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Economic and Ethical Challenges of "Land Grabs" in Sub-Saharan Africa*

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Summary

For local people in sub-Saharan Africa, large land investment projects currently imply many risks and few benefits. Drawing on own ethical and economic research and using evidence from the authors' case studies in Kenya, Mali and Zambia and a new database of large-scale land acquisitions worldwide, this brief offers policy recommendations for host governments, investors and the international community so as to achieve a more favourable balance of risks and benefits in land investment projects. Our research suggests that the land governance systems of sub-Saharan African countries, comprising a multitude of sometimes contradictory laws derived from colonial and customary systems, privilege powerful actors and lead to violation of human rights. Legal uncertainty and an acquisition process that gives no voice to local land users can lead to displacements of farmers without compensation. Poorly enforced formal laws, neglect of built-in checks and balances, and power and information asymmetries between investors and local people can give rise to coalitions of investors and powerful rent-seekers. Displaced farmers and those unable to find jobs on the land investment projects migrate to other rural areas or the cities, and few and only low-skilled jobs are available to those who remain. We found limited evidence of positive spillovers from improved infrastructure and knowledge and technology transfer. Local food prices are likely to rise, as most of the production on investment farms is for export. Overall, when many farmers are displaced and investment projects are capital intensive the net welfare effect for the local population can be expected to be negative. Against this background, we propose a set of policy changes for promoting benefits for the local population and avoiding human rights violations. In contrast to proposals made by international guidelines and codes of conduct, we emphasize in particular the responsibilities of host country governments.

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1 Introduction

“Land grabs” have captured the headlines in recent years. Worldwide, huge tracts of agricultural land are being taken up by big investors. When this happens, what happens to the rural poor?

Extensive land acquisition in the developing world by international investors is one of today’s most hotly debated development issues. NGOs and the media warn of a new “global land rush”. They point to small farmers being displaced and local communities being sidelined in policy decisions over land use. But the governments of the target countries are more likely to laud these acquisitions as “development opportunities”.

Both sides are no doubt driven by strong convictions, but the debate about large-scale land acquisitions has been informed at best by anecdotal evidence. This may in part reflect the biased views of those involved in the debate, but it has also been the inevitable consequence of a very limited information base. Until very recently, we did not even have access to reliable estimates of the overall size of land investments.

This has changed now that we have the Land Matrix database. Confirming the heavy demand for agricultural land in developing countries, the database reveals that more than 30 million hectares of land were acquired by foreign investors under long-term lease contracts between 2000 and 2012 (Land Matrix 2013).

Sub-Saharan Africa and south-east Asia are by far the most commonly targeted regions. When it comes to investors, the perception that China is the most important appears to be misguided. Newly industrializing countries, especially China and India, play a significant role, but equally important are land and water scarce countries in the Middle East, countries with competitive advantages in agriculture such as Malaysia, South Africa and Brazil, and also OECD countries, particularly the US (Land Matrix 2013). A fair number of projects fail, often at a very early stage, and implementation on the ground is slow. But several projects have by now started operating. This implies that many of the problems described in this brief will become even more relevant once more of the planned projects are implemented.

The increasing availability of empirical evidence gives us a better idea of the welfare implications of large-scale land acquisition. For instance, we now know that investors often compete for land with local farming communities rather than choosing idle land. We also know that internationally agreed principles may not be effective in preventing adverse impacts in target countries, where land governance is often weak. The welfare effects also depend on factors we are slowly starting to understand, in particular employment opportunities for displaced farmers, local productivity spillovers for smallholders, and changes in domestic food prices.

This brief makes policy recommendations for host governments and the international community based on our research into these land acquisitions and their local impacts. In our research we looked at both the ethical and the economic aspects of large investments in land in developing countries. This combination distinguishes our analysis from most previous studies.

We first discuss the ethical challenges. We consider three common criticisms of large-scale land acquisition: background injustice, unsustainability and violation of human rights. We then look at the welfare implications for local communities, backing up theoretical considerations with case study evidence from three sub-Saharan African countries – Kenya, Mali and Zambia.[1] The case studies place particular emphasis on land governance systems, because it is these that determine how land is acquired by investors, whether people in affected areas lose access to land, and whether adequate compensation is offered. In conclusion we suggest measures that policy makers can take to address the ethical implications of large-scale land acquisitions in developing countries and to help generate welfare gains for the affected populations.

