AGRICULTURE GLOBAL PRACTICE
DISCUSSION PAPER 12

THE IMPACT OF LARGER-SCALE AGRICULTURAL INVESTMENTS ON LOCAL COMMUNITIES:
Updated Voices from the Field

THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

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The Government of Japan

UNITED NATIONS
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FOOD AND AGRICULTURE GLOBAL PRACTICE DISCUSSION PAPER 12

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
CFS	Committee on World Food Security
FAO	Food and Agricultural Organization
IAWG	Inter-Agency Working Group
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFC PS	International Finance Corporation Performance Standards
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
MoU	Memorandum of Understanding
MZN	Mozambican metical
NEC	National Environmental Council
NGO	Nongovernmental organization
RAI	Responsible Agriculture Investment
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development

CHAPTER ONE
INTRODUCTION AND KEY FINDINGS

1.1 BACKGROUND AND OBJECTIVES

In the wake of the food price crisis of 2008, rising commodity prices and the collapse of financial markets caused a significant increase in private sector interest in agricultural investment. It raised international concern that agricultural investment involving large-scale land acquisition could have negative impacts on local communities. On the other hand, it was recognized that there may be the potential for positive impacts from such investments. The gaps in knowledge on the overall effects of such investments prompted the need to examine this topic. In light of this, endorsed by the UN General Assembly, G8 and G20, the Inter-Agency Working Group (IAWG) was set up by FAO, IFAD, UNCTAD and the World Bank in 2009. The IAWG was tasked to examine this topic in order to improve understanding of the impacts of such investment and to provide broader recommendations on the appropriate conduct of "responsible" agricultural investment.

Through this programme, the IAWG has sought to distill and disseminate the lessons from past and current agricultural investments to understand what works and what does not work for host countries, local communities, investors, and other parties impacted by agricultural investments (Box 1.1). The lessons emerging from this body of work have supported and informed a set of responsible investment principles, including but not limited to the Committee on World Food Security (2015).[1]

Under the umbrella of the IAWG programme, UNCTAD and the World Bank conducted a study and reported the findings in "*The Practice of Responsible Investment Principles in Larger-Scale Agricultural Investments: Implications for Corporate Performance and Impact on Local Communities* (UNCTAD and World Bank, 2014)." That study was based on a field survey of agricultural investors, local communities and other stakeholders. Firsthand information was obtained through on-site 240 interviews with 550 stakeholders

[1] Selected internationally recognized principles for responsible agricultural investment, including *Environmental and Social Framework—Setting Environmental and Social Standards for Investment Project Financing* (World Bank), are listed in Box 1.2.

BOX 1.1. KEY PUBLICATIONS AND OUTPUTS BY THE IAWG ON RESPONSIBLE AGRICULTURAL INVESTMENT

1. World Investment Report 2009: Transnational Corporations, Agricultural Production and Development (UNCTAD 2009)
2. Principles for Responsible Agricultural Investment That Respects Livelihoods and Resources—Extended version (FAO, IFAD, UNCTAD and World Bank, 2010)
3. Making the Most of Agricultural Investment (FAO and IIED, 2010)
4. Outgrower Schemes—Enhancing Profitability (IFAD and Technoserve, 2011)
5. Investing in Agribusiness: A Retrospective View of a Development Bank's Investments in Agribusiness in Africa and Southeast Asia and the Pacific (World Bank, 2013)
6. Trends and Impacts of Foreign Investment in Developing County Agriculture Evidence from Case Studies (FAO, 2013)
7. The practice of Responsible Agricultural Investment Principles in Larger-Scale Agricultural Investments (UNCTAD and World Bank, 2014)
8. Impacts of Foreign Agricultural Investment on Developing Countries: Evidence from Case Studies (FAO, 2014)
9. Challenges and Opportunities of FDI in Developing Country Agriculture for Sustainable Development (FAO, 2014)
10. Investment Contracts for Agriculture: Maximizing Gains and Minimizing Risks (IISD, UNCTAD and World Bank, 2015)
11. Home country measures that promote responsible foreign agricultural investment: Evidence from selected OECD countries (FAO, 2016)

Note: Full details of these publications are in the references.

associated with or impacted by a set of 39 private companies in Sub-Saharan Africa and South East Asia.

Job creation was the most frequently cited benefit arising from the investments. The most frequently noted negative impact on local communities was the reduced access to land. Investments that had the most positive impacts on the host economies and were well-integrated with the development vision of the host country also tended to be financially and operationally successful. The above referenced report summarized lessons learned and good practices identified. It should be noted that the private agribusiness investments covered by this study were not financed or supported by the members of the Inter-Agency Working Group (IAWG), including UNCTAD or the World Bank.

This report is an update to the above mentioned UNCTAD/World Bank study (the "first phase"). Following that researchers revisited eight operations in four countries (Cambodia, Ethiopia, Mozambique and Tanzania), conducting a total of 113 detailed additional interviews with 349 stakeholders primarily from local communities in which the agribusiness operations are based. This report presents an updated set of findings based on these follow-up interviews; as this report is not a stand-alone piece, it should be treated as supplemental material to the original study, and the findings contained in the two reports should be viewed in unity. Accordingly, the tables in Section 1.3 of this report provide an updated version of the tabular summary findings from the first phase report that have been augmented and revised based on findings from the additional fieldwork.

The main intention behind the second phase of fieldwork was to deepen and enrich the data sample and information collected, by conducting further interviews in order to augment, challenge and/or verify the findings of the original study. In the second phase, research teams spent more time with local communities and other stakeholders (interviewees are referred to as "external stakeholders"[2]) which had not been possible in the first phase, due to time and resource limitations.

[2] That is "external to the investor," especially people in communities connected directly or indirectly to the operation. Contract farmers working for the investor, as well as employees are included. These types of relationships with the operation are indicated where appropriate in the report.

BOX 1.2. SELECTED INTERNATIONALLY RECOGNIZED PRINCIPLES AND GUIDELINES FOR RESPONSIBLE AGRICULTURAL INVESTMENT

1. Committee on World Food Security, Principles for Responsible Investment in Agriculture and Food systems—CFS—RAI, 10 principles (CFS, 2015)
2. Environmental and Social Framework—Setting Environmental and Social Standards for Investment Project Financing (World Bank, 2016).
3. Environmental and Social Performance Standards and Guidance Notes—8 Performance Standards (IFC, 2012)
4. Food and Agriculture Business Principles—UN FABs, 6 Principles (UN Global Compact, 2014)
5. Guidance for Responsible Agricultural Supply Chains (FAO and OECD, 2016)
6. Operational Guidelines for Responsible Land-Based Investment (USAID, 2015)
7. Principles for Responsible Agricultural Investment (PRAI)—7 Principles (UNCTAD, FAO, IFAD and World Bank, 2010)
8. Respecting Land and Forest Rights—a Guide for Companies (Interlaken Group and RRI, 2015)
9. Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the context of national food security—VGGT (FAO, 2012)

Note: Full details of these principles and guidelines can be found in the sources and publications indicated in parentheses.

This updated report seeks to describe in a more nuanced manner the perceived impacts arising from associated agribusiness investments, including spillover effects on the local community and more widely—whether intended or unintended. Given the complexity of impacts,[3] these cannot be regarded simplistically as 'good to be recommended' or 'bad to be corrected'; nevertheless, they offer essential ground-level insights from which to deepen understanding of outcomes and draw lessons.

A secondary objective of this phase was to assess how the investment impact may have altered between the first and this phase. As such, throughout this report reference is made to observations and anecdotal evidence on the evolution of the impact of the agribusinesses studied. Given the limited sample size, this does not constitute a systematic or comprehensive analysis. Nevertheless, information on changes observed between researchers' first and second site visits provides important insights into the policies and practices that tend to affect project impacts as the investment evolves.

1.2 DATA COLLECTION AND METHODOLOGY

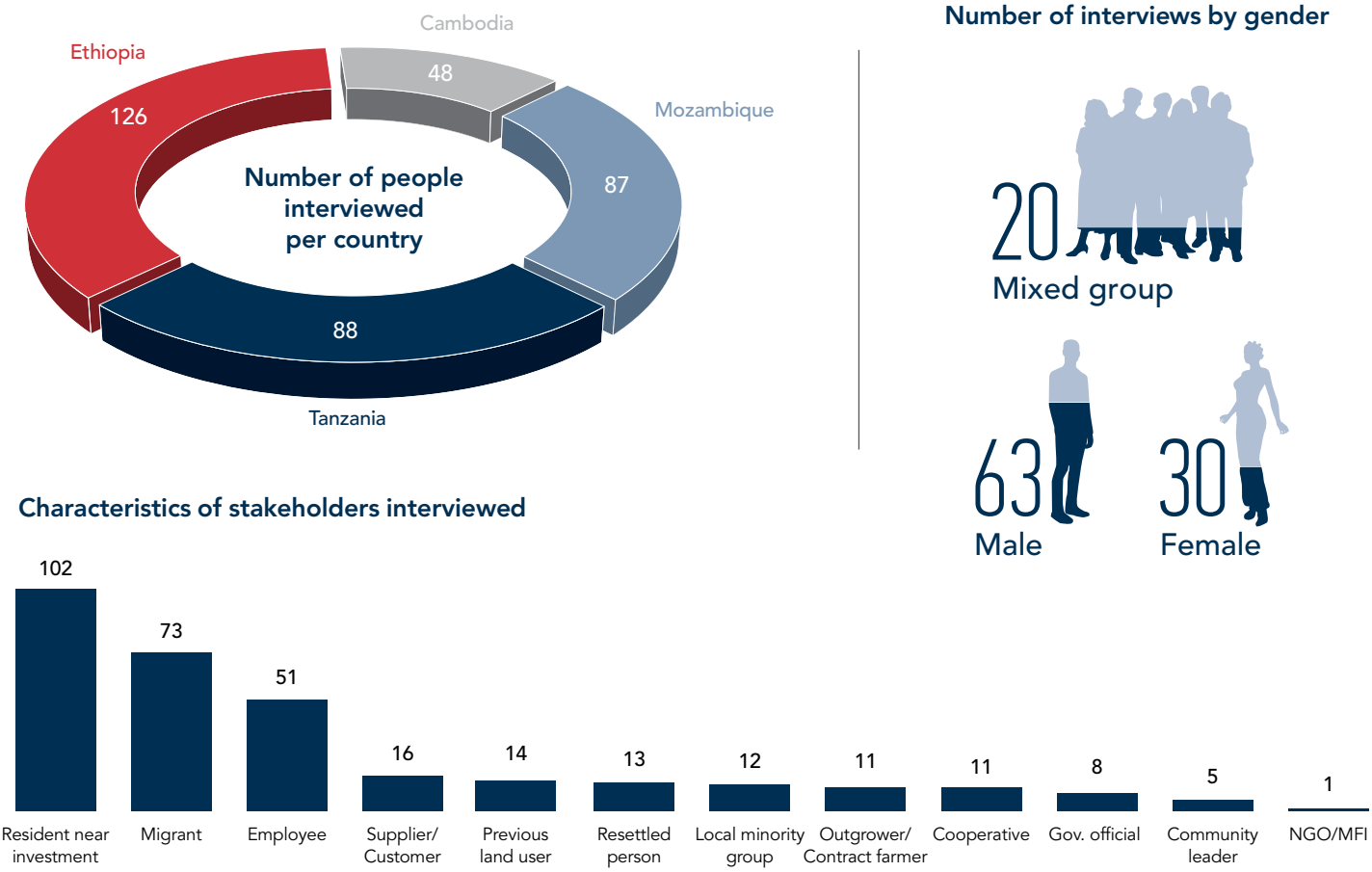
The second phase of fieldwork on which this report is based was conducted in 2014 and 2015. Researchers spent 2 to 3 days interviewing a wide range of external stakeholders for each investment. This is in addition to the interviews with stakeholders and management conducted during the first phase visit to each site (in 2012–2013). The second phase visits were specifically focused on interviewing a wider range and a greater number of external stakeholders. Interviews at each location focused on *a selected set of issues* which were deemed to be the most important from the first study, or from subsequent information obtained. This approach facilitated a greater depth and targeting of pertinent issues at each location; care was taken in selecting issues at each investment in order to ensure sufficient coverage across the sample as a whole.

The choice of the eight investments from the original thirty-nine was made based on potential to obtain more detailed information on the issues of focus described above.[4] Discussions with management were limited to updates on the

[3] In this work, the term impact is used to denote the changes observed and identified by qualitative interviews with the stakeholders themselves and does not refer to outcomes of an 'impact assessment' with random samples and controls. The voices from the field are providing stakeholder observation on how the investments have affected an array of variables discussed in the previous report and this one.

[4] Resource limitations did not permit this, but ideally a greater number of investments would have been revisited. This would have allowed the research team to obtain a larger number of interviews, and wider variance of views on issues of importance or concern.

FIGURE 1.1. DESCRIPTIVE STATISTICS OF STAKEHOLDERS INTERVIEWED



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Notes: (a) A *previous land user* refers to a local stakeholder who utilized the land for cultivation or cattle and grazing purposes. Displaced people are considered under the category *resettled people.* (b) *Supplier/Customer* refers to any local stakeholder with regular direct sales such as supplying input to the investor or who is a regular buyer of local produce. Outgrower is separately considered as *outgrower/contract farmer.* (c) The characteristics above are not necessarily mutually exclusive, but a principal designator is indicted for each interviewee. (d) Less NGOs were interviewed than in the first study because this follow-up study is primarily focused on the collection of voices from local communities.

operations to set the context for stakeholder interviews. Figure 1.1 provides a number of descriptive statistics.

In line with the methodology from the first phase of fieldwork, the main approach taken in the second phase was to allow communities and other stakeholders to express their views in areas *they* deemed of significance (Section 1.2). Researchers subsequently focused on specific issues on which more data were sought, specifically: employment (Chapter 3), rural development and economic linkages (Chapter 4), technology transfer (Chapter 5), relocation and resettlement (Chapter 6) and environmental impact (Chapter 7). In addition, recurrent themes throughout the discussions were the operational and financial success of investors (Chapter 2) and the role of government in infrastructure and social services (Chapter 8).

Stakeholder interviews were conducted on a confidential and anonymous basis, without the presence of representatives from the investor. Since confidentiality was assured to interviewees, no specific individuals and organizations are referred to in this report. The interviews were obtained independently of the investor. Interviews commenced with the same open-ended questions used in the first phase of field research, to enable comparability. Researchers subsequently asked follow-up questions based on key areas of specific focus chosen for the location (or issues which emerged from the open-ended questions).

The write-ups of stakeholder interviews were imported into Nvivo, a software package designed for the analysis of large amounts of qualitative and quantitative data. This allowed the researcher to classify the data according

BOX 1.3. DEFINITION OF STAKEHOLDERS IN THIS REPORT

Many of the terms used in this report have different meanings or implications depending on the context. This box outlines how these terms are used within the context and limited scope of this report.

Agricultural investment: A project which changes the fixed capital stock in the agricultural production process. In this report, this includes projects of agribusinesses which are operated by incorporated companies (corporates) or individuals who neither live on the land nor rely on it for survival, i.e., we exclude smallholders' investment in their own farms from the definition of investment because this is not within the scope of this report.

Investor: The corporation(s) or individual(s) implementing the agricultural investments defined above, include both foreign and domestic investors. In some cases, such as family businesses, the ultimate owners of the project are also those responsible for its implementation. In other cases, such as publicly listed companies or investment funds, the ultimate owners are disparate and hence investor refers to the company implementing the projects visited.

Governments: In this report, we mostly focused on federal or national governments. However, other levels of governments such as regional and local are equally important to enable responsible agricultural investments. Notably, functional cooperation among them is crucial.

Civil society: Nongovernmental organizations and institutions include national, regional and local entities.

Outgrower: A person not employed directly by the investor who supplies the agricultural investment with produce cultivated on her or his own land. This involves a variety of contractual arrangements as discussed in the body of the report.

External stakeholder: Person interviewed during the course of the research who has been affected by the investment operation. This includes not only local communities, but also suppliers, employees, government officials and other individuals and groups (e.g., local retailers, hospital staff and others directly or indirectly impacted by the investment).

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

to particular themes (for example, employment, resettlement, commodity prices paid to outgrowers) and facilitated the quantification of qualitative information on socioeconomic and environmental impacts obtained during the stakeholder interviews.[5] This was in addition to a pure qualitative assessment of the extensive information received during the fieldwork. Such an approach permitted an assessment of the *relative* importance of various types of investment impact which would otherwise not have been possible, especially in the context of the first study and other research. This approach is intended to strengthen the findings presented in this report, but ultimately such findings should be used in a considered way, recognizing the contingencies involved (Box 1.3).

1.3 KEY FINDINGS AND RECOMMENDATIONS

As mentioned above, the main purpose of the fieldwork on which this report draws was to return to a number of the matured agricultural investments visited previously in order to establish whether earlier conclusions and recommendations were robust and held up to scrutiny. This was achieved by revisiting communities and other stakeholders at 8 investments, spending more time with a larger number and more diverse set of interviewees, and ensuring that they had ample opportunity to voice their views on both positive and negative perceived outcomes arising from the investments. A number of specific topics less well

[5] In the case of qualitative research, especially in sensitive areas such as agriculture and food security, there is always the danger that a researcher may let their views prejudge analysis and findings, often unknowingly; hence the advantages of using programmes such as NVivo to quantify the balance of positive and negative views. This provides a number to guide researchers' views and circumnavigate the human tendency to place more emphasis on information in line with preformed views. This research has not attempted to apply any scoring of the views. In our view this would be a step too far with the data collected and the methodology used. The reader should be aware that there is no weighting applied to these perceptions, although obviously some issues are much more important than others in the minds of respondents. This could be an aspect taken up by other research and analysis, including by UNCTAD and the World Bank.

covered earlier (namely, employment, technology transfer, environmental impact, resettlement, economic spillover and rural development, and the provision of social and infrastructure services) were also investigated as were how conditions and outcomes had evolved since the first visit.

