

AATIF and Agrivision Africa: the failure of private-sector-led 'development'

By **ASTM** (Luxembourg) and **FIAN Germany**



About the corporation:

Name: AATIF (Africa Agriculture Trade and Investment Fund)

Sector: Finance/Agriculture

Country of origin: Luxembourg and Germany

Main ownership: German Federal Ministry for Economic Cooperation and Development (BMZ), Kreditanstalt für Wiederaufbau (KfW), Deutsche Bank and unknown private investors

Location of the case: Zambia

Name of company involved in the case: Agrivision Africa, financed by AATIF

AATIF – Africa Agriculture and Trade Investment Fund

AATIF is a fund based in Luxembourg with a focus on the agricultural sector. Its objective is to promote investments, which “contribute significantly to the business growth of African farmers and subsequently to a reduction of poverty”¹. To accomplish this objective, the fund is supposed to “prioritize investments which have a distinct approach and the ability to improve food security, create employment and boost local incomes.”

Today the fund holds US\$ 179 million and the main shareholders are the German Federal Ministry for Economic Cooperation and Development (BMZ) - US\$ 63 million, Kreditanstalt für Wiederaufbau (KfW) and Deutsche Bank – each US\$ 26 million. Other development banks and unknown private investors complement the funding.²

The fund is promoting investments in Africa and in particular in Benin, Botswana, Burkina Faso, Ghana, Nigeria, Rwanda, Kenya, Mozambique, Tanzania, Zambia and Zimbabwe³.

Public-private partnerships (PPP): private investors are the big winners

The case of AATIF comes within the scope of the new policy of EU states to supplement traditional development aid with public-private partnerships (PPP) confirmed by the New European Consensus on development adopted by the EU in 2017.⁴ The promotion of private investments in order to finance development is also highlighted in the Addis Ababa Action Agenda and the UN Sustainable development goals.

It is within this trend that the German Ministry for Economic Cooperation and Development set up AATIF as part of its development cooperation program. The fund is providing loans to private investors who would like to invest in Africa's agricultural sector.

Why is the fund hosted in Luxembourg? Firstly, the fund, whose main objective is to meet the needs of private investors, could not have been created under German law. AATIF is structured according to a waterfall principle. This means that there are three categories of shares linked to different levels of investment risks. Private investors bear the lowest risks (A-shares), the average risks are borne by banks (B-shares) and the highest risks are borne by the BMZ (C-shares). First profits are given to A-share-holders. When their agreed profits are satisfied, profits are flowing to B-share-holders and so on. In case of losses, it is exactly the opposite: losses are compensated by public money, i.e. the taxpayer.⁵ Secondly, the Fund does not have to pay an income tax in Luxembourg.⁶ Until today 33 million dollars in interest income has flowed from Africa to Luxembourg. 21 million dollars of this were passed on to investors as salaries for fund management, performance fees and dividends.⁷

This case is part of the report
THE EU AND THE CORPORATE IMPUNITY NEXUS
BUILDING THE UN BINDING TREATY ON TRANSNATIONAL CORPORATIONS AND HUMAN RIGHTS

The full report can be downloaded at:
<https://multinationales.org/The-EU-and-the-Corporate-Impunity-Nexus>



Agrivision Zambia: large-scale industrial farming is not profiting local communities

Agrivision Zambia is a commercial farming company in Zambia owned by Mauritius based investment firm Agrivision Africa. Agrivision Africa in turn is controlled by the larger specialized agricultural and food investor Zeder Investments Limited, an investment company managed and partly owned by PSG, a South African investment firm. Minority shares of Agrivision Africa are held by Norfund and the World Bank (IFC).

In 2011, private investor Agrivision Africa received a US\$ 10 million loan from AATIF to acquire additional land and expand industrial production of soy and wheat in Zambia for national and regional supply. Up to now, Agrivision Africa has purchased almost 20,000 hectares of land in Zambia⁸ on some of which local farmers had previously grown production for their own consumption. Agrivision has its farming operations in two main areas: in Mkushi (Central Province) and in Mpongwe (Somawhe Estate, North-Western Province).⁹

In addition, Agrivision benefits from an investment promotion and protection contract with the Zambian government, which guarantees export rights for up to 80 percent of production and includes tax breaks.¹⁰

According to research conducted by FIAN Germany and to information provided by German media, this investment has not benefited local farmers and had no impact on poverty reduction. The reality is quite the opposite. In some cases, land has even been taken from the local peasant communities and this has deprived them of their livelihood.¹¹

The investor initially promised to create 1,639 local jobs and give back to the local community. In order to increase the profits, the fund invested in the mechanization and intensification of the farms. Indeed, this turned out to be very profitable for the investor Agrivision and its shareholders (in 2016 US\$ 4 million in earnings were reported¹²) but for the local communities, this development resulted in extensive deforestation and job losses.¹³

In addition, casual workers complain about extremely low wages in Agrivision farms in Mkushi district. Casual workers state that they are paid the equivalent of 5 cents for collecting a 50-kilo sack of herbicide-resistant wild nuts.¹⁴ One casual worker presented a pay roll that showed a wage of 425 Kwacha. She explained that this was paid for a full-time job for one month, which is far below the minimum wage law in Zambia.¹⁵ Moreover, a former labor representative reported that during a visit to the Somawhe Estate in 2014, the Deputy Minister of Labor demanded the farm management to pay at least the minimum wage to the workers. He also explained that non-compliance with minimum wages has frequently been an issue at Somawhe Estate¹⁶.