2 Ethical challenges

Background injustice

Some of the adverse social and environmental consequences of large-scale land acquisitions result from background injustice. This means that the institutional background against which investments in land occur is unjust in that it systematically privileges certain actors. Where a country's land governance is weak and investors hold a much more powerful bargaining position, land deals are likely to be unfavourable for the local population. However, a combination of inadequate institutions and poorly regulated investment processes affects not only land acquisitions but a whole range of other forms of foreign investment as well. Weak land governance affects all forms of land transaction, and a bargaining position that favours foreign investors has consequences for all forms of foreign investment. In identifying broad issues of background injustice that may have negative consequences for local populations, we get to the root of a problem that cannot be solved just by regulating land investments but necessitates broad regulatory changes.

Nevertheless, policy makers are well advised to focus on land investment, as this is such a visible and widely debated issue. Further, it can have self-reinforcing feedbacks: by increasing concentration of land property, these large-scale acquisitions have the potential to increase institutional injustice. Such concentration leads to more unequal power relations, with a tendency to put more power in the hands of investors. This in turn reduces the chance of alternative models of development being initiated democratically. Sustainability and human rights

[1] The three case studies were part of the interdisciplinary research project. For selected results of the case studies, see Nolte (2013); Nolte and Väth (2013); Nolte and Voget-Kleschin (2013).

The World Commission on Environment and Development defines sustainable development as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (WCED 1987). Using this definition, we conceptualize sustainability as intra- and inter-generational justice. Against this background we consider the social effects of large-scale land acquisition in host countries as direct issues of justice and the environmental consequences as indirect issues of justice (Voget-Kleschin 2013; Voget-Kleschin and Stephan 2013).

As regards the social effects, our analyses revealed a high probability of these acquisitions violating the right to property,[2] the right to food,[3] the rights of workers employed on farms, and procedural rights such as access to information and public participation (Cotula 2008; Heri 2011).

As regards the environmental consequences, it could perhaps be argued that large land investments might narrow the agricultural yield gap between poorer and richer countries. This argument is based on the premise that such investments would bring about a sustainable increase in yields; in other words, the increase does not depend on processes that in the long-term undermine the production base. The argument therefore does not hold for any projects that decrease soil fertility, increase greenhouse gas emissions, or depend heavily on non-renewable inputs (Voget-Kleschin 2013). In addition, negative environmental consequences may violate the rights of local people and their descendants to an adequate standard of living.

The concepts of justice, sustainability and human rights all serve as general guiding principles for development, but they may be interpreted in different ways. In the following short overview we show that opinions as to the acceptability or desirability of a land acquisition project will depend on how these concepts are interpreted. We need to consider these interpretations because theoretical orientation affects policy.

[2] Article 17 of the Universal declaration of Human Rights, www.un.org/en/documents/udhr/index.shtml.

[3] Article 25 of the Universal declaration of Human Rights, www.un.org/en/documents/udhr/index.shtml.

Interpreting conceptions of justice, sustainability and human rights

Conceptions of justice can be broadly distinguished according to their position regarding pattern and currency of justice. *Pattern of justice* specifies which distributions of benefits and burdens are conceived of as just and unjust respectively. According to a sufficientarian pattern a distribution is just if everybody has "enough" (for a dignified or decent life). By contrast, an egalitarian pattern requires that everybody has an equal amount. Thus, according to the latter an unequal distribution of goods such as land and wealth more generally constitutes a case of background injustice. This egalitarian position is linked to a common criticism of the economic criterion of pareto-efficiency, namely that this criterion does not challenge the initial distribution and would therefore not allow issues of distributive justice to be adequately addressed. *Currency of justice* specifies what qualifies as a benefit or a burden. Typical examples are resources, such as income and wealth, and capabilities, i.e. what a person is able to do and to be.

Different conceptions of sustainability are distinguished according to the stance they take on substitutability between natural and man-made capital: weak sustainability admits such substitutability, strong sustainability negates it. By way of example, from a perspective of weak sustainability, a large-scale land acquisition project qualifies as sustainable if internalisation of adverse environmental effects still yields a profitable investment. In contrast, from a perspective of strong sustainability such a project which results in loss of topsoil and pollution of adjacent water bodies qualifies as unsustainable even if despite these negative environmental effects cost benefit analysis would judge such a project profitable.