The findings of this follow-up research are therefore supplemental to those of the original World Bank-UNCTAD study: *The Practice of Responsible Investment Principles in Larger-Scale Agricultural Investments.* The findings, discussed in more detail in the sections below, are essentially in line with the first phase of fieldwork, but more nuanced, detailed and wider in scope. Tables 1.1 and 1.2 below provide an update to the key summary tables from the original report, augmented and refined in light of the findings from the latest fieldwork. Recommendations in the new tables are based upon two phases of surveys as well as desk research and other analyses conducted under the IAWG programme. For instance, although technology transfer to suppliers (and spillovers to other farmers) may arise as a key outcome from an investment, the second fieldwork underlines that the types of technology being imparted are not always suitable for local farmers because of local conditions; for instance, they may not have the necessary finance, skills, equipment or experience/capabilities to utilize it.[6]

As before, the perception of the impacts of these investments by members of the surrounding communities was on average significantly more positive than negative, but clearly there is a multiplicity of views and perceptions; and large differences prevail between different investments. For each investment, particular issues are discerned differently by communities, which reflects the specificities of operations and local conditions, but is also indicative of communities' ability overall to carefully and judiciously distinguish the pros and cons of each issue, and not paint everything "black or white." Various shades of grey are more likely in complex interactions which encompass economic, social and environmental impacts. The diversity of findings provides lessons, good practices, and actions to avoid, which can be used for guiding responsible agricultural investments.

As a next step based on the findings of the combined study referred to in this report and other IAWG work, the IAWG plans to develop and disseminate more detailed and practical guidance which would assist with the implementation of responsible agricultural principles on the ground, and tools for the capacity building of various stakeholders on pertinent topics.

[6] The lesson to take from this may be to take action to improve conditions, rather than forgo the investment or discourage technology transfer.

TABLE 1.1. UPDATED[a] KEY LESSONS FOR INVESTORS, HOST GOVERNMENTS AND OTHER STAKEHOLDERS

A. SELECTED KEY LESSONS FOR INVESTORS	
Communication and transparency	• Consultations were a key step in developing a strong relationship with local communities. • Initial consultations were time consuming and expensive, particularly for new investments. • Consultations were most effective when investors took primary responsibility; instead of "outsourcing" to host governments or land agents. • A lack of transparency could generate fear and uncertainty about investor intentions and also open the door for unfounded criticism. • Formal grievance mechanisms contributed to better relations with local communities. • *Resettlement management process could benefit from robust communication, consultation and transparency about the process.* • *Management of expectations was crucial, such as with regard to job creation.* • *Unfulfilled commitments and unmet expectations were particularly damaging for relations with communities.*
Due diligence and business planning	• Business plans provided by a host government instead of an investor were often based on unrealistic assumptions and weak assessments of environmental factors. • Some problems were foreseen if findings from impact assessments and community consultations were properly incorporated into business plans. • Some investors had success in phasing their investment. That is, obtaining a small land area initially and only seeking more land once the first allocation is running successfully.
Financial and operational success	• *Agricultural investments that were financially and operationally successful were more likely to be well-regarded by local communities.* • *Patient sources of capital and financial backers who were cognizant of the difficulties of running an agribusiness were more reliable.*
Land rights and resettlement	• Many investors were expending significant resources dealing with disputes over access to land. • It was unrealistic for the investor to assume that the land acquired was free from any existing land disputes or land legacy issues. • A fair and transparent process for negotiation and compensation helped to minimize the negative impact of resettlement. • Some investors found that the best solution was to leave communities in situ and work with or around them, rather than undertaking difficult resettlement procedures. • Failure to develop the land in accordance with expectations was a significant source of tension between investors, local communities and host governments.
Environmental impact	• Environmental impact assessments led to poor outcomes when they were conducted by host governments or land agents on the investor's behalf. • Impact assessments were too often "box-ticking" exercises, for local legal compliance, and not incorporated into the business operations. • More assessment and monitoring was needed for the impact of the investment on water resources. • *Some investors took on responsibility for raising local awareness of environmental issues.*
Social development programmes and financially inclusive business models	• Social or rural development initiatives produced better outcomes if they were agreed on through an inclusive, consultative approach to understand local development visions. • *Programmes that were fully funded and not dependent on profitability of the investor were most successful.* • Financially-inclusive business models were successful in forging partnerships with local communities.

(a) Updated information is highlighted in *italic*.

(continued)

TABLE 1.1. CONTINUED

A. SELECTED KEY LESSONS FOR INVESTORS	
Employment *and working condition*	• There was a pressure to employ local people; doing so contributed to better working relationships, but it could be challenging due to skills gaps. • *Training programmes which helped integrate local communities into the workforce were highly valued by employees.* • Some investors were paying inadequate wages and offering unacceptable working conditions, leading to tension between staff and the investor. • There was a gender imbalance in most investments, *though some investors have taken actions to improve the situation.* • *Investors often start businesses in areas where formal employment and the contracting process is not known or well-established.* • Investments could be a catalyst for social transformations, especially of women's and youth's place in society by providing employment opportunities. • Some investors had increased women's integration into the workforce through preferential hiring, training and internal promotion programmes. • *Having been employed and gaining income, some women could increasingly contribute to the family budget and activities such as education.* • *Some investments attracted educated young professionals from outside of the area as well as retained those originally from the area who otherwise might have migrated to the cities to find a job.*
Outgrower schemes	• Outgrower schemes were most successful when the business model was defined before outgrowers were introduced. • A lack of transparency and inclusivity of outgrowers in the pricing mechanisms for their crops hindered the successful operation of outgrower schemes. • Marginalised groups and women, were less likely to participate in outgrower schemes. • *Funding and partnerships with various stakeholders such as local governmental agencies or experienced NGOs played an important role.*
Food Security	• The main positive contribution to food security was through direct employment and outgrower schemes. • The main negative aspect was deemed to be through reduced access to land.
Technology transfer	• *Technology transfer occurred primarily through training, particularly of outgrowers.* • *The impact varied substantially from site to site, depending on the business model, crop and other factors.*
B. SELECTED KEY LESSONS FOR GOVERNMENTS	
Prescreening and selection of investors	• In many cases, prescreening of foreign investors could be improved to increase the prevalence of investors likely to make a positive contribution to the host country. • More foreign investors were adopting social development programmes or financially-inclusive business models. Host governments would be advised to seek commitments on such aspects in advance.
Conduct of consultations, impact assessments and business plans	• The conduct of consultations, impact assessments, due diligence and the creation of business plans were most effective when primarily the responsibility of the investor instead of the government.
Phasing of investors and approvals	• Many investors were not putting their land allocation to full use. It would have been advisable for governments to consider to phase a project and seek commitments from investors about the pace at which the operation would have developed. • Large land allocations, particularly to investors introducing new crops, could be fairly risky. Investors could have been required to phase their programmes in stages. • Some governments had allowed foreign investment in agriculture to proceed at a faster pace than their capacity to realistically assess and monitor the investors.

B. SELECTED KEY LESSONS FOR GOVERNMENTS	
Ongoing monitoring of investors	• Ongoing monitoring of investments could be strengthened. • The better approaches were not solely productivity-focused, but more intensive and including monitoring of the socioeconomic impacts of an investment. • Monitoring of investors' environmental impact, including use of water resources, and adherence to environmental regulations was in most cases inadequate.
Operating environment	• *A stable host country operating environment is a key determinant of investors' success. Sudden, drastic changes in the host country operating environment, especially trade legislation could be particularly damaging.*
Land rights and resettlement	• A clear regulatory framework for land acquisition approvals and a formalization of local communities' tenure rights under a registry system contributed to reducing the risks of land disputes. • *Unclear land laws create situations of conflict over land rights especially where customary land was concerned.* • Business models with low land needs, such as processing operations, could provide important employment and development benefits. • *Resettlement processes should be handled adequately, with communication, consultation and transparency about the process for resettlement.* • Clear, transparent procedures to follow and standard valuations for compensation in the case of resettlement could be developed. Adherence needed to be monitored effectively.
Employment and contribution to rural livelihoods	• Governments should have considered more thoroughly which investors and business models were likely to maximize direct and indirect employment. • Large land allocations did not necessarily create the most jobs per hectare. • Outgrower schemes could be effective in supporting livelihoods while allowing people to retain their most valuable asset—their land. • Governments should have considered the whole value chain and promoted the downstream value addition of the raw materials produced from land made available, thereby maximizing employment and other benefits. • *With the arrival of an investment, many communities underwent a period of rapid transition with potential for both positive and negative consequences.* • *There could be redistributive effects and a creation of insider-outsider status as some people would benefit from the investment but others may not, and may indeed create difficulties due to impacts such as rising prices.* • *The extent of positive economic spillovers from large-scale investments varied widely and depended on the investor's business model and procurement plans.* • *Governments should recognize the risk that the employment benefits may diminish over time as production becomes more mechanized.*
Transparency	• In general, there was an insufficient amount of publicly available information to ensure the fully transparent and accountable conduct of agricultural investment.
Technology transfer	• Technology transfer was by no means an assured benefit. • Appropriate, proven and customized use of innovation in new crops, business models, and techniques should have been encouraged to reduce risks. • *The types of technology transferred should be contextualized to fit with available levels of finance, skills, equipment or experience/capabilities.*
Social and infrastructure service	• *Even though investors may provide and support social services to the communities, governments need to maintain the primary responsibility in social and infrastructure services provision.*

(continued)

C. SELECTED KEY LESSONS FOR LOCAL COMMUNITIES AND CIVIL SOCIETY

Consultations between investors and communities	• Representatives of civil society played a useful role in monitoring consultations and could work with investors to ensure that all relevant communities and stakeholders were included within the consultation process. • There were instances where agreements were not documented, leading to confusion and disputes. While recognizing a capacity gap, local communities should have ensured that all agreements and commitments made through consultations wee documented. • Investors said it was easier to include local communities which were well-organized. NGOs could assist local communities in this regard.
Monitoring investors	• Civil society could play a role in monitoring conflicts between investors and stakeholders or instances where an investment was degrading natural resources, e.g., in making those issues public or known to relevant authorities. • Monitoring led to positive outcomes when conducted in a constructive, rather than antagonistic, fashion.
Engagement with investors	• Civil society could forge partnerships with the private sector to stimulate responsible inclusive investments that gave due consideration to reduction of rural poverty and more equitable benefit sharing with farmers and the local communities. • *The most successful social development programmes were those that were done in collaboration with NGOs or other organizations (e.g., workers unions) who were able to directly connect these programmes with local needs.*
Marginalised communities and groups	• *NGOs could play a key role in helping investors to forge partnerships with marginalized groups including women and youth, for example:* ▪ *help them link with outgrower schemes* ▪ *strengthen their technical and production capacity* ▪ *advocate that their needs were considered when deciding social development programmes.*
Land rights and resettlement	• Some NGOs were effective in raising community awareness regarding their rights and how to exercise them, as well as ensuring that people had a realistic assessment of the value of their land in the case of resettlement.
Rural livelihoods	• *Civil society could partner with investors to provide trainings such as financial literacy or vocational training, to enable communities to benefit from new opportunities.*
Technology transfer	• *Civil society could facilitate partnerships with investors to provide vocational training to assist communities, especially outgrowers, with the adoption of new technology and inputs.*

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Note: This table extends the key lessons presented in Table 7.1 of the first report (UNCTAD and World Bank 2014), building on the additional information, insights and lessons gleaned from the second, follow-up fieldwork.

TABLE 1.2. UPDATED[a] RECOMMENDATION: EXAMPLE POLICIES AND PRACTICES TO MAXIMIZE POSITIVE IMPACTS AND REDUCE NEGATIVE RISKS AND IMPACTS

A. MAIN POSITIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
DIRECT EMPLOYMENT CREATION • Job creation is a main benefit of investments. • Most employees are satisfied with pay and conditions *and felt better off due to the job.* • *The income from employment or contract farming provides future opportunities such as savings and investments in fixed assets, land improvement and education.* • *Training is a key benefit investors can provide.* • *Provision of employment opportunities for unskilled people, especially women, can have a transformative socioeconomic impact.*	• Seek job creation and training commitments from potential investors. • Consider business models or crops that create most jobs per hectare of land allocated. • *Screen investors on type of employment (permanent/casual), who is employed (locals, women) and duration of job creation, not just aggregate job numbers.* • *Screen investors on quality of management and approach to recruitment and employment terms and conditions.*	• Ensure adequate living wages are paid. • Consider gender balance, employment-related gender issues *and empowering women.* • *Provide clear explanation about recruitment process and employment conditions.* • *Staff handbook and induction programmes are useful and should be adapted to local conditions.* • *Enforce occupational health and safety regulations.* • *Establish clear and effective grievance mechanisms.* • *Provide opportunities to switch casual workers into permanent contracts.* • Train local communities, especially women, to assist integration into workforce. • *Provide training programmes for workers including induction courses, occupational health and safety, business understanding, HIV awareness (where required), retirement savings, chemical application and machine operation.* • *Partner with civil society such as NGOs and universities to provide training.*
ACCESS TO MARKETS *AND OTHER PARTS OF VALUE CHAINS* FOR OUTGROWERS • Reliable *and suitable* market for farmers' produce contributed to improving livelihoods. • Outgrowers appreciated technical support, access to finance, and higher prices as compared to other buyers.	• *Select when feasible,* investors with outgrower schemes that have a proven business model. • *Consider both positive and negative consequences of encouraging shift through outgrower scheme from traditional crops to cash crops (such as income-sensitivity to commodity prices).*	• Consider how schemes can be designed to reach most marginalized farmers. • Resolve the business model before introducing outgrowers. • Ensure transparent and inclusive price determination. • Create dedicated outgrowers training development programmes, *including through partnerships with NGOs and farmers' associations.* • *Support may be required for outgrowers' financial capacity to participate in outgrower schemes. Funding and partnerships with various stakeholders such as local governmental agencies or experienced NGOs can play an important role.* • *The investor should ensure that its operations are not detrimental to existing sources of food security.*
SOCIAL DEVELOPMENT PROGRAMMES • Trend toward social development programmes, including social services (for example, education, health and water), rural infrastructure, or improving access to finance.	• Consider investors' social and rural development commitments when prescreening and selecting investors. • Negotiate with investors on the benefits to be provided to the host country. • *Retain primary responsibility for social and infrastructure services.*	• Consult on and discuss local development visions when designing social and rural development programmes. • Formally committed arrangements. • *Consider training on financial literacy including how to deal with rising incomes and save for retirement.* • If financially feasible, set up a dedicated Community Development Fund. • *Any changes to programmes arising from changes to financial circumstances must be clearly communicated to the affected communities.*

(a) Updated information is highlighted in *italic.*

TABLE 1.2. CONTINUED

A. MAIN POSITIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
FINANCIALLY INCLUSIVE BUSINESS MODELS • Explicit sharing of financial gains with local communities, (for example, revenue sharing) effective in forging genuine partnerships.	• Promote financially inclusive business models.	• Consider whether financially inclusive business model can be employed.
FOOD *AND NUTRITION* SECURITY • Income effect of direct employment and access to markets for outgrowers.	• Consider *both positive and negative* food security implications of investment. • Ensure investments are not detrimental to existing sources of food security for example, through reduced land access *by local population.*	• Ensure adequate living wages are paid and outgrower produce is sufficiently remunerated. • Ensure sufficient land with suitable potential for food crop production is available to local population.
TECHNOLOGY TRANSFER AND INNOVATION • Foreign investors can be instrumental in introducing and encouraging the adoption of new technology and farming practices. • In select instances, foreign technology transfer had a catalytic effect which generated benefits far beyond the investor. • *Technology transfer most commonly occurs through training of outgrowers.*	• Encourage investors with schemes or intention to introduce improved technology or farming practices in an economical and sustainable manner. • Encourage innovation *appropriate to the context.*	• New business models, crops or techniques should be piloted and only employed at large scale once the model is proved and stable. • *Provide knowledge transfer through formal training, on-the-job field training, informal meetings and visits to projects including demonstrations farm.* • *Develop a "model farmers system" in which the company provides experts to train selected local farmers as models in ways to increase productivity.* • *Establish demonstration plots to show better practices to grow crops and organize regular on-site visits for local farmers to promote information exchange.* • *Identify gaps in knowledge, specific training needs and gaps in capital requirements to adopt the requisite technologies.* • *Consider to provide linkages to microfinance institutions to support outgrowers pay for technology and inputs.* • *Partner with other stakeholders such as local training agencies, farmers' associations, NGOs and governments to develop a programme enabling technology transfer.*
INFRASTRUCTURE PROVISION • Development of roads, electricity, and telecommunications opens up new areas and improves market access.	• Consider infrastructure provision and potential spillovers when selecting investors.	• Allow benefits of infrastructure development to *reach the broader population.*

A. MAIN POSITIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
ECONOMIC SPILLOVERS • *Investments can generate both employment and indirect additional business opportunities for small businesses such as restaurants, transport requirements, and agricultural input suppliers.* • *Local job opportunities created by investments have a potential to reverse the exodus of skilled labor and educated youth from rural areas.* • *Investments can raise awareness of a new business opportunity and provide a demonstration effect.* • *The rise in incomes produced by an investor can be beneficially invested in the local economy, towards education and skills development or capital development on local farms.*	• *Spillovers are not automatic. Screen investors based on the business model, procurement plan and potential to generate positive spillovers to other parts of the value chain.* • *Undertake proactive urban and rural planning around investments to manage the impact of economic transformation in the area.*	• *Consider to share or support services and infrastructure such as electricity and roads with local businesses.* • *Train local employees in business management.* • *Source inputs locally where possible. Establish local business development plans to improve the capacity of local suppliers.*

B. MAIN NEGATIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
DISPUTES OVER ACCESS TO LAND • Range of disputes from *involuntary* displacement to uncertainty about investor intentions. • Common conflict between formal rights provided to investor and informal rights of previous users of the land. • *Unclear land laws create situations of conflict over land rights, especially when customary land is concerned.*	• Clear regulatory *and transparent* framework for land acquisition approvals. • Consider formalizing local communities' tenure rights under proper registry system. • Encourage business models with low land needs.	• Early engagement with local communities and all land users *and consultation on existing rights and usage.* • Understand the historical and current use of and rights to land based on own assessments and verification of government assessments. • *Consider to purchase land on a "willing-buyer, willing-seller" basis.*
LACK OF CLARITY OVER LAND ACQUISTION PROCESS • Lack of public information disempowers local communities and hinders ability to hold investors to account.	• Publicize land applications under review and approved, including on investment registry website.	• Consider what information on operations can be made publicly available.