Land conflicts are also smoldering between local communities and the Agrivision farms. At Somawhe Estate, Kasababanyambi community with some 1,200 members is struggling for land and tenure security. Some people reported to FIAN, that they were forcibly evicted from their land shortly before Agrivision took over the farm in 2012¹⁷. Property, such as a house and a hammer mill, were destroyed without any compensation. Thereafter Somawhe farm's management installed a cutline and people lost cultivated land within the cutline. One villager explains: "I fear to put up structures as we are all labeled as squatters. There is no development because of the insecure situation."¹⁸ Only after FIAN informed the BMZ about the precarious tenure situation in 2014, they engaged with the farm management, which resulted in the commitment to subdivide the formal title to provide community with tenure security for the rest of the land they use today. It was promised that this would be done until mid-2016 but BMZ explained in July 2018 that the process is still ongoing.

Since the mid-1980s, the villagers of Ngambwa have been living on a strip of land along the railway line in Mkushi between large farms now owned by Agrivision. The entire settlement strip was owned by the railway company TAZARA, which had settled its former workers there, some of whom still live on it today. Yet Agrivision, under its procedure to obtain a production license, presented a map to the Zambian government suggesting that they owe the whole land of Ngambwa.¹⁹ The community used the land for the cultivation of food. In July 2016, the locals explained that for several months Agrivision had forbidden them to cultivate the little arable land around their houses. One inhabitant explained to FIAN: "The land has been taken away from us. Now it's hard to get food. We want to cultivate the soil so that our children have enough to eat and don't steal." Agrivision farming activities now come close to a few meters to the houses (see photo, center), reducing more and more the space for the village. Moreover, villagers were told that all self-built houses would be destroyed and they had to leave Ngambwa. An alternative area was promised but it was fully unacceptable to the villagers as the district commissioner confirmed to FIAN that the land would be without houses, infrastructure and there would be no land to cultivate food.²⁰

According to AATIF's annual report, Agrivision conducted a beacon identification exercise to identify the border between its farm and TAZARA land. Even though it was confirmed that none of the community structures are on Agrivision land, beacons erected by Agrivision have been found to cut through villagers' plots and even houses, underpinning that there is still underlying conflict after this exercise (see photo, right).



Farm entrance sign and
Ngambwa village in background
Photo: Authors



Tractor comes close
to Ngambwa houses
Photo: Authors



Beacon that would cut
village house in half
Photo: Authors

Inadequate self-regulation

AATIF has put in place a set of “social and environmental safeguard guidelines” which according to its website are “an essential basis” for the fund’s mission and “pre-condition to receiving AATIF’s funding” for all investors²¹. The guidelines include safeguards regarding the working conditions and the land acquisition and involuntary resettlement.

Although respecting the guidelines is mentioned to be a pre-condition of granting the loans, adhering to them does not seem to be compulsory: AATIF states that the compliance with the guidelines is considered “an ambition that the Fund and its partners undertake to strive towards”²².

Moreover, information collected over the past years on the work of the fund’s compliance advisor, flags substantive procedural problems. In the case of the land conflict with the Kasababanyambi community, the compliance advisor visiting Somawhe deliberately chose not to meet and exchange with the community to discuss the issue. In Mkushi, the local labor office and the district commissioner informed FIAN that “labor issues” in the area mostly involve the Agrivision farms. Confronted with this information, the compliance advisor checked back with the farm’s management, which replied that the accusations were false.

Casual workers also reported in 2017 that their complaints to the internal farm complaint mechanism came to nothing. This makes labor rights issues invisible to public institutions, especially the local labor office, and consequently makes it difficult for the state to fulfill its obligation to act in case of violation of basic rights and laws.

Land grabbing, no jobs and hunger wages

AATIF is supposed to prioritize investments, which improve food security, create employment and boost local incomes. Not only has the Agrivision investment a highly questionable impact on these aims but it also resulted in a further neglect of local communities’ fundamental human rights.

As stated by a recent report published by the UN Special rapporteur on the right to food, the Zambia’s government policy of turning export-oriented large scale commercial agriculture into the driving force of the national economy, in a situation where land protection is weak, runs the risk of pushing peasants off their land, which in turn could push them out of production, with a severe impact on their right to food²³. Indeed, information collected in the past years show that the conduct of Agrivision deprived certain communities of their livelihood and constitute therefore an abuse of their right to food recognized by the International Covenant on Economic, Social and Cultural rights to which Zambia and Luxembourg are both state parties.