There are three distinct categories of human rights, all of which are relevant for the phenomenon of large-scale land acquisitions. First, land transactions bear on *liberty rights* such as property rights of legal owners of land. Second, the acquisition process relates to *rights to political participation* in so far as these touch on and are governed by politics. Finally, the adverse consequences of these large acquisitions for local populations can be framed as violations of *material endowment rights* such as the right to food. All ethicists who accept the concept of human rights acknowledge rights to liberty and rights to political participation, but they find it harder to justify or validate material endowment rights or explain the content of such rights. Furthermore, it is generally accepted that to elevate rights from a mere declamatory endeavour necessitates specifying and assigning complementary obligations. However, the rather broad consensus on liberty rights and rights to political participation does not extend to the specification of complementary obligations.

3 Welfare implications

Recent Land Matrix data shows numerous large land investment projects in sub-Saharan Africa (Land Matrix 2013). The projects we studied in Kenya, Mali and Zambia are all the subject of debate: governments recognize their development potential, but civil society is more critical.

How land governance shapes investment projects

Large land projects are specific to their context, in particular being shaped by the host country's land governance system, but our field research identified some recurring patterns. Most sub-Saharan African countries have a dual land tenure system, reflecting the survival of pre-colonial customary systems and colonial statutory systems. Many of these countries have a multitude of laws, some of them even contradictory. This typically leads to situations in which legal uncertainty gives much leeway to powerful actors.

Four groups are involved in land acquisitions: investors, government, local authorities and local land users. Their roles and political clout vary from country to country, the first two generally wielding the most power, while the roles of the second two vary according to the particular land governance system. In Kenya much power lies with the local government at district level; in Zambia the traditional chiefs have a distinct position in administering land. Local land users generally have little or no influence over the process of land acquisition and in fact are often inadequately informed about the projects. This least powerful group thus risks being further disempowered by a project, and this aggravates the already existing background injustice.

All three of our case study countries have a governmental body which is meant to facilitate investments.[4] This is the official first point of entry for investors and should guide them through the whole investment process, for example by facilitating interaction with authorities. This includes identifying land and acquiring rights of use, for example through leasehold agreements.

Typically, legal owners of land are the government, private persons or communities. The acquisition process is most straightforward when land belongs to a private person who then transfers her or his ownership or use right. Yet these rights may not be unambiguously defined. In Kenya, for example, land title fraud is very common and thus even a formal land title cannot guarantee ownership indisputably. Further difficulties arise when land owners and land users are not the same person. For instance, if the government is the legal owner willing to sell or lease land, local land users' habitual usage rights are threatened.

[4] These are the Kenya Investment Authority (KIA), the Zambia Development Authority (ZDA) and the Agence pour la Promotion des Investissements au Mali (API).

In our case study countries, the most severe problems arise in cases where customary land is targeted and custodians of land are at the negotiation table on behalf of local land users. In Kenya, county councils negotiate for communities if community land is targeted. In Zambia, customary land first has to be converted to state land. This requires the consent of the traditional chief of the area, who is meant to decide on behalf of and in agreement with the community.

The crucial question is how far local land users' voices are represented. While consultation with the local population is frequently mandatory in environmental impact assessments, guidelines on the land acquisition process are often vague. It is typically not clear who should be informed about land acquisition, or when, how and by whom. Nor are processes in place that would ensure that local people are consulted and can participate. Not surprisingly, many peasant farmers in investment regions complain about inadequate or even complete lack of consultation.

Where there are legal provisions for consultation they are often not respected. In general, there is a huge discrepancy between the de jure and de facto processes. Formal laws are often poorly enforced and built-in checks and balances are neglected. Information and power asymmetries allow investors to take advantage of these institutional weaknesses. Often, investors have more know-how and resources than host country governments and local authorities and thus have a strong negotiating position. On the ground, they may be faced with powerful national and local actors seeking rents for their own benefit. Investors who understand the institutional set-up have no trouble using it to pursue their own interests.

Then again, some investors do not fully grasp, or they underestimate, the complexity of actual land governance systems and the possibly conflicting interests of host country actors. Our research has shown that this can cause projects to fail, but that "successful" projects often build on coalitions that satisfy the interests of both foreign investors and domestic rent-seekers. The social "logic" of large land acquisition projects may thus lead to strong coalitions and agency networks that are not in the interests of poor local people and give rise to concern about their rights and livelihoods.

