasing land to an investor, or facilitating public debate about alternative agricultural development models.

Given the process of rapid social changes initiated through the investments, also complementary assistance components may be considered taking into account the changed realities such as support to labour unions, HIV/Aids sensitization programmes, or new insurance systems.

### Rapid support for national civil society required to further increase scrutiny

Even once an investment has been initiated, there are still chances to influence its shape, for example with a mixture of protests, public debate and bilateral talks. Governments, especially democratic ones like in Sierra Leone, traditional leaders as well as investors might prefer “consent” to “conflict” to make the investments economically viable and to defend their reputation.

Governments, however, both defy and acknowledge criticism of land acquisition processes in their countries: On the one hand, after the World Bank announced to temporarily freeze lending to Cambodia in early August 2011 due to a prominent case of urban land evictions in Phnom Penh that violated resettlement regulations, the government responded that in future, un-tied aid from China will become more interesting for the country. On the other hand, governments feel the increasing scrutiny large-scale land deals face by media and civil society groups. In August 2011, Cambodia’s Prime Minister Hun Sen issued a sub-decree granting ownership to families affected by the land dispute. Furthermore, he warned investors to resolve disputes, lest their licenses would be cancelled.

There is no lack of recommendations how to make large-scale acquisitions more responsive to the rights and needs of local populations. In particular, the FAO-led efforts to develop international Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forest in the Context of National Food Security may result in a tool to foster accountability and to advocate for transparency and participation.

However, while the Guidelines are still under negotiation, the case studies underline that there is a need for immediate action. The studies conclude with the following recommendations to bilateral donors:

- Use bilateral talks to remind the governments of countries receiving a high amount of FDI in agriculture to monitor the execution of existing land laws and guidelines (the Guidelines of the Sierra Leone Investment and Export Promotion Agency, for example, consider “free, prior, informed consent” to be a basic principle for land acquisitions),
- Use bilateral aid to encourage participatory spatial planning processes in particular in countries receiving a high amount of FDI in agriculture and support corresponding ca-

capacity building at the level of local and national government,

- Increase funding for projects that build local capacities in rural areas of developing countries (legal education, economic literacy) and that support regional and national lobby and advocacy networks,
- Provide funding for initiatives that increase transparency and monitor large-scale land investments in order to ensure that labour and human rights standards are not watered down in the mid- to longer term,
- Support NGOs in acquiring information about investment plans and implementation processes, e.g. by addressing letters of enquiry to ministries.

### Literature

This paper draws from the studies conducted by the independent consultants Andrea Bues and Dr. Gerlind Melsbach. Furthermore, Philipp Baumgartner (Center for Development Research) and Uwe Hoering (journalist and policy analyst) have contributed to the research and conclusions.

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