(continued)

TABLE 1.2. CONTINUED

B. MAIN NEGATIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
RESETTLEMENT • Despite some well-handled cases, negative experiences of displacement without sufficient consultation, negotiation or compensation. • *Inadequate compensation includes cases that replacement land was not equivalent in terms of soil quality, suitability for agriculture and access to social services such as clinics.* • *Lengthy delays in the resettlement process were experienced.*	• Develop required procedures to follow and standard valuations for compensation purposes. • *Have policies, and support mechanisms to help resettled populations deal with the socioeconomic consequences of the resettlement, including how to productively invest the money received lump-sum as compensation payment.*	• Consider leaving communities in situ as first option. • Follow a transparent, formal, inclusive, monitored process for resettlement; ▪ *have a clear strategy for land allocation* ▪ *conduct proper consultation* ▪ *set up clear communication channels and strategies between various stakeholders' agreement on compensation* ▪ *build transparent systems to monitor and control the payment of compensation.* • *Ensure full documentation and audit of existing land plots, crops, houses and structures. Compensation according to negotiated and agreed compensation rates.* • *Proper witnessing and recording of compensation payments.* • *Set and manage expectations through the consultation process.* • *Give people the choice, for instance building their own houses with materials provided or building houses for them.* • *Consider to put in place a system for voluntary relocation.* • *Ongoing dialogue and follow-up audit after the resettlement has taken place.*
LACK OF CONSULTATION AND INCLUSION • Lack of involvement of local communities in decision making and planning led to a sense of exclusion and precluded mutually beneficial solutions. • *Unfulfilled commitment, especially with regard to jobs or community development plans, resulted in deteriorated relations.*	• Clear regulatory framework on consultation procedures. • Monitor consultations conducted by investors *and assess/act on*; do not conduct them on investors' behalf *to avoid misunderstanding and miscommunication with stakeholders.*	• Consult with local communities, including informal users of the land, *from the outset.* • Develop continuous dialogue with local communities. • Document all meetings and agreements. • *Manage community expectations through a transparent community engagement strategy.* • *Keep communities updated on developments by ongoing communications, including financial developments to the extent that may affect commitments made to them, such as funding of the community development agreement, providing jobs or purchasing from outgrowers.* • *Free, prior and informed consent (FPIC), is vital not only for the investments associated with large-scale land acquisition but also any other types of investments.* • *The consultation and communication of information needs to take place before, during and after the process.*

B. MAIN NEGATIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
FAILURE TO USE LAND AS EXPECTED • Some investors used a low portion of allocated land, *including land from which people had been resettled*, creating tension with local communities and host countries.	• Prescreen investors to ensure they have capacity to develop land as expected. • Seek commitments for pace of development and retain authority to repossess land not put to use. • *Consider to request investors to phase their projects.*	• Acquire land in accordance with ability to develop it. • Set expectations about the pace of development through consultations.
FINANCIAL OR OPERATIONAL FAILURE OF INVESTOR • Many investors *experienced* operational or financial difficulty. • Most obstacles encountered could have been identified by adequate pre-investment due diligence. • Failure of investment created lose-lose situation for investors, host countries and local communities.	• Prescreen investors' financial strength *(for instance, capital structure and who are its backers)*, technical abilities, approach to Environmental and Social Impact Assessments and consultations, and commitments for benefits to the host country. • Only approve investments at a pace that matches capacity to prescreen and monitor. • *Consider to prioritizing investors who have long-term practical experience and successful track records in agribusinesses in developing countries.* • *Governments can receive support on prescreening from financial institutions with solid experience in financing agricultural investments.* • Create an enabling policy environment for successful investments. • Monitor investors *and have a well-designed exit strategy.*	• Consider *phasing* the investment. • Create own business plan and conduct due diligence. • Incorporate findings from consultations and impact assessments into planning. • *Ensure patient and long-term sources of capital from end investors who are cognizant of risks of agribusiness and who see the project as integral rather than incidental to the portfolio of their portfolio.*
LACK OF GRIEVANCE AND REDRESS MECHANISMS • Those negatively affected by an investment often did not have sufficient means to raise grievances and seek redress. • *Where employees feel comfortable raising grievances with management, better relations and a more positive working environment are fostered.*	• Facilitate and ensure establishment of formal grievance procedures. • *Monitor their operationalization and hold investors accountable.*	• Establish formal and *effective* grievance procedures open to both staff and external stakeholders.

(continued)

TABLE 1.2. CONTINUED

B. MAIN NEGATIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
ENVIRONMENTAL IMPACTS, INCLUDING WATER • Assessment, monitoring and mitigation of environmental impact, especially impact on water, was generally inadequate.	• Require and monitor the conduct of Environmental and Social Impact Assessments *and effective implementation of Environmental and Social Management Plans.* • Monitor and enforce adherence to environmental and water regulation.	• Undertake appropriate Environmental and Social Impact Assessments. Translate those into Environmental and Social Management Plans which are enforced through ongoing reporting and monitoring. • Adhere to environmental and water regulation. • *Implement infrastructure changes to mitigate negative impact, such as airborne pollution or water contamination.* • *Training for the proper use of chemicals and information on the consequences of their misuse should be clearly provided or communicated to employees and the local community.* • *Support community initiatives to conserve the environment, as part of the Environmental and Social Management Plan.* • *Awareness rising of environmental issues could include combining efforts with other stakeholders, such as civil society and government institutions, as well as supporting local initiatives.*

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Note: This table extends the policies and practices referred to in Appendix B of the first report (UNCTAD and World Bank 2014), based on the key findings of the second fieldwork (Table 1.1).

CHAPTER TWO

FINANCIAL AND OPERATIONAL SUCCESS OF INVESTMENTS

The focus of the IAWG research programme mentioned earlier was to understand those conditions that best ensure that large-scale agricultural investments maximize benefits for all stakeholders, particularly surrounding communities, and for the host economy more broadly. In most cases, a critical prerequisite for a positive contribution to development is the financial and operational success of the investments themselves (UNCTAD and World Bank 2014). Investments that were operating successfully (from the investor perspective) were more likely to be well perceived by local communities through the relatively positive economic and social impact of the business. Failing or failed investments, on the other hand, lead to unmet expectations, broken commitments and underutilized productive resources (including land). In this respect, agriculture related investments—especially greenfield operations—are challenging, because there is a gestation period. Even for successful cases there is an inevitable time delay—stretching into many years—between land preparation, full production[7] and (ultimately) profitable operations.

The most common obstacles to success that investors faced related to the host country's operating environment (Section 2.1), access to finance (Section 2.2) and variable international commodity prices. The last was felt most keenly by local communities. Price volatility in crop markets, for example induced by weather conditions, was a concern shared by interviewees, especially those working at the investment. The impact of success or failure of operations on socioeconomic impacts arose principally through employment generation, business linkages and social development programmes (Section 2.3).

[7] For example, it typically takes 3–4 years for a coffee tree to start production. Investors need to consider a potentially long "no-income" period when they choose perennial crops.

2.1 THE HOST COUNTRY OPERATING ENVIRONMENT

A stable host country operating environment is a critical determinant of investor success.

A constraint on operations commonly mentioned by investors in the first phase was the host country's policy and regulatory environment. A well-defined legal environment and stable regulatory requirements applying to agribusiness are of fundamental importance for planning a business over the extended period of time that is required for a large-scale agribusiness to get off the ground, and in turn become successful and profitable. Host country governments[8] also have a responsibility to create a supportive and enabling policy environment which will allow investors to survive and thrive. Some investors visited in this second round of fieldwork had seen their business plans adversely affected by unexpected government interventions and policy swings since the first visit and were grappling with the consequences. Such developments have direct knock-on implications for local communities.

In this phase of fieldwork, unexpected changes in the import tariff and quota system were noted as especially problematic. Such changes weakened the competitive position of local producers and lowered the price of their output. These policy changes had an impact not only on large-scale producers, but also smaller producers, including smallholders under subcontract, who thereby received lower prices for their output. Among the countries visited, one government's decision to allow imports of sugar threatened domestic producers of the sugarcane whose price had dropped.

2.2 ACCESS TO FINANCE

Access to patient capital helps an investment to develop in spite of inevitable setbacks.

A critical determinant of the success of an investment[9] is its access to ongoing finance, particularly in the initial years of an operation[10] when it may need to draw on additional resources to overcome setbacks. As one local employee stated, "investors must be financially stable because there will always be operational difficulties to overcome." In assessing the stability of an operation's ongoing access to capital, its position in the parent company's overall business strategy and portfolio is pivotal.

Some investors are willing and able to sustain negative cash flows as an operation develops; others will be more inclined to pull out, especially if the operation is relatively marginal to its overall business (or that of its financiers). For instance, in the case of one operation, a principal investor was a multinational enterprise which owned businesses in a wide range of sectors but had little exposure to, or expertise in, agriculture. It would appear this investor sought to cash in on the perceived boom in biofuel crops in the late 2000s. A change in corporate strategy caused the investor to pull out of the investment, leaving a funding gap that the operation has since been grappling to fill.

In contrast, when the parent company perceives an investment as a key part of its portfolio, it can be a crucial line of support to deal with financial setbacks as the operation develops. For example, a company visited in Cambodia is an affiliate of a foreign conglomerate. This investor has an extended business plan to set up processing operations in Cambodia, with the output to ultimately be exported back to the home market. In this regard, it is part of a long-term strategy which implies the investor was prepared to accept negative cash flow from the operation as it got off the ground.

Such considerations underscore the importance of operations having: 1) a clear understanding of the nature and scale of their financial risk; and 2) access to patient capital from sources knowledgeable on the difficulties of starting and running a primary production agricultural investment. Investors who perceive agricultural investment in developing countries as a means to make quick, easy profits are likely to be disappointed. For host country governments, the capital structure of an organization and its financiers are key elements that should be assessed during

[8] Not only central governments; the role of state and local governments are also important.

[9] Determinants of successful investments in general include a well-developed and realistic business plan and a robust feasibility study; these are equally if not more important for agricultural investments.

[10] Especially in cases where investors choose crops which require many years to have the first stable harvest.

the investor screening process. Governments should seek support from agencies/entities with solid experience in financing agricultural investments to undertake such analysis.

At the same time, it is important for investors to be transparent with local communities, and share financial (and other) concerns with them, both to avoid unnecessary misunderstanding and to gather support for a solution. As one local villager interviewed stated "the future rests on the promises made by the company. We want the promises to be fulfilled. They cannot just say 'we do not have money'. They must share their problems with us." Although certain financial information is private to the investor, effective community engagement requires being transparent with local communities when financial difficulties are encountered, to the extent that they hinder the investor's ability to uphold commitments made, such as funding of the community development agreement, providing jobs or purchasing from outgrowers. Misunderstanding and poor communication can exacerbate financial problems by leading to community dissatisfaction.

2.3 THE LINK BETWEEN SUCCESS AND IMPACT

Successful operations both influence and are in turn influenced by inclusive project design, employment generation, business linkages and community development programmes.

The successes or difficulties faced by an agricultural investment have an impact on local communities, and development overall, through three main ways: first, the effect on the extent and type of employment generation; second, through the development of linkages to other parts of the value chain, such as outgrower programmes, warehouses, or processing (value-add) operations; and third, via implementation of community development programmes. Conversely, close connections with local stakeholders—for example, through effective outgrower involvement or community participation—support operational success or at least ensure closer cooperation in difficult times.

With regard to employment, one investor in Mozambique had to reduce permanent employee numbers and was three years behind in its plan due to the withdrawal of a key investor during the implementation phase. In contrast, another investor in Ethiopia has doubled its permanent employees from 272 to 512 in the two years between visits by the research team due to conducive local conditions, including a good relationship with the worker's union.

With regard to linkages, the same investor in Mozambique had planned to establish a smallholder scheme, but has had to put this on hold due to its inability to finance the scheme. On the other hand, with the successful development of its outgrower scheme in Cambodia, one investor was able to move from semi-processing in the host country to the establishment of full scale processing and export operations, generating further employment, value added, and export revenue for the host country.

Finally, financial difficulties can also impact on the continuation of social development programmes that are funded by the investor. One investor in Tanzania reported having to suspend its community development programme as a result of ongoing losses. Under this programme, an annual contribution was made to a Community Development Fund which the community could spend at its own discretion. The community had previously chosen to spend this on the construction of schools and a medical centre, and on improving access to clean drinking water. Communities interviewed felt let down by the suspension of the programme and this created tensions due to unfulfilled expectations. This was particularly problematic because the reasons for the suspension were not clearly communicated to the concerned communities (see Box 8.2). This illustrates the critical importance of a proactively implemented Stakeholder Engagement Plan.

In a similar vein, two investments in Ethiopia provided a notable contrast. One was a company run by an endowment fund which could be associated with greater social impact. The other was a purely private sector operation. The latter has run its social development programmes much more successfully by virtue of the fact that it was profitable and hence able to fund activities fully. The first was struggling operationally and financially and hence was having less positive impact on socioeconomic development.

For host country governments, these examples underscore the importance of prescreening investments, either directly or more likely by including a review by a qualified institution, with a view to establishing the likelihood that the operation will be a success (UNCTAD and World Bank 2014). Key screening criteria include: financial capacity of the investor; technical feasibility of the business plan; approach of the investor to social and environmental issues; expected socioeconomic benefits of the investment; the alignment of the business model with host country national or agricultural development plans and the investor's track record.

For investors, these examples emphasize the importance of defining a Stakeholder Engagement Plan and Community Grievance Mechanism at the onset of any large-scale agriculture operations, of managing expectations and maintaining strong and transparent ongoing dialogue with local communities and anybody affected by the investor's decisions and operations. Stakeholders at one investor explained a concern that they had no formalized mechanism to determine whether the company was or was not succeeding. While some financial information cannot be shared broadly, the failure to meet commitments made to, or to live up to the expectations of, people surrounding an investment can quickly lead to a deterioration of relationships, and therefore stakeholders should be kept informed.

As a summary to this section, Table 2.1 lists some examples of good and poor practices related to financial and operational success.

TABLE 2.1. SUMMARY OF GOOD AND POOR PRACTICES RELATED TO FINANCIAL AND OPERATIONAL SUCCESS IN OPERATIONS SURVEYED

Examples of good practices	• Providing or ensuring patient capital and long-term sources of capital. • Investments which are integral rather than incidental to the long-term strategic investment plan of the parent company. • Rigorous prescreening of investors' technical, financial, environmental and social capabilities (by governments, drawing on external advice as needed). • Prioritizing investors who have long-term practical experience and a successful track record in agribusinesses in developing countries (by governments).
Examples of poor practices	• Failure to adhere to commitments or expectations for job creation, community development programmes or outgrower schemes. • Lack of communication with communities by the company when it faces financial and other difficulties that are likely to impact commitments made to communities, such as the funding of a Community Development Plan. • Sudden, drastic changes in the host country operating environment, especially trade legislation.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

CHAPTER THREE
EMPLOYMENT

3.1 EMPLOYMENT GENERATION

Employment is the principal benefit perceived by communities.