Effects on the local population

To assess how the local population may be affected, we took into account compensation, employment opportunities, positive and negative spillovers, and changes in local food prices.

In a typical large-scale land investment, part of the land is transferred to the investor, often on long lease from the government, and smallholders continue to cultivate the rest. We considered two types of affected household: those who are displaced and seek employment on the investment farm and those who stay on their plots. Our three case studies showed that displacements do indeed occur. How badly the displaced smallholders are affected depends crucially on whether they are appropriately compensated for the loss of land.

We found no clear pattern of compensation. Each project handles it differently, depending largely on the local authorities and the investors. In some cases compensation is negotiated

with the local communities, in others there is no compensation whatsoever. Attempts to gather data about compensation payments (or other in-kind compensation) for affected local populations in a larger sample of land acquisitions were not successful (Anseeuw et al. 2012). This may be taken as an indication that compensation is typically inadequate or even non-existent.

Displaced farmers in sub-Saharan Africa are unlikely to be fully compensated for the loss of their land. This is because the lease fees or other payments that governments obtain from the investors are typically very low. So even if such payments were targeted to local populations, there would not be significant resources to distribute. This situation probably reflects the limited bargaining power of local populations (Arezki et al. 2011). In addition, proceeds may be diverted by the government or the local authorities when they receive the compensation on behalf of the affected communities.

How the displaced farmers' welfare is affected depends not only on compensation but also on whether they can find new jobs and how well these are paid. Our focus group discussions with affected communities and employees of investors painted a mixed picture.

A project's initial investment in infrastructure may create massive employment. But once production starts the number of jobs will dwindle. There is anecdotal evidence of displaced farmers who fail to find sufficient employment on the investment farm migrating to other rural areas or the cities (Tsikata and Yaro 2011). Where there are jobs, they may be lacking in not only quantity but also quality. Often, only low-skilled jobs are available on the farm. However, the quantity and quality of jobs generated by large land investments vary widely.

Labour requirements on investment farms vary depending on the crop. It has been shown that tree crops, in particular rubber, generate 10 to 30 times more jobs per hectare than large-scale mechanized grain farming (Deininger et al. 2011). This is because for tree crops the scope to substitute capital for labour is more limited than for grains, with harvesting in particular still being done by hand even on large farms. Tree crop investment projects thus have a higher potential to absorb the displaced smallholders, but the mainly unskilled and often seasonal jobs they offer are unlikely to provide a better income than small-scale farming. When the investor grows food crops, displaced smallholders compete for a limited number of unskilled jobs. This exerts strong downward pressure on wages. Large farms do offer some skilled jobs, but investors claim that highly qualified labour is not sufficiently available in investment regions, forcing them to employ skilled workers from outside the region. Evidence from Ghana and Rwanda corroborates this pattern (Tsikata and Yaro 2011; Veldman and Lankhorst 2011).

Unlike the displaced smallholders, the farmers who retain their land do not experience direct and immediate changes in their welfare. And over time, large agricultural projects are expected to contribute to more productive local farming through spillover effects. Potential productivity improvements are large given that the difference between possible output and what is attained with current technology, institutions and infrastructure – the "yield gap" – is nowhere higher than in sub-Saharan Africa (Deininger and Byerlee 2012).

Spillovers can result from improved infrastructure, for example feeder roads to ensure a seamless connection to transport hubs or downstream processing sites (e.g. Tsikata and Yaro 2011). They can also result from knowledge and technology transfer, which can be institutionalized in contract farming arrangements. This is more likely to occur where an investment involves labour intensive tree crops rather than staple food crops.

Focus group discussions in our three case study countries provided mixed evidence of these two types of spillover. Infrastructure development was mentioned as a major benefit – inter alia, improvement and construction of roads, expansion of the electricity network, construction of dams and canals and irrigation systems. Some mentioned investors who contribute to the establishment of health and education facilities. Knowledge and technology spillovers were less frequently mentioned. Few people said they had adopted the investor's farming techniques or benefited from technology the investor provided, such as machinery, fertilizer and high-yielding seed varieties. Rather, the general perception was that investors "fence off their land". Others mentioned negative spillovers, particularly the use of chemical fertilizers, deforestation and the diversion of water. Many people complained about degradation of the environment and threats to their health. In Zambia and Kenya, for instance, people reported aerial spraying being done while they worked in the fields.

