

INDIAN PRIVATE AGRO-INVESTMENTS IN ZAMBIA

A CASE STUDY



ऑक्सफैम इंडिया

OXFAM

India

Author: Prof. Aparajita Biswas, Policy Research Institute of the African Studies Association and Prof. Ajay Dubey, Policy Research Institute of the African Studies Association

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SECTION 1: INTRODUCTION TO THE STUDY

Indian scholars are researching various facets of Indian engagement in Africa at present. Most of these studies tend to examine issues at a pan-Africa level, often addressing broad questions. This is primarily due to two reasons: one, African studies as an important geopolitical subject is beginning to gain traction; and two, the amount of data available to conduct an issue or country-specific research is negligible. This could be attributed to the lack of funding to carry out focused studies. In such circumstances, the opportunity provided by Oxfam to analyse the role of Indian private players in Zambia's agriculture sector is significant and well timed.

The purpose of this study is to not only assess India's growing footprint in Zambia as an increasingly significant investor, trading partner and donor, but also to analyse the nature and sustainability of foreign direct investment (FDI) in Zambia's agriculture sector. The study is pertinent from the point of view of India's larger Africa policy, given that India's approach to Africa has changed considerably since 2000. Instead of relying on historical goodwill alone to further relations, economic rationale has also been given pre-eminence. Government of India's (GoI) reinvigorated policy toward Africa emphasises on a sustainable and organic development model. This means New Delhi's relations with Zambian capital Lusaka will involve helping the country steer away from excessive economic dependence on the extractive sector and focus on the development and promotion of other economic activities such as agriculture.

This does not, however, ignore the fact that the post-globalised society in India saw immense potential for its own entrepreneurs in Zambia. The focus on the agriculture sector in Zambia becomes significant not only because it has presented Indian corporate entities with an untapped investment opportunity but also due to the issue of food insecurity in India. GoI has gone on record to state that it is effectively considering private purchases of farm land overseas to ensure food security for India (*The Economic Times*, 2012).

India's Ministry of Agriculture has asked its domestic farmers' associations and agri-

business organisations to examine proposals it has received from several countries to farm on leased land in their countries. Countries that have invited India, through the ministry, include Egypt, Ethiopia, Mongolia, Senegal, Sudan, Trinidad and Tobago and Tunisia, among others. "This department is receiving a number of proposals from several countries offering opportunities for acquisition of land for farming by companies, for meeting their commercial objectives, as well as Indian farmers or their conglomeration for taking up smallholdings for agriculture," states a letter issued in late December 2009 by the joint secretary of the Department of Agriculture and Cooperation, Ministry of Agriculture. The objective of such offers is to increase agricultural production in the respective countries to result in reduced dependence on foodgrain import as well as surplus foodgrain export to third world countries (Goswami 2010).

While analysing India's involvement in Zambia's agriculture sector, the study covered various aspects. At the outset the Indian players in Zambia's agriculture sector and the quantum of their holdings were identified. The stakeholders in the sector in Zambia were listed and their role established. Additionally, the impact of FDI on the livelihoods of smallholder farmers, especially rural women, and communities in Zambia, was looked into. The repercussions of inflow of FDI into the agriculture sector in Zambia including the various rewards such as agricultural development and poverty reduction and risks such as forced evictions and increasing conflicts over land and water were examined closely, and other technical aspects of FDI such as the nature, scope, drivers and modalities, assessed. The various administrative and governance structures present in Zambia and India to facilitate these investments were also analysed.

This literature review is a first step towards addressing the knowledge gaps present in this domain. This report is divided into four sections. Section 2 provides an overview of India-Africa relations and India's FDI policy. The overview of India-Africa relations provides a summary of the evolution of India-Africa relations from historical times to contemporary times and the latter provides a synoptic view of the Indian FDI policies pre- and post-liberalisation. The overview lays the foundation for the report.