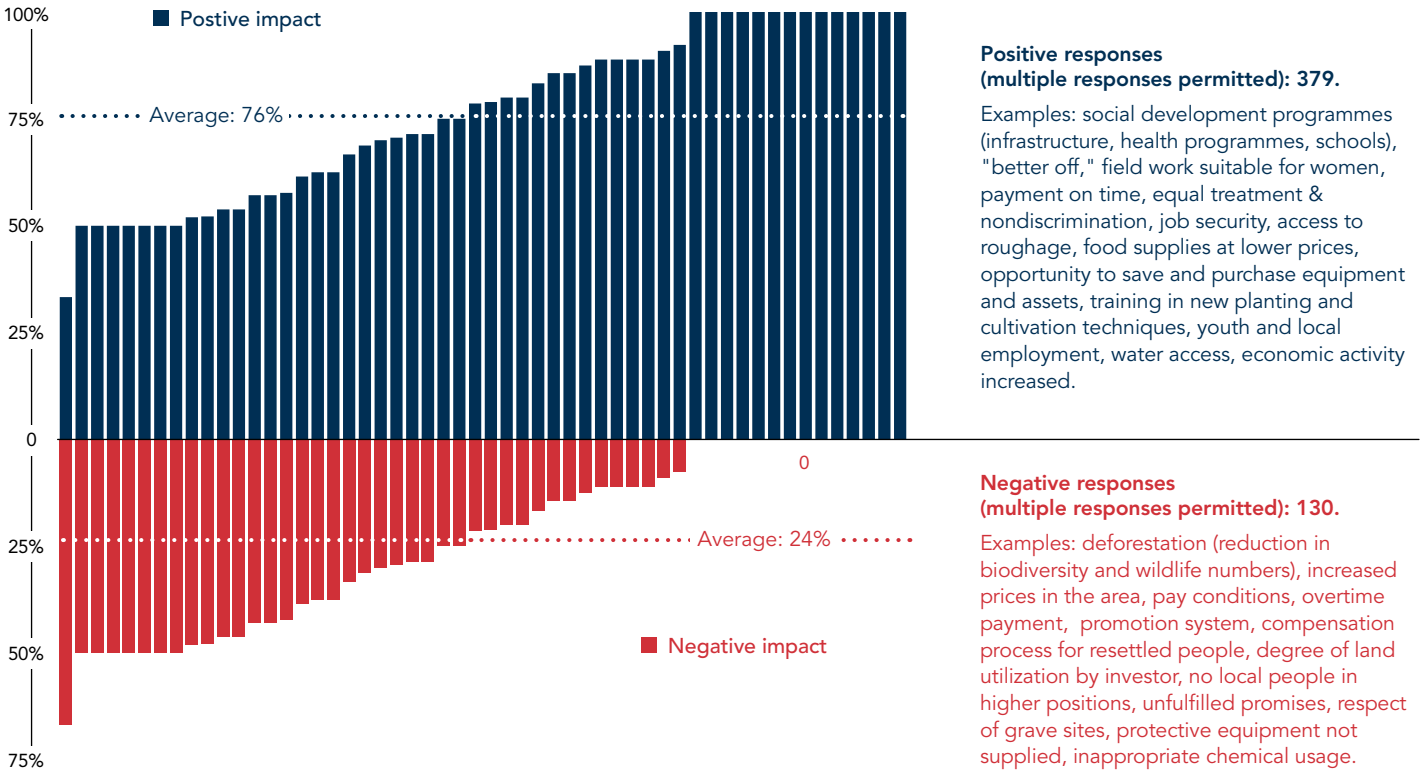
In line with the earlier study, employment creation remained a principal benefit that communities perceived from the presence of an investor, especially in terms of income and food security aspects when compared with subsistence agriculture. Employees' perception from investments was overall positive (Figure 3.1) and was also more positive than the full sample average, but only slightly so, indicating that the overall positive community perceptions of these investments were not driven by employees' views alone.

Many investors in the survey generated formal job opportunities in rural communities for the first time. 60 percent of 54 employees interviewed across all investments for this supplementary report had no previous formal work experience. For over 80 percent of female employees, the job with the investor was their first experience with formal employment. Job security and regularity of income were particularly appreciated. Although there were concerns expressed about pay and working conditions, 86 percent of all employees—and all female employees who responded—perceived themselves to be better off as a result of having a job with the investor (Figure 3.2).

The arrival of an investor creates an expectation of jobs but can undermine relations with the local community if these remain unfulfilled.

When jobs generated were lower than expected, community disappointment impacted negatively on the relationship with the investor. This underscores the importance of clear and open communication during the consultation process and management of community expectations, especially when companies face financial difficulties. A sugarcane company in the survey promised a local community that the establishment of a sugar mill would create job opportunities, but after 5 years struggling with access to finance and low international commodity prices, the jobs had not materialized. Indeed, employee numbers had fallen between researchers' first and second visits (Table 3.1).

FIGURE 3.1. SHARE OF POSITIVE AND NEGATIVE IMPACTS MENTIONED IN EMPLOYEE INTERVIEWS[a,b]



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) 54 employees were interviewed (including employees interviewed along with other stakeholders).

(b) All examples of impact mentioned by employees interviewed are classified as either *positive* or *negative*. The figure shows the balance of positive and negative mentions for each employee interviewed. A level of 100 percent means that the stakeholders interviewed for that investor mentioned only positive impacts.

The local community was dissatisfied by this turnout: one interviewee stated he did not understand how a company can make money if it never produced anything.

Most investors were employing more workers with permanent contracts over the review period.

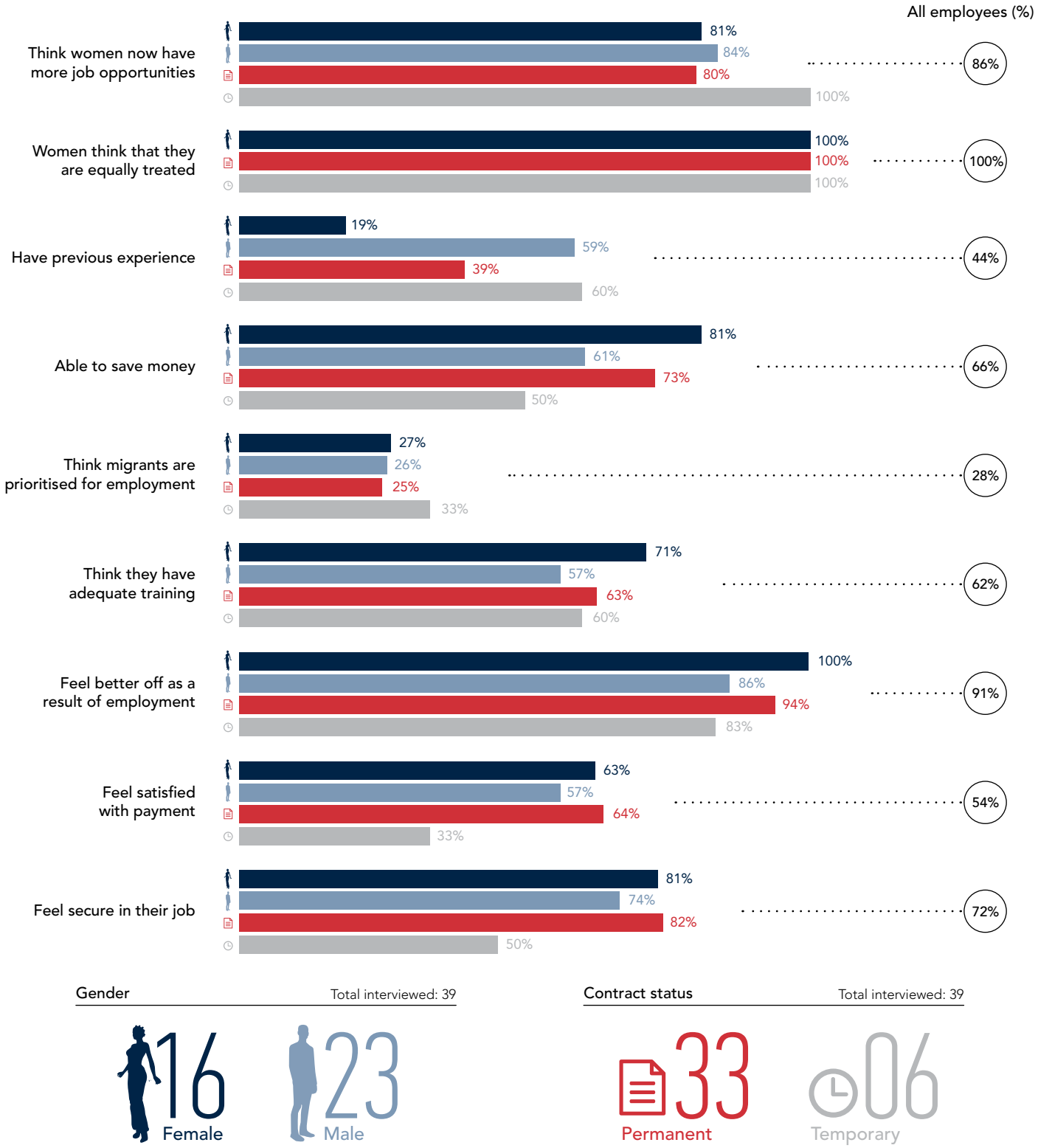
Some investors visited had dramatically increased the number of employees over the review period. For example, at a maize company and a flower company the number of *permanent* jobs had almost doubled. This was because both investors have been expanding operations, clearing and using more of their land allocation,[11] a process which was well understood by the communities. "The number of employees is increasing gradually as the area planted increases in size," stated a worker interviewed. In addition to the increase in number of total employees, many casual workers had been switched to permanent contracts (Table 3.1).

But in some cases, employment benefits diminished over time as production became more mechanized.

In the early stages of investments the employment of unskilled workers tended to be proportionally higher owing to basic land preparation and planting material. To shift into larger-scale production and increase the level of mechanization, some companies reduced the share—and sometimes absolute number—of unskilled employees, who were often local people. This is reflected in part in the number of temporary workers employed (Table 3.1). In a similar vein, a company in the sample initially planned to have a total workforce of 3,000. However due to a subsequent strategy to plant and process large-scale production

[11] Land acquired by both investors has not caused resettlement in the community. Expanding operations means that the investor is clearing more land out of the total area initially leased.

FIGURE 3.2. PERCEPTIONS OF EMPLOYMENT AND RELATED CONDITIONS, EMPLOYEE INTERVIEWS



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) The total number or employees who responded on these questions was 39. Of 39, women represented 16 and men represented 23. From a contract point of view, 39 total answers consisted of 33 permanent workers and 6 temporary workers. Four mixed groups interviewed during the field work which responded to these questions are not included in the figure. (b) Some employees did not provide an answer to some questions. (c) *Think women now have more job opportunities*, 35 total answers: 19 males and 16 females. (d) *Think they are equal treated* (women only), 16 women interviewed; however only 14 responded to this questions. Of these, 12 were under permanent contract and 2 under temporary contract. (e) *Think migrants are prioritised for employment*, 38 total answers: 23 males and 15 females (f) *Think they have adequate training*, 37 total answers: 23 males and 14 females (g) *Feel better off as result of the employment*, 38 total answers: 22 males and 16 females.

TABLE 3.1. VARIATION IN NUMBER OF EMPLOYEES FROM 1st AND 2nd VISIT: SELECTED COMPANIES

Companies	Permanent 2012	Permanent 2014	Temporary 2012	Temporary 2014
Maize Company	272	512	2,027	1,432
Flower Company	334	915	500	45
Sugarcane Company 1	113	100	198	na
Sugarcane Company 2	900	900	10,000	6,000

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) Companies were selected according to data available from the 1st and 2nd visits. (b) Sugar Company 1 and 2 refers to companies from different countries.

for export using a more mechanized process, the number of unskilled workers dropped from 2,000 to 800 even though more land was being cultivated and more skilled workers employed.

3.2 PAY AND EMPLOYMENT CONDITIONS

Wages have risen since the first phase and generally compare well to those available elsewhere.

Not unexpectedly, many interviewees would like to be paid better; yet they were generally happy with the overall terms and conditions of employment (Figure 3.2).[12] Local people recognized the need for more investors to come so that there would be competition for labor, and hence upward pressures on wages. One interviewee mentioned that when he had previously worked at an operation in another country, "there were many other investors locally; thus workers had the choice to change if they were not happy with their job."

In general most investors visited paid higher wages in comparison to the legal minimum wage and other agriculture workers. For instance in an operation in Cambodia, field-workers receive more than the legal minimum wage, and much more than the average wage/income in the agriculture sector. Worker's wages had increased from US$4 to US$5 per day between the two visits, with employees feeling that there was "better job security as work is available every day." In consequence there were few disputes or complaints by workers over payment. In addition the company provided flexible arrangements for working which included permanent contracts and a system that allowed employees to earn a "double income" by working on their own farms during the peak season (for local produce) and then returning to the company for the rest of the year.

There were significant differences in wages and benefits between daily workers, field workers and permanent employees.

Seasonal employees tended to express greater concern about their terms and conditions; typical concerns were financial insecurity and paying for medical expenses when sick. They were paid less, reflecting lower skill levels, but salary increases also appeared to be at a slower pace. In Ethiopia for instance, in some cases salaries for unskilled workers had not kept pace with inflation. Permanent employees could be offered free accommodation and provision of basic amenities, including water and electricity. Some were provided with medical insurance, bank loans and education allowances. In Ethiopia a supervisor stated that he felt that the company offered him the possibility to learn from his experiences, including learning without intimidation from any mistakes. In contrast, seasonal employees rarely received these benefits. The lack of employment stability was also a frequent concern for seasonal workers.

The recruitment process and employment conditions were not always explained to workers before signing their

[12] In the case of some commodities, salary scale is defined jointly by the regional government, the unions and the companies. As such, this is not a sole decision from private investors.

contract. Investors should be aware that they are starting businesses in areas where formal employment—and the contracting process—is not known or well established. Good recruitment strategies and clear employment conditions are essential. Investors can adopt practices such as a Staff Human Resource Handbook and induction programmes according to local conditions. Contracts and conditions should be adhered to. In Mozambique employees interviewed stated that a company did not pay overtime as agreed in contractual hours and obligations.

Local circumstances also need to be understood and respected. At one investment visited, employees expressed concern that companies did not respect local holidays and expected them to work, even for instance when they had a death in the family. Investors need to take heed of these issues, especially through close consultation with local communities.

Although occupational health and safety regulations were common, practical application was often lacking, with supervisors not always following all the safety precautions carefully or employees deliberately flaunting operational procedures due to discomfort in wearing Personal Protective Equipment. Investors had not always created simple protocols, working instructions, or trained safety officers. In Ethiopia some female fieldworkers were concerned that their supervisors did not follow safety precautions, thereby exposing them to agrochemicals and public health hazards. Similarly, in one Tanzanian operation pesticides sprayers did not use protective clothing, apart from a mask. In Mozambique a male employee stated that workers applying agrochemicals did not wear protective clothing as they should, removing them because they were uncomfortable under hot weather conditions.

Training is a key benefit to attract skilled workers to investors' operations. About 60 percent of employees think they have been receiving adequate training (Figure 3.2). Topics include induction courses, occupational health and safety, business understanding programmes, training for safe agrochemical spraying, machinery operation and HIV awareness. In Tanzania, one company offered training on how to save for retirement and provided education subsidies for employees to undertake higher education programmes. Some unskilled workers were also receiving extensive training, for example in driving tractors and operating machinery. In Ethiopia a former worker stated that the company "is a place where you can learn from others who have more work experience." He left the company to start a new job thanks to what he learned.

Some investors were developing vocational training programmes to integrate local people into the workforce. The first study noted the skills gap in rural areas where investors operated and the need for dedicated training programmes to integrate local staff. Some investors visited were indeed developing internal promotion programmes (see Box 3.1). In Ethiopia a government official mentioned that local minority group of people were also benefiting by learning new skills and knowledge.

BOX 3.1. AN EXAMPLE OF AN INTERNAL PROMOTION

On a maize plantation, the current incumbent responsible for supervising the administration of agrochemicals noted he had been promoted three times in 14 years. He was born and grew up on the farm. He started as a daily worker. He was provided training on Integrated Pest Management, including agrochemicals storage, handling and safe use. Then he was promoted to a supervisor before reaching his current position. As a result, his living standard has improved significantly, with him saving around 50 percent of his wage. Currently he earns 2,738 birr or US $132.78 monthly plus housing and other supplies (running water, electricity and health care benefits). "The pay is relatively good," he says.

Even though he received three days training on agrochemicals six years earlier he mentions that, "I have experienced many difficulties with new pests. Hence continuous training is needed." The company offers to cover 50 percent of tuition fees for distance education programmes when the field of study is related to the current position. However, he was not yet been able to be benefit from this opportunity.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

3.3 WORK ENVIRONMENT

High quality, responsible management staff were crucial to developing trust and good relations with employees and, in turn, local communities.

Trust and open communication are important in order to achieve operational success because they contribute to building a positive work environment. Developing them depends heavily on the quality of management and the ability of the investor to interact transparently and fruitfully with local people, both employees and nonemployees. A good system for worker grievances was particularly appreciated by many employees. In a maize plantation, fieldworkers interviewed mentioned "we are happy with the way our immediate supervisor treats us. She is like family to us. She always listens and tries to solve our problems with an open heart." In a spice company most of the managers were drawn from the community, facilitating interaction with the local community. The CEO was also closely involved with the local community. Where employees feel comfortable raising grievances with management, better relations and a more positive working environment were fostered.

In contrast, poor management or supervision can have a detrimental impact, especially where power relations are involved. In the case of one company, the relationship with one supervisor was so poor that if employees complained about aspects of the investment when government officials asked for their views, they were afraid they would be fired. Another supervisor was accused by workers of selling jobs for US$18 to US$52 or for the price of a goat (US$13), having a tendency to employ friends, and for asking for sexual favors in exchange for employment. The senior management appeared to be unaware of these accusations because employees had no means to raise them. There were cases in the visited companies where action was taken when malpractice was discovered. In one company some local employees felt mistreated by managers: as a result the company changed the management team and the situation was reportedly improving.

The level of organization and strength of workers' unions is a key determinant of job satisfaction.