Local welfare may also be affected by changes in local food prices as a result of the land acquisition. The Land Matrix database reveals that most projects are export-oriented, pointing to energy needs and food demand in the investor countries of origin as major investment motives (Anseeuw et al. 2012). An increase in local food prices is hardly avoidable if the investment farm produces exclusively for export on land that was formerly used for food crops by the local population, and if supply-enhancing productivity spillovers are largely absent.

Higher local food prices certainly affect displaced smallholders negatively, but farmers who remain on the investment land will be better or worse off depending on whether they are net food sellers or net food buyers. More small-scale African farmers are net food buyers, in particular among the poorer parts of the population (Ivanic and Martin 2008).

Three counteracting effects may dampen the price increase or even prevent food prices from rising. Localized price effects are only likely to be relevant if food markets in the investment area are not connected to a larger (domestic) market that should otherwise compensate for local output declines. The investor may be more productive than the small farmer he displaces and may sell part of his produce locally. And sufficiently large positive spillovers may enable local smallholders to increase their production. However, neither falling nor rising local food prices have so far been empirically documented.

Overall, in the current institutional setting of very limited compensation payments, the net welfare effect of large-scale land acquisitions for the local population can be expected to be negative when a large number of farmers are displaced and investment projects are capital intensive.

Effects on aggregate welfare

The impact of large-scale land acquisition is likely to extend beyond the directly affected population. This can happen in various ways, the most obvious being changes in food prices beyond the local level. It is difficult to assess the possible implications of large land investments on domestic (economy-wide) or even international food prices. The orientation of a number of investments towards exports and biofuels may imply that less food will be produced domestically. This may lend support to the hypothesis that domestic food prices will rise. By contrast, international food prices will fall if land investments achieve the stated goal of expanding the global food supply. This would lead to aggregate short to medium run welfare gains for many sub-Saharan African countries because they are net importers of food (Ivanic and Martin 2008).

With these price changes, the expansion of biofuel crops – possibly at the expense of land suitable for food cultivation – may indeed threaten domestic food security for poor households with limited access to import markets. The food security situation would worsen most for the urban poor, for poor rural households who earn their living mainly from non-farm activities, and for net food buying farm households who tend to belong to the poorest segment of sub-Saharan African societies. Yet we should also mention that there is anecdotal evidence that single large-scale land investors can contribute significantly to the domestic food supply, as for example in the case of an investment project in Kenya that is one of the main rice producers in the country.

Adjustments in wages are another channel through which the investments can cause regional or economy-wide repercussions. The employment generated directly on the investment farm will probably be too small to have a sizeable impact on wages, particularly if the investor grows food crops. However, using a simulation analysis, Rakotoarisoa (2011) concludes that land acquisitions in sub-Saharan Africa may cause additional labour demand that will raise wages considerably. This projected outcome rests on the assumption that the investment generates backward and forward linkages which increase labour demand indirectly by integrating the farming operations into the domestic economy. Backward linkages include the purchase of inputs such as fertilizer and seeds, and services such as banking and transport. The most notable forward linkage involves selling crops to local processing plants, which are in some cases built by the investor (e.g. De Schutter 2011).

Currently there is very limited evidence for the existence of these linkages; rather, investors tend to import most of their inputs and export (largely) unprocessed crops. In addition, if large land investors are not even able to generate sufficient jobs for displaced farmers, they may indirectly augment labour supply in the cities and increase the already unsustainable pace of urbanization.

4 Policy recommendations

In sum, large-scale land acquisitions as they are currently pursued are likely to have negative welfare effects for local populations, while evidence on the economy-wide aggregate effects is lacking. Local people are under threat of losing access to land without being adequately compensated. Few positive spillovers from investment farms to smallholders have been documented and limited employment opportunities are generated. It is thus evident from our analysis that these large investments in land are agents of drastic structural change which under current governance systems is associated with many risks and few benefits for local people. In what follows we propose a set of policy changes that could help achieve a more favourable balance of risks and benefits.

There is already a growing body of recommendations by development agencies and international organizations under the heading of principles (De Schutter 2009; World Bank, IFAD, UNCTAD and FAO 2012), voluntary guidelines (FAO 2012) and codes of conducts (Braun and Meinzen-Dick 2009).[5] Some of these are closely linked to the process of land acquisition, and they assign primary responsibility to foreign investors.