Section 3, titled 'India in Africa's agricultural sector', comprises a summary of GoI's initiatives such as treaties and conventions, lines of credit etc on the one hand, and Indian private investments and FDI in agriculture on the other. Section 4, 'India-Zambia Engagement', has two sub sections. The first sub section reviews the literature available on some of the Zambian policies, incentives, regulations, tax incentives etc. to encourage Indian private investments, particularly in the agriculture sector; the second focuses on Indian investments in agriculture in Zambia.

Most literature used in this review is from secondary non-Indian sources since there is a dearth of studies conducted on this topic in India. It is also pertinent to highlight that the analysis provided in this literature review is limited, due to lack of specific information available to answer the questions posed by this research. The study relies heavily on primary data collected during the field visit to gain a more comprehensive understanding of ground realities.

SECTION 2: OVERVIEW

2.1 India-Africa relations

India's involvement with Africa goes back a long way — to the country's early days of independence movement in the 1960s and before. The current level and intent of India's involvement is on a different plane though. In the early days, India looked towards African countries in the context of an emerging Afro-Asian solidarity among the Third World countries. India's presence was notable in infrastructure projects, with finance and building of railroads in East African countries, besides its assistance in setting up small scale industries in Tanzania and Kenya, joint ventures in textiles, etc. In the subsequent decades, India provided technical expertise, doctors, educational scholarships and various other forms of aid under the Indian Technical and Economic Co-operation programme.

Over the first decade of the 21st century, the scope of India-Africa cooperation has expanded significantly, especially with India's emergence as an important player in the world economy and India's own important need for oil and other natural resources. This is evident given that in India-Africa Forum summits India offers significant loans, grants and development assistance to woo African countries. The most important initiative that India has taken to advance its relationship with African countries is its Focus Africa Programme. Ministry of Commerce and Industry, GoI, launched the programme under the Export Import (EXIM) Policy in 2002 to help Indian companies do business in Africa. The primary objective of the programme is to increase interaction among the two, by identifying potential areas of bilateral trade and investment. Effective April 1, 2003, the "Focus Africa" programme was extended to cover the entire African continent (Ministry of Commerce and Industry). Through this programme, GoI provides financial assistance to various trade promotion organisations, export promotion councils and apex chambers and Indian missions (Ministry of Commerce and Industry).

India is increasingly courting the continent for a number of reasons. At the forefront of India's foreign policy priorities is energy security. Second, Africa has emerged as an important market for Indian goods and services, as well

as a vital element in India's quest for strategic minerals and other natural resources needed to feed its burgeoning economy (Mawdsely and Gerard, 2011). Similarly, African countries have been interested in acquiring cost effective and intermediate technology from India in the areas of information technology, agriculture, health and pharmacy. Third, as its economic prowess grows, India has decided to project its military power in the Indian Ocean region, which it has long considered to be within its sphere of influence. Given the existence of extremist organisations and criminal syndicates that traffic drugs, arms and people, as well as pirates in the Indian Ocean region, India has begun to dramatically expand its military presence in the Horn of Africa and Indian Ocean, reportedly to include the establishment of listening posts in the Seychelles, Madagascar and Mauritius; in late 2009, it successfully co-opted The Republic of Maldives as part of its southern naval command. Furthermore, India imports about 70 per cent of its oil through the Indian Ocean to its various ports (Mawdsely and Gerard, 2011).

Africa therefore is crucial and strategic for India's priorities and needs, and these have ensured growth in relationship between India and Africa.

2.2 Indian FDI Policies

FDI is a natural extension of globalisation, which often begins with exports. In the process, countries try to access markets or resources and gradually reduce the cost of production and transaction, by expanding overseas manufacturing operations in countries where certain ownership-specific advantages can help them to compete globally. Adoption of such strategies helps them catch up with competing economies (H R Khan, Speech, 2012). A significant uptrend in outward FDI has also been observed in the case of India in recent years. Since globalisation is a two-way process, integration of the Indian economy with the rest of the world is evident not only in terms of higher level of FDI inflows but also in terms of increasing level of FDI inflows and outflows. In 2005–07 the total FDI inflow to India was \$17,766 million while the FDI outflow from India was \$11,501 million. The same trend continued in 2011 due to an increase in the inflow of \$36,190 million. Similarly, in 2012 the FDI inflow was \$25,543 with the outflow at \$8,583 (UNCTAD, 2013). The overseas investment