At investments where a strong workers' union was in place, employees felt more satisfied that their concerns could be heard and collective bargaining agreements made. In some cases, not only permanent but also seasonal workers were able to join the union. On a maize plantation the managers supported the workers' union and it was represented in the decision committee of the company. As a result employees have been able to engage in dialogue with the investor and reach agreements through collective bargaining. One employee interviewed mentioned that, "the collective agreement is a major instrument for dealing with issues in a transparent manner that builds a good level of trust among parties." For example, the management and union have agreed a policy of profit sharing where 10 percent of annual profits are distributed to all employees.[13]

3.4 FEMALE EMPLOYMENT

In many cases, the arrival of agricultural investments has boosted women's share of the local labour force; yet there was evidence of women being confined to lower paid and unskilled jobs; and gender-defined roles remained.

Women represent up to 50 percent or more of the workforce in the investments surveyed, with their employment particularly concentrated in the role of fieldworkers. More than 70 percent of employees who responded to a question on opportunities (19 males and 16 females) thought that women now had more job opportunities than before (Figure 3.2). A woman worker mentioned that, "the possibility of women getting employment, especially for those who are from the local community given their limited education and technical expertise, was very unlikely before the investment arrived." In one case, a maize plantation,

[13] Also in collaboration with the company, employees have been organized into 5 associations to secure land from the government to construct houses reducing the total cost up to 50 percent.

70 percent of daily workers were women, most of them without previous work experience. In another case, at a spice company, around 60 percent of workers were women who were paid the same wage as men. Women were perceived as responsible and hard workers by investors; a view shared by some fellow male employees, as exemplified by a man interviewed in Mozambique who argued that women had more job opportunities because they worked harder than men. During the paprika harvesting in Mozambique, one company employed 20 women out of 30 seasonal workers because from previous experience women picked the equivalent of 3 bags of the crop daily compared to 1.5 by men.

Overall, however, female employment was concentrated in less educated manual tasks in the operations visited, such as seeding, watering, weeding, farming and harvesting. At the highest level of management women were almost absent. The reason claimed by investors for this gender gap was the lack of qualified women.[14] Among the companies visited in one country, there was only one woman as head of a department. Nevertheless, women workers visited in another country believed that with the right qualification in terms of education, experience and commitment it was possible for a woman to get promoted.

In order to overcome the gender gap in higher paid and managerial positions, some investors were establishing preferential training and internal promotion programmes. For example, in order to increase the number of female employees, one company in Ethiopia provided incentives, for example, accepting a lower Grade Point Average (GPA) of 2.75 for women in comparison to the 3 required for men employees. As a result some women were occupying managerial positions. However a women employee mentioned, "This benefit does not seem to compensate for the disadvantage because the information we need in preparation for evaluations is not always equally available to both men and women." She explained that while men easily could get information and prepare for entrance examinations (for instance, by frequently working collectively), women were often isolated and did not have the experience of working together. It was also sometimes the case that some well-meaning initiatives reinforced gender stereotypes practices. For example, at one company in Cambodia the number of female employees was very high. This was because, as some female workers mentioned, "it is easy for a woman to work in the company because it provides accommodation and cooking areas which make it easier to do our domestic chores after work."[15]

Women's aspirations, traditional lifestyles and cultural behavior were changing.

Most of the 16 women employees interviewed (see Figure 3.2) were pleased with the job opportunity because it was generating a positive impact on their lives and for their families and children. The second visits to the 8 investments were able to observe further cases that many women were contributing to household budgets and seeking opportunities for further education and entrepreneurship initiatives. This boded well for personal development and children's health, nutrition and education, not least because women's saving propensity tended to be higher (81 per cent of female employees are saving money) in comparison to men (Figure 3.2).

In Cambodia while many male employees interviewed did not feel financially secure, women in contrast mentioned that were able to save up to 300,000 riels or US$75 per month. Investment in agriculture, especially in rural areas, could contribute to reducing the social obstacle to women working, and enhance women's empowerment (Box 3.2). One woman worker mentioned that her life has improved because of this employment opportunity, "I am receiving a better salary and supporting my child, with savings of up to 2,500 birr per month ($120 dollars)." One operation visited in Mozambique, the biggest maize field opposite

[14] That is, a person who has finished primary school and undertook advanced studies.

[15] Moreover work was distributed where high level intensive work went for women in the field and heavy work for men.

BOX 3.2. IMPACT OF EMPLOYMENT ON WOMEN

In one area visited, historical and cultural reasons have limited women working outside the home. These reasons included perceptions that they will neglect housework and/or start a relationship with a male worker. Before getting married many women had to quit their job, if they had one, due to family pressure.

Employment opportunities created by investors have begun to change these attitudes. Companies often preferred to hire women as they were perceived as more responsible and reliable. "It is also easier to get both long-term and short-term work for a woman," some female workers stated. Their families were starting to value their economic contribution; one female worker noted that because of this employment opportunity "I can buy what I need and make savings. Occasionally I also partly support my parents." Another interviewee mentioned "my husband's job is harder and more tiring than mine and so it is me that supports him. I initially had a hard time convincing him to get employed in the company." Some female workers were encouraging other women to join them. There were now opportunities for widows who would otherwise struggle for income. Women were switching from temporary to permanent positions and had increasing opportunities for promotion.

As a consequence, cultural barriers have been reducing as investment in agriculture was contributing to reducing the social obstacle of women in the area and enhancing women's empowerment. For some women, the job represented a way of getting financial independence for instance to get out of a troubled marriage. This has been reflected in lifestyle changes of young women; one noted "we have a break once a week and often go to the city center to buy things like clothes and hair oil from the market, and for entertainment such as having tea or coffee." Traditionally women did not have long hair in the area, yet they were now adopting long hair, going to hairdressers, and changing their style of dressing. These small shifts noted by researchers could be reflective of an increasing "transformation" of attitudes and the shifting position of women in society.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

to one factory gate belonged to a woman employee. She invested her money in some land and employed local people. She grew sesame seed which was sold to traders for 45 MZN or US$1.14 per kg.

3.5 EMPLOYMENT OF LOCALS

Investments vary to the extent to which local communities were integrated into the workforce; vocational training programmes to integrate local people have worked and should be encouraged as part of project design and implementation.

Our cases studies found that employment of large numbers of the local population sometimes occurred in the early stages in an investment, i.e., when more unskilled labour was needed. In many cases, few of the local population may have attended school and may be illiterate; restricting local employment to jobs such as daily laborers or other junior positions (such as security guards around farms in many cases).

Some companies have had success in integrating local people into higher roles after initially employing them in junior positions; and training was essential to ensure this (Section 3.2). At one company in Ethiopia, 26 unskilled women daily workers were trained to become machine operators. They were considered as exemplary and role models in the community especially for young people. Beyond this, companies had a variety of initiatives to increase the number of local workers (Box 3.3).

A common concern among local communities was perceived favoritism by companies in hiring skilled workers from capital cities or neighboring regions where better educated staff were available. In Tanzania one village council mentioned that most employees were migrants, even those in low-skilled jobs such as drivers which could be easily sourced locally. The few employees from the villages surrounding the investment were deemed to be in the worst paid and lowest quality jobs.

In some localities, villagers perceived that the recruitment strategy of the company did not take into account the recruitment preferences of local skilled people for managerial positions; for instance advertisements may not have even been published in the community, nor were locals

BOX 3.3. EXAMPLES OF COMPANY INITIATIVES TO INCREASE THE NUMBER OF LOCAL WORKERS

- In Ethiopia, some companies were opting for developing roads. As a result, operations were better connected to the local town and villages, reducing the long walking distance not only for employees, but also for children and farmers in the area. Other companies were providing fieldworkers who lived in town with subsidized bus transportation from their home to the plantation in order to avoid the 1 to 2 hour travel by foot. In one case, a company had contracted 4 busses. However due to lack of effective planning, transportation services were delayed up to one hour and were not available to everyone.
- On a maize plantation, a company's recruitment policies gave priority to locals where job applicants were otherwise equivalent in terms of education. Local farmers believed that this situation provided long-term benefits since people thereby gain good work experience. However, employees mentioned that local people were mainly employed for short-term positions, with no definite prospect of continuity.
- Another investor had established partnerships with NGOs and Universities to fund the training of local people in agribusiness and other skills so they were more employable. The regional university signed a MoU with the company that accepted students (mainly from the University's Management and Economic Department) as paid interns for a short-term period (up to 9 months). Students assisted company staff members in supervision of field and other workers. They also kept daily records of work done (e.g., number of trees pruned and crop harvested). Results were presented daily in management staff meetings. Since 2012 the company has provided traineeships to 20 students and 10 of them were offered permanent positions. Two students interviewed by the research team expected to become permanent staff at the company and agricultural specialists.
- In Mozambique, some local people (especially women) do not have ID cards, but this document is required in order to apply for a permanent job. Therefore, one company was helping local people to obtain ID cards so that they could get a job. "Before the investor came many people did not have a vision for the future. But now they have applied for IDs to get employment. In fact, people are more proactive about wanting work," remarked a supervisor interviewed.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

informed in another way. A standing example was a company among those visited which changed the management team to address many complaints on the preference given to non-locals. In this case, this action has also led to more local minority people occupying managerial positions (i.e., there was also an issue between local majority and minority groups).

Across all investments and regions visited, in general local villagers believed they had good relations with nonlocals and perceived that they were contributing to local growth (for instance, through construction projects). In addition companies were attracting young professionals from outside the area. This was often the first time that university graduates came to live and work in such places, sometimes with positive results. "The interaction between the local community and university graduates is contributing to rising aspirations among local people. Most especially they create role models for young women," a male supervisor mentioned.

The arrival of an investor in a region can also offer an opportunity for people of local origin to return to the area they had previously migrated from. For example, in Mozambique many skilled people left the locality or the country due to the war, but some were now returning as they have heard about employment prospects.

As a summary to this section, Table 3.2 lists some examples of good and poor employment practices.

TABLE 3.2. SUMMARY OF GOOD AND POOR EMPLOYMENT PRACTICES IN OPERATIONS SURVEYED

Examples of good practices 	• Provision of employment opportunities for unskilled people, especially women. • Stability of income supporting a transformative effect through savings and investments. • Higher wages in comparison to legal minimum wage and other agriculture workers. • Expansion of operations, creating more job opportunities. • Provision of opportunities to switch casual and seasonal workers into permanent contracts. • Flexible working arrangements: e.g., provision for individuals to work on their farms during the peak season and then return to the company for the rest of the year. • Internal training and promotion programmes to integrate local people into the workforce. • Partnerships with civil society such as NGOs and universities to provide vocational training. • Clear and effective worker and community grievance mechanisms. • Workers' union presence to establish collective bargaining agreements and engage in an ongoing dialogue with investor. • Job opportunities for women, improving women's lifestyle and socioeconomic conditions. • Ancillary benefits to employees: transportation, subsidized food, and housing.
Examples of poor practices	• Lack of communication when company faces financial or other difficulties that will lead to a shortfall in job creation promises, or reduction in existing employment. • Unfulfilled job promises. • Unduly low compensation for casual or seasonal employees. • Absence of explanation about recruitment process and employment conditions. • Occupational health and safety regulations not being enforced and/or being monitored. • Poor management and abuse of power by direct supervisors. • Insufficient consideration towards training locals for skilled jobs.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

CHAPTER FOUR
RURAL DEVELOPMENT

Investments can have a transformative impact on the communities where they are located.[16] Much of this impact can be long term, and go beyond the immediate activities of the investors. Employment provides the local community with salaries, which can be saved and invested to create further opportunities (Section 4.1). Over time, the local economy also thrives, initially from an expansion in small businesses—restaurants and other services—to, ultimately, bank branches, agricultural input suppliers, building suppliers and supermarkets (Section 4.2). Additional spillovers occur when investors, sometimes in addition to government efforts, develop infrastructure around the investment (Box 4.2).

Spillovers can be negative. For instance, when the presence of an investment leads to a rise in local prices, including the price of land or the price of products in local shops; or where investments create a divide and tensions in the local community between employees who have money to spend and those who find life less affordable.

It is important to recognize that positive spillovers are not automatic: the policies and practices of the investor and the government influence outcomes (for example, the capital intensity of production methods, the choice of crops, the use of outgrower schemes, or investment in education and skills). At the same time, much depends on local factors; for instance, the potential for knowledge transfer to local smallholder farmers depends on the latter's existing capabilities and their ability to learn, absorb and utilize new knowledge.

4.1 SAVING AND INVESTMENT OF WAGES

Salaries create opportunities for people to invest in fixed assets, land improvements or education.

In the case of a number of agricultural investments visited, they have created opportunities for the first time in remote areas where few opportunities existed before,

[16] For an analytical framework of potential impacts of investments on an economy, including less common concepts such as "value chain multipliers" referred to in this section, see Mirza, et al. 2003.

especially for youth and women. In one area visited, local farmers interviewed mentioned that many of their family members—some without land—were working for the operation, and were making money. Before, the choices available for these family members were few: work on the farm, domestic labour or emigration from the area to find work. In some areas in the past, poverty had been accepted as the normal state of affairs. An employee interviewed noted, "I have money now because I am working at the investment. Before it came, I did not have money. Now I can buy what I need."

This influx of incomes when multiplied across many workers or contracted outgrowers, as well as other inputs purchased locally by investors, has resulted in a transformative effect on the future aspirations and expectations of most rural communities visited in the fieldwork. This was particularly the case for rural women (see Box 3.2). The transformational impact was intensified as the income provided by employment opened up new opportunities for people to save and invest in their own farms, in shops and businesses (Section 4.2), in health services, in their own education and training or that of close relatives (especially children). Such simple things, multiplied, could have a large local effect (Box 4.1).

Employment can generate economic empowerment and development in local communities. But it is not just employment and the influx of cash which can drive this change. Other "transformative elements" include greater confidence and empowerment among local people, stable incomes, and higher levels of education. Investors thus can support the means to invest in capital development (fixed capital, land improvements and human capital), a critical determinant of economic development.

In many cases, employees of investors also worked on their own farms, and saving part of their wages enabled them to invest. In some cases household savings were up to 70 percent. There were several cases of employees interviewed using savings to pay for vocational training; employees also used savings to construct houses both to live in and to lease out as a further income stream. A number of interviewees, e.g., in Mozambique, further commented on changes in attitudes and perceptions due to wages earned; for example, people initially bought bicycles but nowadays, one could see more motorbikes and even motorcars, significant improvements in houses as evidenced by zinc roofs and brick and cement structures,[17] as well as an increase in the number of shops.

The transformational impact was also demonstrated by the fact that, with a stable income, a number of employees on farms changed their risk assessment and invested part of their income to increase production on their own land (including purchasing new land, expanding field size, and hiring tractors from the company or other sources). This generated income from the production and sale of surpluses, sold either locally to other employees, or benefiting from improved road access, to nearby villages/towns

[17] For instance, a local villager in one locality visited described the type and size of the houses being built by the local community as in a very "modern" style, and bigger than those in the majority of rural areas.

BOX 4.1. AN EXAMPLE OF HOW EMPLOYMENT IMPACTS ON LIVELIHOODS

Investment can generate positive outcomes by increasing the possibility to save after covering household and personal expenses. A female interviewee started without a contract of employment as a daily paid worker, but after one year was promoted to a monthly paid post. She decided to work in the company for a further three years until she got pregnant. She also received one month's allowance for support during her pregnancy. As a daily paid worker, she was paid 16,000 riels or $4, but once she became staff in the second year she was paid $110 monthly and in the third year $150 monthly. Her husband was still working in the company. Her salary was used for household and personal expenses while her husband's salary was used for savings. The family could save around $75 per month (or 300,000 riels). After three years, they were able to save enough money to buy their own land for $500 and build a house-come-shop to sell vegetables, fish, meat and other foodstuff for $250. Currently when interviewed, the family felt better off as now they had their own house and business. They could provide better education to their son.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

and to traders. Multiplier effects can be generated by such practices extending further. For example, an owner of a retail shop who has done well from new business after the investment began mentioned that, as well as continuing with his present business, he intended to expand his farm by buying more land and planting mangoes and other high value crops.

But rising incomes can create an insider-outsider status in that some people not employed by the investor can suffer due to rising prices.

Overall, a rise in employment was generating higher incomes and local savings in most of the investment areas visited. When incomes and savings were reinvested into the local economy, this had positive multiplier effects, but it could also create inequalities and rising prices can have a detrimental impact. A negative impact arises if people with lower incomes in the community face economic difficulties as a result of a rise in prices. For instance, in the area surrounding one investment in Mozambique, local shops raised prices to reflect the rising income of employees working for the investor. Over time, such consequences created a divide in local communities, since those who did not work for the investor could find life less affordable. In Ethiopia, interviewees mentioned that once employees retired, they were no longer able to afford or rent houses, and some resorted to begging in the streets.

A multiplier impact is by no means automatic. When wages earned by employees are kept as precautionary savings they have little positive impact on the local economy. One way to manage unnecessarily high rates of precautionary savings could be to develop a programme to train employees and others on how to manage savings and channel this back into productive use. One initiative was reported in Tanzania, with an investor providing training to employees on how to save for retirement (along with other courses delivered to raise language proficiency, reading and entrepreneurship skills).

Overall, the multiplier effect of the investment on the local economy observed was minimal when there were only a few highly paid workers (especially if those come from further afield), but the effect could be boosted by a higher share of cash flow being channeled through the hands of a large number of local individuals (including employees of outgrowers, suppliers, contractors), with a potential of a more inclusive growth effect.

4.2 IMPACT ON LOCAL BUSINESSES

Investors create spillovers in the form of linkages with local businesses.