In contrast, our recommendations highlight the complementary responsibility of host country governments. Some further recommendations, most notably in the FAO guidelines, aim at good governance regarding land tenure more generally. While these recommendations are in line with the thrust of our argument, the steps we suggest here are specifically tailored to large-scale land investment.

Our first recommendation comprises a list that targets host country governments. As discussed above, a significant part of the negative social consequences of large-scale land acquisitions results from unjust background conditions. In order to address these, host governments must initiate regulatory changes in land governance systems. Large land investments should be used as an opportunity to modernize land tenure systems. Our analysis above of welfare implications suggests it is especially important to

- Clarify and enforce laws and regulations, especially with regard to
  - land governance, including but not limited to governance of communal lands,
  - consultations with local land users,
  - displacements and compensations,
  - environmental regulations, and
  - labour regulations.

[5] Several NGOs have proposed to invoke extraterritorial obligations (ETOs) to remedy adverse consequences of large-scale land acquisition. The idea of ETOs is that states have human rights obligations towards persons outside their territories. This opens up the possibility of investor states regulating investor behaviour that could lead to human rights violations. In this policy brief we have not discussed ETOs because of their potential to excuse host country governments from taking action.

- Enforce formal laws, especially checks and balances to curb the power of individual actors, which will in turn curb rent-seeking behaviour. This applies in particular to communal lands where others negotiate on behalf of local land users.
- Build the capacity of people negotiating contracts with investors to address power imbalances. In particular, local government authorities and local land users must be given means and incentives to negotiate favourable land deals on equal terms.

Furthermore, host country governments that aim to avoid or minimize adverse social effects for the local population must include the local population in the decision-making process. However, inclusion as such does not suffice to guarantee acceptable outcomes. To ensure that projects do not violate human rights, host country governments must observe the following caveats:

- Projects must not result in the eviction of people who have legal property rights to some piece of land.
- Projects should as far as possible avoid the loss of access to land that currently forms the main base of livelihood so as not to violate the right to food.
- While legal displacements should be kept to a minimum, they can hardly be avoided altogether. Displaced farmers must be adequately compensated and this compensation must be monitored and made transparent.
- Any employment generated in the course of land investment projects must comply with the rights of workers employed on farms, as embodied in the norms of the International Labour Organization.
- The process of land acquisition must not violate the procedural rights of people affected by these investments, such as rights to access to information and public participation.

To avoid adverse environmental effects of large-scale land acquisition, host countries should discourage projects if they are heavily dependent on non-renewable inputs, have negative effects on soil fertility and water resources, lead to a significant increase in greenhouse gas emissions and exert increased pressure on ecological systems that are not yet under use. Environmental consequences qualifying as violations of local people's right to an adequate standard of living now or in the future must be avoided.

Our second recommendation targets the international community. While the primary responsibility for putting an adequate regulatory framework in place rests with the host country government, the international community must support local efforts where needed, for example by providing legal advice.

Our third recommendation targets the investors. Where host country governments have not (yet) stipulated the above regulatory measures, there is a strong likelihood that investment will negatively affect local populations. Investors cannot of course be held responsible for remedying background injustice generally. However, if they decide to invest in a country

where background injustices prevail, they must find mechanisms to deal with the way these background injustices affect the outcomes for affected local populations, rather than taking advantage of the injustices for their own ends.

For instance, if land governance is weak, it lies within the responsibility of the investor to address this locally relevant injustice. They must investigate whether the land they have been offered is really not being used by a third party (a community or smallholder). They must finance or even actively facilitate consultative processes that comply with people's demands for free, prior and informed consent.

Our final recommendation has to do with actively *promoting benefits for the local population*. Besides minimizing the adverse effects along the lines suggested above, large land projects should be designed so as to allow for benefits for the local population. The responsibility for ensuring this rests primarily with host country governments. However, from a moral though not legal point of view, investors can be expected to contribute their share. Specifically, for the smallholders who stay on their plots, productivity spillovers from investment farms should be fostered, for example through contract farming schemes. To create employment opportunities that reach beyond the investment projects, large land investments should be harnessed for a broader modernization of the local economy. Spillovers via forward and backward linkages that help develop the local economy will not come about by themselves. As a first step, the investor may have to make a formal commitment to engage in the local economy, for example by processing agricultural products domestically. For the linkages to materialize, a set of accompanying measures will be necessary. These include regulations for competitive input and output markets, a business environment that encourages the establishment of processing plants, and investments in infrastructure.

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