of domestic corporate sector through FDI has provided them better access to global networks and markets, transfer of technology and skills and also enables them to share research and development efforts and outcomes. It can also be seen as a corporate strategy to promote the brand image and utilisation of raw materials available in the host country. In the Indian context, overseas investments have been primarily driven by either resource seeking or market seeking or technology seeking motives. Of late, there has been a surge in resource seeking overseas investments by Indian companies, especially to acquire energy resources in Australia, Indonesia and more importantly Africa (Reserve Bank of India, 2012).

However, this is not to suggest that overseas investment by Indian companies is a phenomenon of 1990s. Indian firms began to invest overseas in the 1960s, but India's restrictive policies for overseas investment limited them to small, minority joint ventures in developing economies. The first major overseas Indian venture was a textile mill set up in Ethiopia in 1959 by the Birla Group of companies (Authkorala, 2009). Overseas investment operations were primarily concentrated in West and East Africa, Middle East and South and East Asia with which India shared a colonial heritage and historical linkages.

Change in policy environment across economies has greatly influenced the outward investment pattern in the global economy. Nonetheless, recognising the concerns of capital outflows, governments in different countries, particularly emerging and developing economies, have been relatively more circumspect on undertaking policy liberalisation of outward investment. Therefore, it is important to highlight how the Indian policy in this regard has evolved over time.

In the Indian context, entrepreneurs recognise overseas investments in joint ventures and wholly owned subsidiaries as important channels to promote global business. The broad approach has been to facilitate outward FDI through joint ventures and wholly owned subsidiaries and provision of financial support to promote exports, including project exports from India. With a steady rise in capital inflows, particularly in the second half of 2000s, the overall foreign exchange reserve position provided comfort to progressive relaxation of the capital controls

and simplification of the procedures for outbound investments from India. Three distinct overlapping phases can be discerned in the evolution of the Indian outward FDI policies (H R Khan, 2012):

- **Phase 1 (1992-1995):** Period of liberalisation of Indian economy
- **Phase 2 (1995-2000):** Creation of Fast Track Route leading up to the creation of the Foreign Exchange Management Act (FEMA)
- **Phase 3 (2000-present):** Liberalised framework under FEMA

Outward FDI from India has mainly been by way of equities and loans. According to UNCTAD's World Investment Report 2011, based on the magnitude of FDI outflows, India was placed 21st in the world. In terms of value of net purchases i.e. cross border acquisition deals by Indian companies in 2010, India was placed fifth in the world after USA, Canada, Japan and China. Importantly, the scale of overseas investment by domestic companies has also expanded as India was placed second in 2010 only after China in terms of average size of net purchase deals — \$190 million in India as compared to \$ 197 million in China (UNCTAD, 2011).

India also figures among the top five emerging and developing economies whose state owned enterprises are increasingly becoming transnational corporations. It is not surprising that in recent years, India's public sector units (PSUs), viz. National Thermal Power Corporation (NTPC), Gas authority (of) India Limited (GAIL), Oil and Natural Gas Corporation Limited (ONGC) and National Aluminium Company Limited (NALCO), have undertaken significant overseas green-field investments (H R Khan, 2012).

Even though policy changes with respect to overseas investments have facilitated the growing cross-border acquisitions by the Indian corporate sector, other structural reforms undertaken since 1992, such as industrial deregulation, trade liberalisation and relaxation of regulations governing inward FDI led to major restructuring in the Indian industry. A trend analysis shows that the level of outward FDI from India has increased manifold since 1999-2000. The level of net outward FDI flows recorded a sharp upswing at \$74.3 billion during the second half of 2000s (2005-06 to 2009-10) compared to