A major part of the spillovers arising from large-scale investors is because of the additional income in the local economy, particularly when the income is widely dispersed and the preponderance is spent locally. Investments create employment and attract people to an area, generating indirect additional business opportunities for small businesses and suppliers. These businesses benefit from salaries and wages of employees spent within the local economy. In one locality visited, a government official interviewed mentioned that the town had transformed dramatically, "everything started to change after the arrival of the investor. Shops, hotels, and coffee shops opened quickly, one after another." Local businesses can also benefit by accessing services or infrastructure (Box 4.2). In one instance, an investor has provided free electricity to support the operation of local businesses where public electricity could be unreliable.

Economic spillovers can also occur through demonstration effects or impacts along the value chain. Demonstration effects occur when successful new ventures are recognized and imitated by other companies. Investing in farmland operations to grow flowers was not perceived as an opportunity in one of the countries before a company established an operation in this business, but its success has changed this situation and attracted the attention of new potential investors. In another location, rice was not cultivated before the investment took place, but has also resulted in additional investments.

Value-chain multipliers[18] can also yield significant local impacts. For instance an investor in Tanzania invested in a new processing facility, adding further value to the primary product. The resulting product was sold to other

[18] Op. cit. Mirza, et al. 2003.

BOX 4.2. INFRASTRUCTURE DEVELOPMENT BY INVESTORS

Notable improvements for the local community can arise from infrastructure development in and around the investment, particularly in remote areas. Infrastructure development associated with the investment, such as building of roads, expansion of telecommunications, access to electricity, building of a police station, or improving access to water supply generally has a positive impact on local communities. The benefits derived are most visible when the investor operates in remote, rural areas.

Infrastructure is generally developed by central or local governments, but in a number of sites visited, it was the investor who engaged directly in infrastructure development. Infrastructure has an enabling effect on local farmers and businesses, facilitating access to new markets for their products, either for products grown to sell or for farmers selling their surplus (Chapter 8). One investor provided financial contributions to support the maintenance cost of the irrigation system constructed by the government. In Cambodia, an investor has improved the main road from the village to the city. According to local people interviewed this was a major contribution of the investment to the community. "The improved road access has stimulated more commercial activity in the village," mentioned a local villager.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

local beverage industries, creating some 60 additional jobs. The new facility also acted as an incentive for local people from within and outside the area to establish logistics companies to support the investor's operations. The extent of multiplier effects (value-chain or consumption) in such cases depended significantly on the level of workers' wages, which have been found, in some locations, to rise at a faster rate than the cost of living in the area.

Investors may not always represent a large market for local businesses.[19] Companies may not generally buy significant materials from local shops, and it tends to be limited for local businesses to supply inputs and materials directly to the investors, often because they do not usually stock the quantity, quality or type of inputs required by large-scale investors. Investors may also operate in enclaves with little or no interaction with the local business community rather than utilizing local services. There are exceptions, such as one investor in Cambodia who purchased coconut leaves, food, chemicals, construction materials and petroleum products from local stores, or another in Tanzania which bought stationary and building materials locally.

The spillover to local businesses can arise through changes in the local job market.

In Cambodia, Tanzania and Mozambique, many entrepreneurs and business owners interviewed were former or current employees of the investors. These employees acquired valuable knowledge working for the investment, which they subsequently applied in the local business community, either when leaving the investor or on a part-time basis while still employed (Section 3.5).

In addition, the activities of the investors can provide opportunities for remote areas or regions or zones to retain their educated youth. In the past it would be common for educated, diploma and degree graduates, and to some extent high school graduates, to migrate to the cities and in particular to the capital city to find a job. The situation could change with the presence of rural enterprises requiring skilled staff, thereby creating opportunities for better qualified local people to find gainful employment.

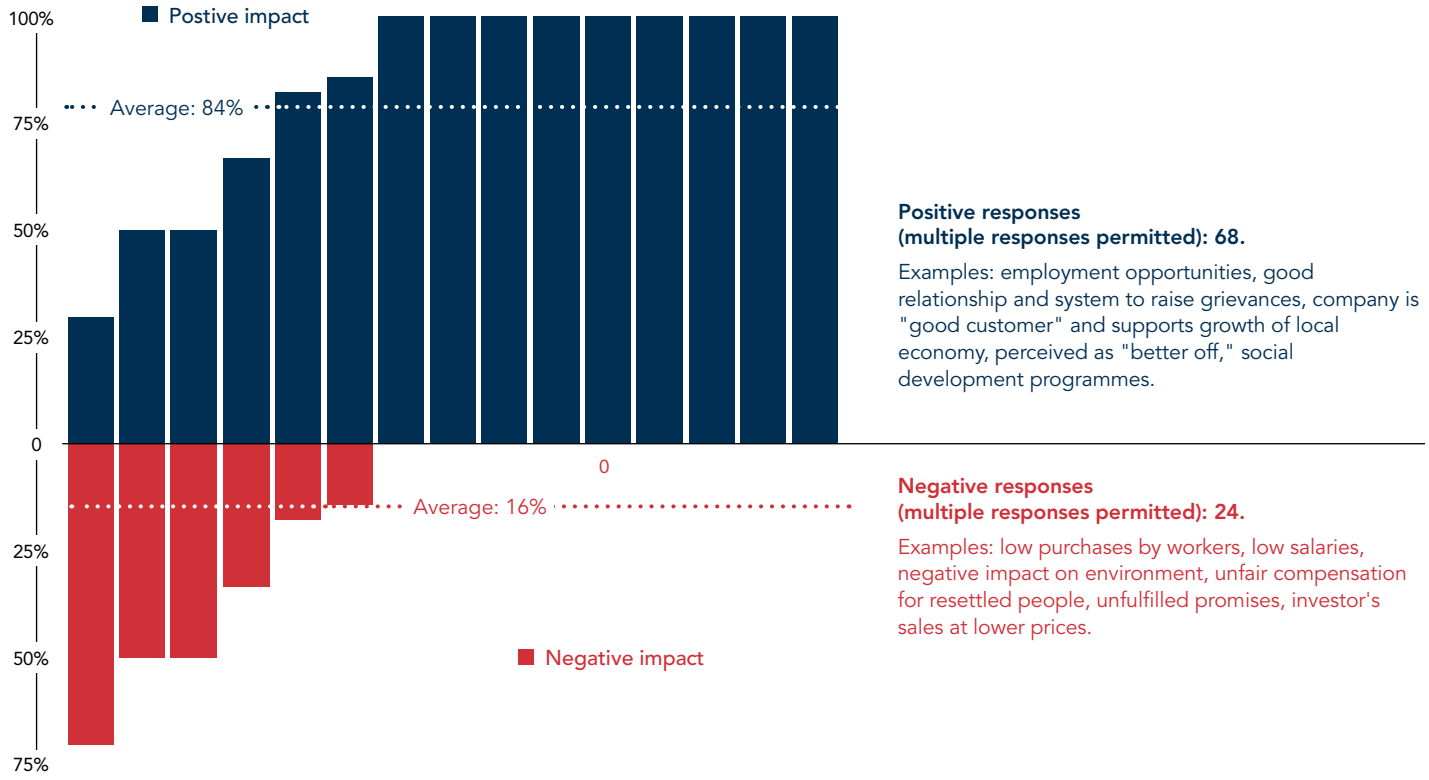
As a result of rising business opportunities around investments, satisfaction among retail owners was very high on average (Figure 4.1).

These spillovers can, however, have negative effects, for example by impacting the prices at which goods are sold.

Negative spillovers for retail owners or local producers can arise when investors sell basic commodities cheaply into the local market (though these may represent ancillary

[19] This does not refer to an outgrower scheme which connects local farmers to a market.

FIGURE 4.1. SHARE OF POSITIVE/NEGATIVE IMPACTS MENTIONED IN INTERVIEWS WITH RETAIL OWNERS[a,b,c]



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Notes: (a) The sample includes 6 investments and 15 stakeholders interviewed. (b) Impacts of the investment mentioned by retailers interviewed are classified as *positive* or *negative*. Figure shows the balance of positive and negative mentions for each investor. A level of 100 percent means that the stakeholder interviewed mentioned only positive impacts. (c) The total number of responses indicating a positive impact was 68, and a negative impact was 24.

benefits for their own employees). Unfair low pricing strategies were reported for two investments, with the perception that the investor was undercutting local producers.

Spillovers impact on local businesses may also be negative when the presence of the investment leads to a rise in local prices, including the price of land near to the investment (e.g., in the case of one investment in Tanzania, the price of land rose after people from other parts of the country moved to the area) or the price of products in local shops rose, potentially creating a divide in the local community between people whose income has risen compared to others. This can also lead to a negative impact on food security for those not employed by the investment, owing to a reduction in purchasing power. Rising land prices can create winners (land owners) and losers (those seeking access to land) within a community.

As a summary to this section, Table 4.1 lists some examples of good and poor practices or unintended outcomes related to spillovers.

TABLE 4.1. SUMMARY OF GOOD OR POOR PRACTICES OR UNINTENDED OUTCOMES RELATED TO SPILLOVERS IN THE VICINITY OF OPERATIONS SURVEYED

Examples of good practices and positive outcomes 	• Incomes and savings invested in the local economy, towards education and skills development or towards best agricultural practices (e.g., drip irrigation) on own farms. • Initiatives and training provided on how to save, for instance for retirement. • Investor raises awareness of a new business opportunity (e.g., cultivating flowers) where it was not done before (demonstration effect). • Investor shares services and infrastructure with local businesses (e.g., free provision of electricity). • Investor buys local inputs and materials (when available). • Investor invests along the value chain, with a multiplier effect locally. • Investor trains local employees who go on to become entrepreneurs (or work in other businesses). • Investor raises job opportunities locally, reversing the exodus of skilled labor and educated youth. • Investor and/or government build roads, especially beneficial in remote rural areas. • Investor supports local irrigation system.
Examples of poor practices and unintended negative outcomes	• Limited or no local supplies bought by the investor. • Low pricing of basic commodities by the investor in the locality. • Enclave operations by the investor with little or no interaction with the local business community. • Rise in local prices (of land and goods) following increase in incomes for some people or because of an influx of people to the area that creates a divide in the local community. • A disproportionate percentage of precautionary savings limits the economic spillovers and multiplier effects arising from the investment.[a]

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) The emphasis is on *disproportionate*. In general, precautionary savings have positive impacts on people's lives by making them more financially resilient. However, because of insecure conditions, a lack of knowledge on how to best save and invest for the future (see second bullet under *good practices*), or the mechanisms to do so, individuals and households may save at a rate which is undesirable from the broader perspective of the community and economy.

CHAPTER FIVE
TECHNOLOGY TRANSFER

The impact of large-scale agricultural investment on rural communities through technology or skills transfer occurred primarily through training. The impact was uneven, varying substantially from site to site, depending on the business model, crop and other factors.

Under the best circumstances, the deployment by farmers of new technology introduced by investors could allow them over time to move from subsistence to commercial farming, generating funds that can be reinvested, but this is not always the case and, indeed, there can also be negative repercussions from technology transfer (Box 5.1).The impact of large-scale investment through technology transfer was uneven, and at some sites visited, local farmers felt there has been no transfer of any consequence (including where outgrower schemes were involved). In other investments, positive technology transfer from investors to the local farming community was reported, taking place mainly through training of employees and outgrowers, sharing of farming techniques, provisions of inputs (such as seeds, agrochemicals or fertilizers that can raise the productivity of local farmers), and in limited cases through sharing of tools and machinery.

Investors could open up markets for local farmers by introducing mechanization, improving access to roads or providing finance. Employees who were also farmers could apply skills and capital (wages) gained from their job to their own farm.

Knowledge transfer takes place through formal training of local farmers, on-the-job field training, informal meetings, or through visits to plantations. One of the companies visited in Ethiopia has developed a "model farmers system" in which the company provided experts to train local farmers in ways to increase productivity. Training was provided in collaboration with the local agricultural bureau. So far, some 400 farmers have benefited from this training, and further plans to develop an outgrower scheme by the company have already been approved. Visits to the company farm can also be a useful means for learning: one farmer mentioned that the investor's farm served as a "demonstration to local farmers on how to better utilize fertilizers and agrochemicals." Farmers who took part in this training indicated that so far they had learned how to plant maize

in a modern way, and how to grow vegetables and fruits such as mango, papaya and oranges more efficiently.

The ability of local farmers to adopt new technology depends in part on the crop chosen by investors and how this fits with local cultivation. On one site visited, local farmers were encouraged to "interplant" a crop introduced by the investor with their regular crops. The production of the new crop did not displace short-term growing of their regular crops (for instance corn, durians, mango, soybean, cassava), as those were suited for interplanting given that the crop required partial shade conditions. Crop choice could further impact on food security when local farmers continue to grow their own staple food, and new techniques provided by investors help raise yields of their crop, thereby adding an income stream for local farmers. The risks associated with changes in crops, such as income sensitivity to commodity prices, should be assessed and managed. In some cases, profitable cash crops allowed people to buy food which could be a better survival strategy than precarious food crops in some areas.

Strengthening local farmers' knowledge or building on existing knowledge can facilitate adoption of new techniques.

In one case, local farmers gained experience with a previous investor a few years earlier on methods to cultivate a crop; this helped them adopt suggestions from the new investor more quickly. In another case, farmers learned new techniques and applied practical instructions received from experts on their own land, such as the use of organic fertilizer, timing of planting and logistical arrangements on collection and dispatch. One farmer stated that she learned how to use cow dung as fertilizer, including making her own fertilizer using effective microorganisms on purchased dung.

Some former employees—for instance in Ethiopia—reported being able to find jobs in other companies on the basis of skills and experience obtained with the investor visited. This is an important example of people not being dependent on individual investors, but able to apply their skills elsewhere.

However, at two sites visited where biofuel crops (for instance, jatropha or sugarcane) were produced, technology transfer was found to be limited, first because the investor was not growing the same (or complementary) crops as local farmers and second because local farmers felt the investor was not providing the package of technology and finance required to support their adoption of the new crop. Some local farmers reported that there was a lack of certainty of returns if they introduced the new crop, others mentioned that its introduction required capital intensive technology (such as irrigation), which was a barrier as they did not have the resources to fund it.

This means that the types of technology being transferred may not be suitable for local farmers as they may not have the necessary finance, skills, equipment or experience/capabilities to utilize it. Indeed, small-scale labor-based production systems may rely on different technology compared with large-scale commercial agriculture. The methods transferred need to be appropriate and applicable to smallholders. Although local smallholders recognized the need for mechanization and irrigation to improve their capacity to work the land and raise yields, they often felt they did not have the financial resources to acquire (or rent) the equipment or technology required.

Technology transfer was more noticeable in the presence of outgrower schemes.

One way to incentivize technology transfer could be for investors to mainstream outgrower schemes into project design, identifying gaps in knowledge and specific training needs and gaps in capital requirements to adopt the requisite technologies. One investor has introduced a system for crop improvement, using village farmer groups supported by an extension office and demonstration plots applying the Farmer Field School approach.

Funding and partnerships are important elements of outgrowers' schemes and programmes (Box 5.1). One company visited during the first phase of this research had a development plan for outgrowers in place, with training provided to about 100 local farmers. In the second visit, however, the programme had stopped due to financial constraints.

BOX 5.1. A MICROFINANCING PARTNERSHIP FOR FARMERS' ASSOCIATIONS

An investor was able to develop successful programmes in partnership with an international organization and local farmers' associations. The company has also signed an agreement with microfinance institutions to provide farmers associations with loans. In the first year (2012) 148 loans were given, followed by 885 given out in the second year. These loans were used, among others, to buy computers and other equipment, or to cover ploughing costs which were between US$19–23 per acre. The level of loan recovery achieved was 95 and 98 percent for each year respectively. In addition, farmers could receive loans through their farmer's association and pay 10 percent for 3 or 6 months. However, concerns regarding the interest rates applied were raised by farmers, "the programme is expensive as one bag of fertilizer costs US$14 but we have to pay back the loan at US$28 after three months."

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Programmes implemented by three investors visited were reliant on outside bodies and/or funders to support the development of outgrower schemes. One investor in Tanzania was advocating the Block Farming approach, where groups were formed and their lands were farmed as a block. Another investor utilized a "model farming system" conducted in partnership with the regional government, and as a result of which participating farmers have seen yields as much as double. A local training agency played a role in providing contracted training to association (group) management, as well as piloting a small-scale furrow irrigation project for both farmers to improve yields.

In Tanzania, outgrower schemes were developed through collaboration between farmer associations and one of the investors visited. Local farmer associations represented farmers, working as an advocacy body to raise issues, and were registered with the Ministry of Home Affairs. This could be a useful means for smallholders to benefit from joint warehousing facilities, marketing knowledge or access to finance. On the one hand, these associations can ease communication with the investor; but on the other, internal friction among members has been known to occur (with some smallholders leaving the association in some instances).