According to the Covenant, the States also recognize the right of everyone to the enjoyment of just and favorable conditions of work. This right is also guaranteed by the Fundamental Conventions of ILO ratified by Zambia. However, the substantive indications summarized above question that Agrivision fully respects labour standards.

Regarding the states and the institutions implicated in the PPP - Germany and Luxembourg - they are bound by the dual obligation to respect human rights if directly involved in these transactions and to protect human rights if in a position to regulate the actor (e.g. the Fund based in Luxembourg). This includes prior assessment, with public participation, of

the risks and potential impacts of the activities within the partnership, on the enjoyment of human rights. The results of this assessment must be made public and must inform the measures that states will adopt to prevent violations or ensure their cessation as well as to ensure effective remedies (see chapter 4.2 and annex 4). States are also required to protect affected people from human rights abuses by the companies involved in PPPs²⁴.

Resistance of local communities and reactions of states involved

Overall, local communities living around the farms frequently complain about the fact that they gain little from Agrivision investments – a bit of precarious work at best. Indeed, land conflicts with the direct involvement of Agrivision have been largely invisible outside the local context and communities are conscious that collaborating with NGOs based in investors’ home countries can be an effective way to get their voices heard. This is also a strategy to reduce the power imbalances between them and the investor. In the case of Somawhe, the investor has withdrawn plans to expand into land used by the community, although a number of important human rights issues are not resolved.

Another concern communities have is that the ongoing and accelerated land investment by major actors is becoming a systemic problem. Local and poor peoples’ right to land is being increasingly undermined. Community members affected by Agrivision have cited the need for a land reform.

In 2018, the German government officially “regretted” that the Agrivision investment did not provide the jobs initially promised.²⁵ A study commissioned by BMZ has highlighted that in the current context, support to large-scale industrial agriculture, which provides little in the way of jobs and land for rural communities, is problematic. Instead attention should be given to support for family farming activities that provide by far more jobs and livelihood perspectives for the communities.²⁶

Until now, Luxembourg has not taken any position on AATIF’s investments in Zambia.

ENDNOTES

- 1 <https://www.aatif.lu/objective-of-the-fund.html>
- 2 AATIF annual report 2016/2017 at <https://www.aatif.lu/annual-reports.html>
- 3 <https://www.aatif.lu/investment-portfolio.html>
- 4 EU (2017) The New European Consensus on Development, p. 41 at https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626_en.pdf
- 5 Program ARD “Monitor” from 6th of July 2017 „G20-Gipfel: Wer profitiert vom „Marshall-Plan“ für Afrika?“, available on <https://www1.wdr.de/daserste/monitor/sendungen/afrika-politik-104.html>
- 6 https://www.fian.de/fileadmin/user_upload/news_bilder/Schuldenreport_2017_AATIF.pdf
- 7 AATIF annual reports 2012-2018.
- 8 http://www.fian.de/fileadmin/user_upload/news_bilder/2018/AfrikaSued_18-3_sambia_herre.pdf
- 9 https://www.aatif.lu/tl_files/downloads/annual_reports/AATIF_AR_2016.pdf
- 10 https://www.fian.de/fileadmin/user_upload/news_bilder/Schuldenreport_2017_AATIF.pdf
- 11 See for example witness in Ngambwa community, Mkushi from Monitor Report 2017
- 12 Zeder annual report 2017, p.21 (40 million Rand)
- 13 http://www.fian.de/fileadmin/user_upload/news_bilder/2018/AfrikaSued_18-3_sambia_herre.pdf
- 14 Testimonial collected by FIAN in 2016
- 15 Idem
- 16 Idem
- 17 Idem
- 18 Idem
- 19 Chobe Agrivision (2011) Environmental impact statement, p.8f
- 20 https://www.fian.de/fileadmin/user_upload/news_bilder/Schuldenreport_2017_AATIF.pdf
- 21 https://www.aatif.lu/tl_files/downloads/guidelines/AATIF_Social_and_Environmental_Guidelines.pdf
- 22 See AATIF Social & Environmental Safeguard Guidelines at: https://www.aatif.lu/tl_files/downloads/guidelines/AATIF_Social_and_Environmental_Guidelines.pdf
- 23 https://www.fian.org/fileadmin/user_upload/Report_of_SR_on_the_RtF_mission_Zambia.pdf
- 24 Landgrabbing and human rights: the involvement of European corporate and financial entities in land grabbing outside the European Union [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578007/EXPO_STU\(2016\)578007_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/578007/EXPO_STU(2016)578007_EN.pdf)
- 25 Written reply of the German Government to a Parliamentary request (Drucksache 19/763), dated 15 Feb 2018. Available at: <http://dipbt.bundestag.de/dip21/btd/19/007/1900763.pdf>
- 26 Rauch et al (2016) Ländlicher Strukturwandel in Subsahara Afrika