TABLE 1: YEAR-WISE POSITION OF ACTUAL OUTFLOWS IN RESPECT OF OUTWARD FDI AND GUARANTEES ISSUED

Period	Equity	Loan	Guarantee Invoked	Total	Guarantee Issued
2000-2001	602.12	70.58	4.97	677.67	112.55
2001-2002	878.83	120.82	0.42	1000.07	155.86
2002-2003	1746.28	102.10	0.00	1848.38	139.63
2003-2004	1250.01	316.57	0.00	1566.58	440.53
2004-2005	1481.97	513.19	0.00	1995.16	315.96
2005-2006	6657.82	1195.33	3.34	7856.49	546.78
2006-2007	12062.92	1246.98	0.00	13309.90	2260.96
2007-2008	15431.51	3074.97	0.00	18506.48	6553.47
2008-2009	12477.14	6101.56	0.00	18578.70	3322.45
2009-2010	9392.98	4296.91	24.18	13714.07	7603.04
2010-2011	9234.58	7556.30	52.49	16843.37	27059.02
2011-12*	4031.45	4830.01	0.00	8861.46	14993.80
Total	75247.61	29425.32	85.40	104758.30	63504.05

* April 2011 to February 22, 2012

TABLE 2: SECTOR WISE INDIAN INVESTMENTS ABROAD BETWEEN 2000 AND 2010: (FIGURES IN US \$ MILLIONS)

Year	Manufacturing	Financial Services	Non-financial Services	Trading	Others	Total
2000-01	169 (23.84)	6 (00.85)	470 (66.29)	52 (07.33)	12 (01.69)	709 (100)
2001-02	528 (53.82)	4 (00.41)	350 (35.68)	79 (08.05)	20 (02.04)	981 (100)
2002-03	1271 (70.69)	3 (00.17)	404 (22.47)	82 (04.56)	38 (02.11)	1798 (100)
2003-04	893 (59.77)	1 (00.07)	456 (30.52)	113 (07.56)	31 (02.07)	1494 (100)
2004-05	1170 (65.88)	7 (00.39)	304 (17.12)	192 (10.81)	100 (05.63)	1776 (100)
2005-06	3407 (67.46)	160 (03.17)	895 (17.72)	377 (07.46)	207 (04.10)	5050 (100)
2006-07	3545 (26.34)	28 (00.21)	7486 (55.62)	1739 (12.92)	656 (04.87)	13459 (100)
2007-08	6240 (34.84)	26 (00.14)	1635 (09.13)	8993 (50.21)	1010 (05.64)	17910 (100)
2008-09	6817.0 (42.74)	174.9 (01.97)	1068.0 (06.70)	640.1 (04.01)	7247.8 (45.44)	15947.8 (100)
2009-10	4443 (43.11)	-	2895 (28.09)	1174 (11.39)	1794 (17.41)	10306 (100)

Source: RBI Annual Reports at www.rbi.org.in/Publications

\$8.2 billion in the first half of 2000s (2000-01 to 2004-05). Even though India's outward FDI was moderately affected during 2009-10, a sharp rebound was seen in 2010-11.

In recent years, outward FDI continued to be mainly financed through equity and loans. Although guarantees issued have been rising, their invocation has been negligible during 2009-10 and 2010-11. It has been observed that the number of outward FDI proposals under the Automatic Route during 2000s was on the rise, indicating the growing appetite of the Indian companies to establish their footprint abroad under a liberal regulatory regime.

The sectoral distribution of India's outward FDI reveals that during the period 2000-01 to 2009-10, the manufacturing sector accounted for most of India's outward FDI, barring 2000-01 and 2006-07. The share of manufacturing sector increased from 23.84 per cent to 43.11 per cent during the period 2000-01 to 2009-10. The share of non-financial services, which was as high as 66.29 per cent in 2000-01, registered a steep decline in subsequent years, but improved considerably in 2009-10 (28.09 per cent). The share of financial services was negligible throughout the period.