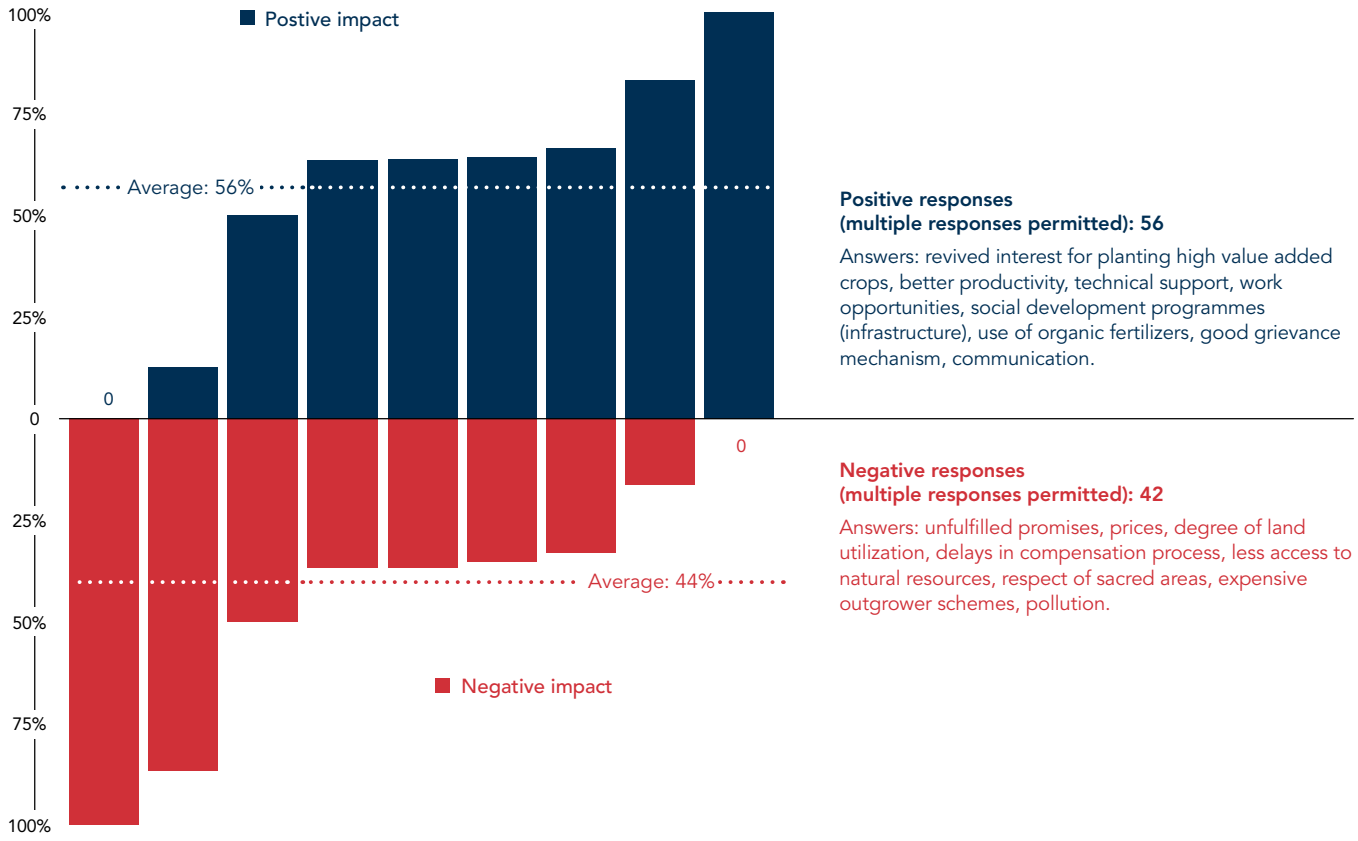
A number of concerns have been raised by outgrowers.

A number of interviewees expressed concerns that could arise from outgrower schemes. Firstly, not all outgrowers benefit equally from schemes, and well-off farmers with more land and experience have been found to benefit more, leading to friction in the local community. Secondly, outgrowers may be encouraged to replace traditional (staple) crops with high (cash) value added ones. This can have an adverse impact, for instance, if outgrowers' income subsequently becomes more sensitive to fluctuations in commodity prices. A number of outgrowers also expressed concerns that they have become dependent on the investor buying the bulk of their harvest. Some outgrowers mentioned that though they initially switched from traditional crops (for instance, paddy rice) to sugarcane, they have since switched back again. Thirdly, when outgrower schemes are linked to a local farmer's association, their success is associated with the success of the association; fragmentation and disagreements amongst small-holders can undermine a scheme.

Such concerns expressed by a number of outgrowers in areas visited explain why they, on average, reported fewer positive (technology) impacts from the investment (Figure 5.1).

As a summary to this section, Table 5.1 lists some examples of good and poor practices by investors impacting on technology transfer.

FIGURE 5.1. SHARE OF POSITIVE/NEGATIVE IMPACTS MENTIONED IN OUTGROWERS INTERVIEWS[a,b,c]



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) The sample includes 4 investments and 9 stakeholders interviewed. (b) Includes outgrowers and farmers associations (c) All impacts of the investment mentioned by outgrowers/farmers' associations interviewed are classified as *positive* or *negative*. Figure shows the balance of positive and negative mentions for each investor. A level of 100 percent means that the stakeholders interviewed for that investor mentioned only positive impacts.

TABLE 5.1. SUMMARY OF GOOD AND POOR PRACTICES AFFECTING TECHNOLOGY TRANSFER IN OPERATIONS SURVEYED

Examples of good practices	• Create dedicated local farmer/outgrower development programmes. • Foster partnerships with relevant group of stakeholders (e.g., farmer associations, local agricultural bureau, NGOs). • Organize regular on-site visits for local farmers/outgrowers to promote information exchange and on-site learning opportunities. • Demonstrate how to grow new crops, use of intercropping. • Incentivize farmers' learning (e.g., use of organic fertilizer, timing of planting and logistical arrangements on collection and dispatch).
Examples of poor practices	• Lack of assessment of local outgrowers' financial resources and ability to learn new techniques. • Insufficient action to bridge the gap between technology utilized and the training required by local farmers. • Lack of or no local sourcing. • Promises made but not fulfilled, causing tensions with the local community. • Insufficient attention to the needs of smaller, poorer farmers: better-off farmers with more land and experience benefit more from outgrowers' schemes. • To replace traditional crops by high value added ones could have a potential to raise food security vulnerability and farmer income sensitivity to fluctuating commodity prices.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

CHAPTER SIX
RELOCATION AND RESETTLEMENT

6.1 THE IMPACT OF RESETTLEMENT

Physically resettled people tended to have the worst perceptions of investments.

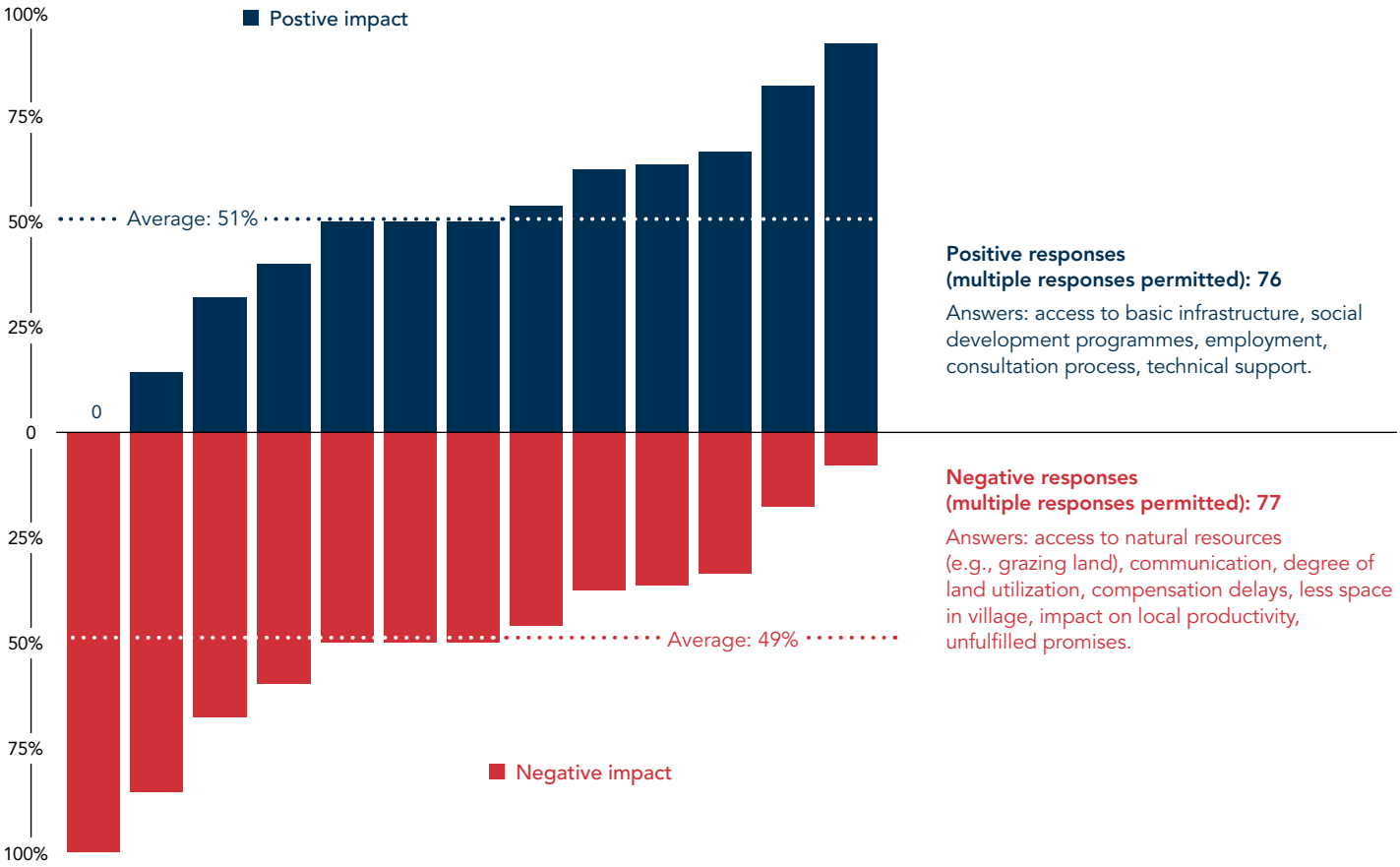
Resettlement and relocation was a significant area of contention in some locations visited. Whereas across the entire sample, stakeholders mentioned 2.5 positive impacts for every one negative impact, for resettled persons the ratio was one positive impact for every negative impact (Figure 6.1). Even those who mentioned positive impacts in other respects, such as employment or infrastructure, tended to perceive the experience of resettlement itself as negative.

The impact of resettlement depended on how people perceived their living situation had changed after the resettlement. Typical grievances from resettled persons were that the compensation was inadequate or that replacement land was not equivalent in terms of soil quality and suitability for agriculture. For instance one resettled community[20] voiced their disappointments about the outcome; they claimed that they have lost their farmland without adequate compensation for their land, that there was no compensation for their crops, that the replacement land was unsuitable for farming as it contained dangerous animals and was flood-prone, that the houses constructed were too small for their families, that their children now had to travel much further to school, that there is now no interaction with the investor and that they are marginalized and reap no benefits from the presence of the investor, and that many of the community had given up on the area and moved further away. Those interviewed noted they were staying because they were getting too old and did not want to move and start a new life again.

Another particular area of concern was that not sufficient support mechanisms were provided along with financial compensation. In cases where people received financial compensation for being resettled, the impact depended substantially on how people use

[20] The number of resettled people interviewed is 13. Just one investor did not face a resettlement process.

FIGURE 6.1. SHARE OF POSITIVE/NEGATIVE SOCIOECONOMIC IMPACTS MENTIONED BY RESETTLED PERSONS



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) The sample includes 7 investments and 13 stakeholders interviewed. (b) All impacts of the investment mentioned by resettled people interviewed are classified as *positive* or *negative*. Figure shows the balance of positive and negative mentions for each investor. A level of 100 percent means that the stakeholder interviewed for that investor mentioned only positive impacts.

the money. Individuals' levels of education and social capital could influence the extent to which they were able to manage receipt of a lump sum compensation payment. In the worst cases, resettled persons had reportedly spent the money on alcohol, weapons, or purely consumptive purposes. In such cases, the financial compensation did not contribute to restoring the ongoing livelihood of the resettled person as intended. This indicates the need for policies, resettlement procedures and support mechanisms to help resettled populations deal with the consequences of the resettlement.[21]

There were, however, positive cases of resettled persons investing funds received in new land to cultivate other crops or to pursue new business opportunities, such as shops; or by using the funds for further education for themselves or their children. Some resettled persons were able to save the compensation money for their retirement or as an emergency fund (Box 6.1).

In many cases, the process of resettlement tended to lack transparency, consultation and appeal mechanisms.

Most resettled persons interviewed felt that resettlement was forced upon them and that they did not have sufficient voice in the decision to resettle, or the terms of the resettlement agreement. There was a perception of inadequate involvement of resettled persons in the discussions and selection of areas to which they were to be resettled

[21] There are internationally recognized guidelines such as *Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests* in the context of national food security (VGGT), *Environmental and Social Performance Standards and Guidance Notes* (IFC Performance Standards), and *Environmental and Social Framework—Setting Environmental and Social Standards for Investment Project Financing* (World Bank, 2016). Tools also have been developed such as *Respecting Land and Forest Rights—A Guide for Companies* (Interlaken Group, 2015)

BOX 6.1. USES OF RESETTLEMENT COMPENSATION MONEY

An Ethiopian farmer interviewed was required by the regional government to sell his farm so that land could be provided to the investor. He was compensated 135,000 birr for a quarter hectare of land. Since then, he has put all the money in a savings account in a bank in the nearest town. Each year he got 6,000 birr in interest. It was seven years since he has received the compensation and he has been able to start several business ventures: he had a khat plantation on the site of his house; he rented farming land to cultivate maize, green pepper, tef and other products; and he was engaged in animal fattening. He was adding to his bank account each year and perceived this as "renting money to the bank." He expected that when he retires he will be able to live off the interest on his savings without working.

A nurse at an investor's medical center had her parent's land expropriated by the regional government. With the compensation, they purchased a house in the nearest town and invested in her education in nursing. When she finished her education and passed the national qualification exam of nursing, she was hired by the investor as the nurse of the site.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

and in negotiation procedures. A group of farmers operating near a rice plantation noted they expected to be resettled, but did not know when, or how, or under which terms and conditions.

The consultation and communication of information needs to take place before, during and after the process. Resettled persons often felt marginalized once the process was complete and had no means to appeal or have further interaction with the investor afterwards. The timing of moves was also important. Resettled persons need adequate time to consider, prepare and make the move during the most appropriate season.

Unfulfilled commitments and unmet expectations were particularly damaging for relations with communities.

Inadequacies in the process for resettlement opened the door for perceptions among affected communities that promises or expectations had not been met. In several instances there was a disparity between what the investor thought the process and commitments were, and what the local community had expected. Access to reliable information could be the most important factor in a relatively successful resettlement process.

Some people were content to move because they felt they had received a commitment that benefits of the investment would materialize in due course. But when those benefits did not materialize (for example, insufficient job creation), or the land was not put to active use following the resettlement, community relations were quickly undermined. For example, in one investment surveyed a resettled farmer expressed his disappointment that he was displaced but his former land remains uncultivated. Communication during the Environmental and Social Impact Assessment and/or Resettlement Action Plan with a community would be more effective by establishing how and when the land will be used.

Lengthy delays in the resettlement process were also problematic. First of all, this contributed to an extended period of uncertainty for local communities. Second, the level of compensation initially agreed on may no longer be adequate once the resettlement actually took place. In particular, in case that land markets developed upon the arrival of the investor, resettled people may not be able to acquire equivalent land with the compensation amount at a later date.

As with the first phase of field research, resettlement processes led by the government to "pave the way" for investors were problematic, with room for misunderstanding and miscommunication. In such cases, there sometimes were misinterpretations between local governments and investors on how and to what extent the government conducted the consultation procedures before investors' arrival. That led to lingering resentment within local

communities which investors ended up having to deal with upon arrival. In some cases, community perceived as the government had made commitments (for instance, for job creation) that the investor was unaware of and unable to meet.

Unclear land laws created situations of conflict over land rights when local governments offered land to investors, especially where customary land was concerned. Situations arose in our sample where local leadership had "sold" the land to local people, but the government recognized it as the government's land so the government directly sold the land to the investor. Therefore, the person who had "bought" the land from the local leadership had to be resettled. Although technically no compensation should apply, investors visited have normally followed available best practice, such as the IFC Performance Standard on land acquisition and involuntary resettlement.

Purchases of land on a willing-buyer, willing-seller basis have worked well, as have situations in which investors have left communities in place rather than attempting to resettle them.

An alternative to resettlement used by one investor in Cambodia was to purchase land on a willing buyer-willing selling basis. This was land mainly purchased from former Khmer Rouge soldiers who had been allocated land in the area. These owners were not actively using the land due to the lack of road infrastructure, making the area difficult to access. In this case, voluntary resettlements had led to better relations with the local community than those prevailing elsewhere. The Village Chief assisted in the identification of potential buyers but was not involved in the negotiations.

In a similar vein, people may opt voluntarily to move so the investor needs to have a proper process in place for that. Although not resettled, people may feel pressured to move as the operation develops around them, so in these cases too there must be a compensation and relocation system in place. Some investors visited have offered financial compensation, construction of houses and ploughing of fields in new areas under such circumstances.

A few investors have chosen to release some of the concession area so that communities can be left in place. This has been done with some success at investments visited in Mozambique and Tanzania, for instance one company gave up 300 hectares because the area was too heavily occupied.

As a summary to this section, Table 6.1 lists some examples of good and poor strategies or practices of the resettlement.