Sectoral pattern also suggests that greater outward investment by the Indian corporate sector seems to have been motivated by long-term strategic considerations rather than short-term profitability. For instance, ONGC Videsh Ltd.,

a fully-owned subsidiary of ONGC, has overseas assets in 33 projects in 14 countries of Middle East, Africa, Commonwealth of Independent States and Far East and Latin America at present. Oil India Limited has exploration blocks in eight countries — Libya, Gabon, Iran, Nigeria and Sudan. Similarly, Coal India Limited has formed a subsidiary Coal Videsh Ltd. to acquire coal abroad and also set up a joint venture called International Coal Ventures Ltd with other companies to acquire metallurgical and thermal coal assets outside India. Overseas investment by Indian companies in extractive industries assumes importance as it is required to support rapid economic growth, industrialisation and urbanisation in the domestic sector and guarantee long-term and stable supply of natural resources to the country against a background of rising commodity prices (H R Khan, 2012).

Substantive research has gone into tracking the evolution of Indian corporate in the globalised world order, their increasing influence and the role of outward FDI in enhancing India-Africa relations. Singh, Lakhwinder and Jain Varinder's, 'Emerging Pattern of India's Outward Foreign Direct Investment under Influence of State Policy: a Macro-view', states that the emerging growth dynamism of Indian economy in a rapidly globalising world is well recognised and critiqued by several researchers. In fact, India has long made a concerted effort to develop strategic and competitive capabilities in the agents of production. These capabilities have

TABLE 3: SECTOR WISE OVERSEAS INVESTMENTS BY INDIAN COMPANIES 2008-2012

Period	(in billion US \$)				
	2008-09	2009-10	2010-11	2011-12*	Total
Manufacturing	10.18	5.35	5.04	2.74	23.31
Financial Insurance, Real Estate Business & Business Services	3.55	4.41	6.53	2.53	17.03
Wholesale & Retail Trade, Restaurants & Hotels	1.17	1.13	1.89	1.00	5.19
Agriculture & Allied Activities	2.38	0.95	1.21	0.41	4.94
Transport, Communication & Storage Services	0.31	0.38	0.82	1.34	2.85
Construction	0.35	0.36	0.38	0.37	1.46
Community, Social & Personal Services	0.39	0.18	0.70	0.18	1.45
Electricity, Gas & Water	0.14	0.84	0.10	0.04	1.19
Miscellaneous	0.12	0.11	0.18	0.10	0.51
Total	18.58	13.71	16.84	8.73	57.86

* April 2011 to February 22, 2012

started paying of late. Such trends became more lucid with the strengthening of Indian capital, especially abroad, as the Indian capital has initiated collaborations and mergers with global players. The study provides insights into such achievements of the Indian economy. Besides providing a review of theory and practice of emerging multinationals from developing countries, the paper examines India's outward FDI in an evolutionary perspective. In its endeavour, the study, besides tracing the emerging pattern of India's outward FDI, hints at the facilitating role of state policy to encourage the outflow of FDI (Singh Lakhwinder, Jain Varinder, 2010).

Pattanaik, R. K. and Bhargavi, J. in 'Outward Foreign Direct Investment: An Indian Perspective', explain that India's outward FDI is one of the key outcomes of globalisation and has been contributing significantly to the economic growth and development in recent years. Although the vast flow of outward FDI from developing countries at an international level is relatively a new phenomenon, a few large Indian conglomerates, namely the Tata and the Birla, have been investing overseas from the early 1960s. However, the full scale emergence of outward FDI from India was limited until the mid 1990s as India followed a more restrictive foreign trade and investment policy regime since independence in 1947. Nevertheless, outward FDI from India gained momentum after the gradual liberalisation of trade and investment regime from the early 1990s. The surge in Indian outward FDI since the 1990s, and its various new features, appears to be a result of the interactions among changes in national policy, corporate behaviour and international developments in trade and investment. The removal of the restrictive measures on the growth of firms (like FERA), removal of the licensing regime, dismantling of product reservation systems for public-owned and small- and medium-sized enterprises, facilitative measures for foreign firms, and a massive reduction in import duties led to intense competition in Indian markets (Pattanaik, R. K. and Bhargavi, 2011).

Consequently, the past decade has experienced a marked increase in outward FDI, mergers and acquisitions in terms of both quality and magnitude. According to Pattanaik and Bhargavi, India became the seventh largest outward foreign direct investor among emerging Asian nations

and 21st globally in 2008. Outward FDI from India increased to over \$79 billion in 2010 from a mere \$0.2 billion in 1990. The growth of outward FDI is spectacular (more than 2,000 times, as per UNCTAD ODFI data) over the past decade and ranked third after United Arab Emirates and Egypt during 2000 and 2008 (Chowdhury, 2011).

Investments have increased phenomenally in select sectors, viz., chemicals and oil and gas industries contributing around half of the total flows during 2000-07. Indian state owned oil companies are wielding an increased presence in natural resource based industries and becoming an established trend in African countries. In fact, the authors of another study perceive African region as an increasingly contested economic battleground due to its resource richness and improved growth prospects (Sauvant K, Pradhan J, 2010). Jorgrn Dige Pedersen's article, 'The Second Wave of Indian Investments Abroad', assesses the recent international expansion of Indian companies by contrasting it to the earlier — much more modest — wave of investments abroad. It also traces the evolution of the Indian government's policy towards outward investments and claims that an important reason for the rise of investments abroad is the gradual relaxation of the Indian government's restrictions on capital outflow after the economic reforms of the 1990s. The new Indian investments abroad are characterised by being dispersed over a very large number of countries and economic sectors and—most remarkable—Indian companies are now also targeting markets in Africa along with Europe and USA through acquisitions of local companies. At the same time, Indian companies have continued to expand their presence in other developing countries, where their activities may contribute to both economic progress and reduction of economic dependence on relations with developed countries (Pedersen J, 2008).

Jaya Prakash Pradhan in his article, 'Trends and Patterns of Overseas Acquisition by Indian Multinational', wrote overseas acquisitions by Indian firms can also be seen as their response to a globalised competition since 1990s. With liberalisation and changes in trade, industry, foreign investment and technology policy regime, previously protected Indian companies got exposed to global competition at once. Indian firms increasingly realised their existing technological and other capabilities accumulated

with predominant dependence on protected home markets and the import substitution policy regime of the past were clearly inadequate to cope with this new competition unleashed by a more liberalised business environment. They were forced to improve their competitive strength immediately and enlarge their position in the world markets. Indian companies realised that adopting long-term competencies with large investment in R&D, advertising, etc was relatively more risky and costly than pursuing the route of overseas acquisitions (Pradhan, Jaya Prakash, 2007).

Ravi Ramamurti and Jitendra V. Singh's edited book, 'Emerging Multinationals in Emerging Markets', makes an outstanding contribution to understanding the new configuration of world markets and its new competitive structure. As the different country studies show, multinationals from emerging economies share a number of common structural features, as well as the imprinting of specific local experiences. For managers and business practitioners, the book offers valuable tips on how to shape the new international order (Ramamurti, R, Singh, J, 2010).

Kinfu Adisu, Thomas Sharkey, Sam Okoroafo in their paper, 'Analyzing Indian Policies and Firm Strategies in Africa', investigate India's policy and Indian firms' strategic presence in Africa. Recognising the historical link between the two entities, they say foreign investment outlays to Africa are sustainable. Further examination using FDI and Porter's Competitive Advantage theories¹ suggest some advantages enjoyed by Indian firms there. Three Indian companies, Tata Group, Bharti Enterprises and Reliance, have made extensive use of strategic alliances to penetrate and quickly accelerate activities (Kinfu, A., Sharkey, T. and Okoroafo, S, 2013).

¹ Michael Porter's famous Five Forces of Competitive Position model provides a simple perspective for assessing and analysing the competitive strength and position of a corporation or business organization. The five forces are Existing competitive rivalry between suppliers, Threat of new market entrants, Bargaining power of buyers, Power of suppliers and Threat of substitute products (including technology change). Porter's Five Forces model provides suggested points under each main heading, by which you can develop a broad and sophisticated analysis of competitive position, as might be used when creating strategy, plans, or making investment decisions about a business or organization.