TABLE 6.1. SUMMARY OF GOOD AND POOR STRATEGIES OR ACTIONS IN CASES OF RESETTLEMENT AT OPERATIONS SURVEYED

Examples of good strategies or actions 	• Purchase of land on a "willing-buyer, willing-seller" basis. • Leaving communities in place; working with and around them, rather than resettling. • Putting in place a system for voluntary relocation. • A clear strategy for land allocation, proper consultation, the setup of clear communication channels and strategies between various stakeholders' agreement on compensation for houses, and transparent systems to monitor and control the payment of compensation. • Full documentation and audit of existing land plots, crops, houses and structures. • Compensation according to negotiated and agreed compensation rates. • Proper witnessing and recording of compensation payments. • Training on land valuation and negotiation. • Giving people the choice between building their own houses with materials provided or building houses for them.
Examples of poor strategies or actions	• Absence of grievance or redress mechanisms. • No ongoing consultation or follow-up audit by the investor after the resettlement has taken place. • The land from which people have been resettled left idle. • The government prepares the land for the investor by resettling people in advance without following due process. • Resettled area has reduced access to water, schools, clinics, roads, shops and so on. • Displacement of smallholders to less agriculturally productive areas. • A lack of a proper witnessing and recording of compensation payments made as part of the resettlement.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

CHAPTER SEVEN
ENVIRONMENTAL IMPACT

7.1 PERCEPTIONS OF ENVIRONMENTAL IMPACT

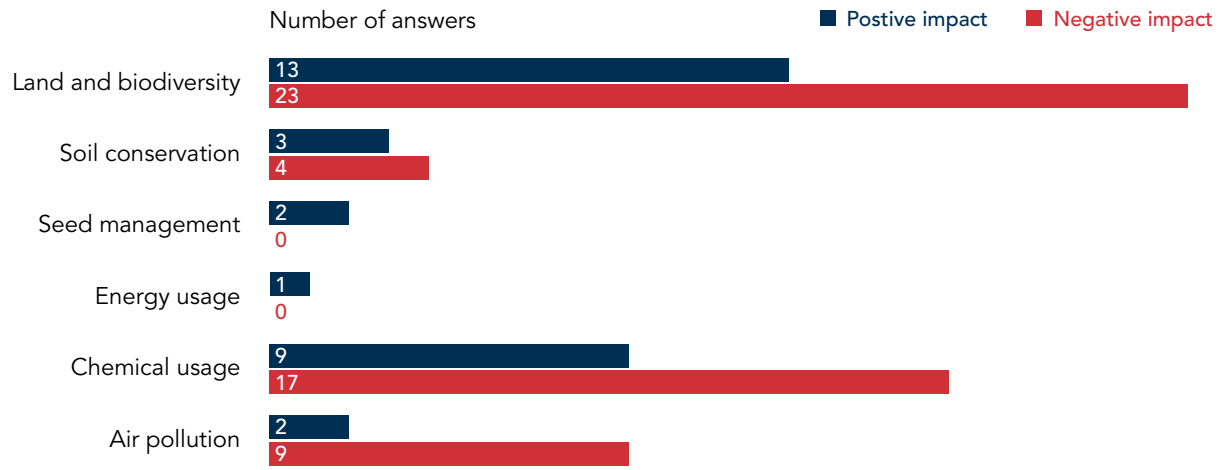
Local people were often insufficiently conscious of environmental degradation. For many this was secondary to improving livelihoods.

The topic of environmental impact was often referred to in stakeholder interviews, but with a lower level of priority compared to other issues. In spite of the number of stakeholders who perceived some negative change to the biophysical environment, it was only occasionally that environmental degradation was strongly felt as a negative issue. Economic effects seemed to be much more prominent in the minds of local communities; and environmental conservation (or improvement) tended to be less prioritized. One government official interviewed was concerned that, "the impact will be observed in the long term. Thus, so far nothing has happened." Where environmental concerns were voiced these were more frequently from community members not directly associated with the investment (Boxes 7.1 and 7.2). Moreover, since some investments were established in remote areas to which people moved only after the investor arrived, concern about environmental degradation has been muted. For example, in Ethiopia a male worker made the point that, "when this farm started here some years ago it was a jungle, no one used to live here."

The most common issues raised were a loss of biodiversity and extensive use of agrochemicals, including pesticides.

The intensive use of land and natural resources could contribute to conversion of natural and critical habitats that may lead to a loss of diversity (Figure 7.1). At one operation visited, local people claimed that poor forest management was causing the reduction in biodiversity and a drop in wildlife numbers. The area referred to had been cultivated previously by another investor, but then abandoned and reverted to natural bush; it was again cleared by the new investor. When the operation was visited the area was fully cultivated.

FIGURE 7.1. PERCEPTIONS ON ENVIRONMENTAL IMPACT, ALL STAKEHOLDER INTERVIEWS



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) Based on the total number of responses from interviewed stakeholders.

The impact arising from the usage of agrochemicals, especially on water resources, was considered as the second largest negative impact (Table 7.1). "Agrochemical use has caused the soils to deteriorate," mentioned a local teacher. Training for the proper use of chemicals—and information on the consequences of their misuse—were often not clearly provided or communicated to employees and the local community. In some cases local farmers were not skilled in applying agrochemicals correctly. As a result of this the potential to create adverse impacts on surface and groundwater could be severe. Near a flower company this had fueled speculation about the effects of chemical misuse, for example on fertility in women. In response to this, the company has explained to workers and the community that agrochemicals were controlled by national authorities who sold them to the investor.

At an investment in Ethiopia the burning of grass waste products reportedly caused air pollution in the vicinity. At another investment in Tanzania the inefficient burning of bagasse in the old chimney system at one plant was said to be causing ash pollution. As a result, ash drifted down into nearby houses. Also, the same company did not maintain its roads properly, therefore, during rainy seasons dirty water went into the canals and rivers.

All of the above, combined with insufficient consultation processes with local communities, has resulted in concerns on public health issues and plenty of complaints, some of which have been dealt with (Box 7.1). It is essential that investors move to remedial measures and monitoring mechanisms to mitigate the direct and indirect environmental impact of their operations. [22]

[22] In such cases, the government authorities can play an active role by monitoring companies and taking measures to ensure compliance with local and international environmental pollution standards, e.g., the IFC PS3 standards. Environmental and Social Standard 1. *Assessment and Management of Environmental and Social Risks and Impacts* (World Bank *Environmental and Social Framework—Setting Environmental and Social Standards for Investment Project Financing*) also provides practical guidance.

BOX 7.1. IMPACT OF CHEMICAL USAGE AND WATER INFRASTRUCTURE

The use of agrochemical sprays applied aerially has reportedly caused damage to maize and paddy rice crops (fungus and germs) at local farms near one operation visited. "The company must change the way it applies chemicals because the wind causes drift and there are many children around this area," mentioned a female farmer. Because of community complaints, the company has ceased aerial application and now uses tractors rather than planes.

The investor undertook an extensive follow-up investigation that also showed damage may have been possible to some nearby farms because of the use of agrochemicals at an incorrect growth stage. As a result of this finding, the investor has agreed to pay compensation to those with legitimate claims. Instead of these positive initiatives, the issue may not be fully resolved yet. Some farmers interviewed argued that, "we still face the problem of water contamination." In addition, recent complaints have been received that even with ground application, children were reportedly coughing during times of chemical application.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

7.2 EDUCATION, CONSULTATION AND RAISING AWARENESS

There is a role for investors to raise local awareness of the environment through education and consultation.

Investors have a responsibility to raise local awareness of their policies and management procedures, as well as specific environmental and social risks and impacts arising from their operations. This might include combining efforts with other stakeholders, such as NGOs and government institutions, as well as supporting local initiatives. However it seemed to be not a priority for many investors. A local community has established an environmental committee, which includes monitoring duties. They requested the investor's assistance, but its support has been minimal; only 14 pairs of gum boots were given for those patrolling in the bushes (to make sure people would not cut trees to make charcoal). However, an investor in Mozambique has been making efforts by banning hunting on their site.[23] In another case in Tanzania, past illegal use of agrochemicals by a local community to kill and catch fish was causing the demise of fishing in the river; after a consultation with the community this practice has been stopped. Another company has developed an initiative with the forestry department, as a result of a consultation carried out with the local community on environmental issues. Action by the company in concert with the forestry department has reduced animal poaching and stopped the cutting down of trees. Environmental outcomes are better when a local community and investor have effective, ongoing communication, including in finding joint solutions to common environmental problems (Box 7.2).

[23] This is a requirement of the Rain Forest Alliance.

BOX 7.2. COMMON SOLUTIONS TO COMMON PROBLEMS

In Tanzania at one site visited, flooding was resulting in soil erosion. In order to solve the problem, the company built a dyke to prevent flooding on its side of the river. However, this solution is reported to have caused more inundation on smallholder areas on the opposite side. In response to this, and in consultation with smallholders and with funds from the EU Sugar Structural Adjustment Fund, another dyke to protect smallholder land has also been constructed.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

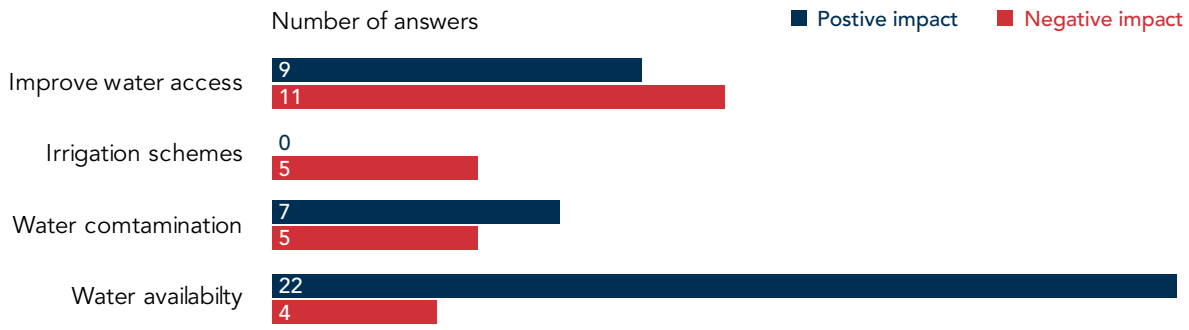
7.3 CHANGES IN ACCESS TO WATER

Local villagers near operations visited saw water availability as a positive impact arising from the investment. The contribution of investors in improving availability of drinking water by constructing irrigation systems and pumps for domestic water was in general appreciated (Figure 7.2). In Tanzania a company had a water treatment plant and villagers collected tap water for free from the company; before this people were using borehole water. Such largesse was not always well maintained however: in Mozambique another company promised to provide water to local villages. They fulfilled this promise by distributing 2,000 liters of water per day by truck; but due to fuel shortages this has stopped.

As discussed in Section 7.1, stakeholders interviewed also had concerns about possible chemical contamination of water (Box 7.3). As a result many people in the vicinity of some investments did not make use of runoff water from operations into rivers or canals (e.g., at the end of the irrigated blocks of land). They were particularly aware of the potential impact on children.

As a summary to this section, Table 7.1 lists some examples of good and poor practices by investors impacting on the environment.

FIGURE 7.2. PERCEPTIONS OF IMPACT ON WATER, ALL STAKEHOLDER INTERVIEWS



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

(a) Based on the total number of responses from interviewed stakeholders.

BOX 7.3. CONCERNS ON WATER CONTAMINATION

A company visited in Tanzania undertook an annual Environmental Impact Assessment (EIA) conducted by consultants accredited to the National Environmental Council (NEC). The audit covered issues such as the waste management on the entire farm, worker welfare, soil conservation, pollution from fertilizers, and water use and quality. In addition, checks were conducted on the implementations of recommendations previously made. During the EIA, around 10–15 water samples were taken.

However local farmers mentioned that they did not receive any information from the EIA. They claimed the company has not done anything about mitigating the negative impact on water quality. There was a lack of communication about assessment and monitoring results.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

TABLE 7.1. SUMMARY OF GOOD AND POOR PRACTICES FOR ENVIRONMENTAL IMPACT IN OPERATIONS SURVEYED

Examples of good practices 	• Support community initiatives to conserve the environment, as part of the Environmental and Social Management Plan. • Prohibit hunting on site, cutting down of trees, and similar practices in protected areas. • Work with the national authorities' conservation programmes. • Replace the use of agrochemicals with organic fertilizer, such as treated cow dung. • Create a separate system of domestic waste. • Implement infrastructure changes to mitigate negative impact, such as airborne pollution or water contamination. • Water infrastructure development and improvement of local water access.
Examples of poor practices	• Excessive pressure on natural habitats critical for flora and fauna; having a potential to contribute to loss of biodiversity. • Absence of communication about the potential deleterious impact of agrochemicals (and how to use them safely). • No ongoing consultations or communication, fueling speculations on the nature and effect of agrochemicals under use. • Burning of grass and bagasse, leading to air pollution. • Poor government monitoring in water use rights. • Lack of dissemination of/consultation on Environmental and Social Impact Assessment results to community.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

CHAPTER EIGHT
THE ROLES OF INVESTORS AND GOVERNMENTS IN SOCIAL AND INFRASTRUCTURE SERVICE PROVISION

Social or community development programmes were typically appreciated, especially those which were consultative, in connection with local needs and well funded.

Some investors, especially those operating in remote rural areas, have made significant contributions to local development through social development programmes (Box 8.1).[24] In general these were appreciated by both employees and other stakeholders; in the latter case, however, there were continuing concerns of unfulfilled promises and the role of governments.

BOX 8.1. EXAMPLES OF SOCIAL DEVELOPMENT PROGRAMMES

- In Ethiopia, an investor operated in an area with a high prevalence of HIV. The company, in partnership with the workers' union and two local NGOs, has set up a charity focused on support of HIV positive individuals, as well as orphans and single-headed households who have lost income providers due to the disease. It provides financial, medical and material assistance as well as organizing HIV/AIDS education workshops.
- In Cambodia, an investor has supported the USAID Malaria Control Programme by distributing mosquito nets to workers. Thus, the incidence of malaria has decreased since people are learning how to take preventive measures.
- Investors in Mozambique and Ethiopia have constructed schools in the community. On the second visit at one site, the school had 500 students of 12 years and above. The new school has allowed high school children to concentrate on their education, rather than having to travel 17 km daily to get to classes, as before. On two other sites, investors have built primary schools, one included three classrooms for grades 1 to 7.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

[24] In addition to running community development programmes, investors support other requests and initiatives from local communities, but this is not always recognized. For example, one company's support to the local community in Tanzania is channeled through committees and therefore may not be always visible as its contribution. The village government does not inform the community about the origin of the grant. Thus, many villagers presumed that the projects are self funded.

BOX 8.2. AN EXAMPLE OF A SOCIAL DEVELOPMENT PROGRAMME CUT DUE TO FINANCIAL CONSTRAINTS IN TANZANIA

An investor in Tanzania had established a community development programme (funded to the tune of 32 million shillings or US$15,057 per year). Funds were distributed to 3 villages around the investment. Access to clean water has been improved through the programme (in collaboration with regional agencies and a third-party fund); it now comes from pumps whereas it used to come directly from the river. The fund had also been used to fix roofs and start building classrooms in the local primary school. It was also being used to build a hospital and provided an ambulance. "The nearest government hospital is 75 km away and impossible to reach, taking several hours by road." mentioned a local villager. In addition, some other promises have been made: a vocational training college, a secondary school, improvement to water supply (e.g., pipes in homes), a market dispensary, and improvements to the roads and electricity.

However due to financial constraints, the company was not able to pay the grant the year it was visited, and expressed the fear that this would be the case in subsequent years. As a result, construction at the school and hospital has stopped. Many local people interviewed were unaware that this was taking place. "The company has not explained why," noted a local villager. Councilors complained that the company "is providing insufficient information about their operations and hence we are unable to verify if the company is profitable or not."

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

The most successful programmes were those that responded directly to local needs as ascertained through a consultation process; those that were fully funded and not dependent on project-based profitability of the investor; and those that were done in collaboration with NGOs or other organizations (e.g., workers unions) who are also able to connect with local needs. One of the reasons such conditions are important is because otherwise there are significant dangers of promises not being fulfilled or community development programmes being curtailed when a company runs into difficulties (Box 8.2).

The respective roles of investors and governments: Governments have the primary responsibility in social and infrastructure services provision.

At almost all investments visited, investors were acting to support and provide social services to the community, including by building schools, improving electricity supplies, constructing of roads and so forth. Many stakeholders interviewed were pleased with this support, but felt that the government should not rely on investor actions. "There must be better involvement of government in the development of the community," argued a local villager.

Countries may not have the resources—or capabilities—to fulfill all the social and infrastructure service needs of rural communities. In such cases, the possibility of combined financial and other efforts by governments and the private sector was seen as a possible solution by many stakeholders spoken to, but normally under the overall authority of the country. With such a combined effort in mind, villagers interviewed at an investment in Cambodia were optimistic that the road built by a company would be complemented by the government, improving electricity supply. Some electric supply lines have already been put up along the main road by the investor.

However, in an area visited in another country local farmers were less sanguine. They have expressed their concern to the local government that there was lack of access to water due to an unrepaired borehole. The government was however reported as arguing that since the farmers were in an area under concession to an investor, they were no longer responsible. As a result they feel abandoned.

With governments sometimes not undertaking fully their responsibilities, as well as companies being inadequate or consistent in what they take on, there is a risk of an institutional void developing in many rural areas. In the face

of such dangers, stakeholders in the communities visited were clear that their governments must recognize and fulfil their primary role in rural economic development, including through the provision of social and infrastructure services.

With the arrival of the investment, many of these communities have been through a "local growth phase," with both positive and negative consequences. Overall they argued that their respective governments should conduct proactive rural and *urban* planning around large investment sites. As mentioned in Chapter 4, investments act as a magnet for people and economic activity. As the population around an investment grows, it needs to be accompanied by improved services, including water and sanitation, access to health and education, and so on. Governments would be well advised to consider these issues in advance, rather than after the event, as advised by the communities visited.

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