SECTION 3: INDIA IN AFRICA'S AGRICULTURE SECTOR

3.1 Development Cooperation and Agriculture

Cooperation in the field of agriculture between India and Africa, which dates back four decades, is one of the pillars that support the India-Africa relationship. This cooperation has been strengthened and furthered with the impetus given by the two consecutive India-Africa Forum Summits held in New Delhi in 2008 and Addis Ababa in 2011. Both summits prioritised cooperation in the agriculture sector which, according to Indian and African leaders, has great potential in the backdrop of the strong complementarities between India and Africa. Leaders of both Indian and African countries were enthusiastic about developing the agriculture sector in Africa to ensure food security (Ministry of External Affairs).

India's cooperation in Africa's agriculture sector is noteworthy, for the purpose of building Africa's long-term trade and production capacity. At the India-Africa Forum Summit 2008, India committed to ensure greater cooperation in these sectors. Moreover, India's move towards economic and technical cooperation in African agriculture over the past decade must be seen against the backdrop of declining support from traditional donors such as Canada, Germany, Japan, Netherlands and the United States to this sector (DFID, 2004).

In fact, there has been a substantial drop in the share of agriculture expenditure in the total government spending in most African countries. In the *Africa India Framework for Cooperation*, which was adopted during the India-Africa Forum Summit 2008, Africa and India agreed that development of agriculture was an effective approach to ensure food security, eradicating poverty and improving people's livelihood, and agreed to strengthen cooperation in this sector to improve food security in Africa and increase its exports to world markets. It was also decided that cooperation would be extended to land development, water management, agricultural plantation, breeding technologies, food security, agro-processing machinery, combating agro-base diseases, experimental and demonstrative projects and training (African

Union-Africa India Framework for Cooperation, 2008).

India-Africa cooperation in agriculture is on multiple levels. At one level, it is an effort to boost diplomatic ties and facilitate South-South cooperation based on mutual benefits. India has offered aid, set up agricultural institutions, and provided scholarships to African students in various agricultural universities in India. As a result of decisions taken during the first India Africa Forum Summit 2008, it was decided that 300 special agriculture scholarships would be offered to African scholars (Indian Embassy, Addis Ababa). As part of the Indo-African programme, 49 students of African origin are at present studying in different agriculture universities in India (**Stein Sunstol Eriksen, Aparajita Biswas and Ajay Dubey**).

At another level there is a new collaboration focused on agriculture between India and USA in Liberia, Malawi and Kenya to enhance food security. The three-year India-US-Africa triangular partnership programme is expected to share proven innovations from India's private and public sectors to address food insecurity, malnutrition and poverty in the target countries. India has emerged as a hub for low-cost, effective local innovations to deal with challenges arising from factors like climate change, shrinking natural resources, decline in cultivable land and rising demand for food. The US Agency for International Development's (USAID) food security office director Bahiru Duguma launched the programme, which is being supported by the US government's global hunger and food security initiative 'Feed the Future'. This partnership aims to improve agricultural productivity and support market institutions in Kenya, Liberia and Malawi. The programme plans to train 180 agriculture professionals from the three African countries by providing marketing and extension management training at the Chaudhury Charan Singh National Institute of Agricultural Marketing (NIAM) in Jaipur and National Institute of Agricultural Extension Management (MANAGE) in Hyderabad. The initiative is led by USAID and NIAM. The first triangular partnership in agricultural training was inaugurated at MANAGE in January 2013 for 30 trainees from Africa (*Business Standard*, 2013). Japan and other countries are also seeking similar partnerships with India to work in the agriculture sector.

India also made a commitment to raise Lines of Credit (LoC) facilities to the African agriculture sector. According to the EXIM bank report, the largest single LoC approved by the bank so far is the one to Ethiopia (\$ 640 million) for its Tindaho Sugar Project, which is expected to facilitate Indian investments. This LoC is not only for Tendaho project but also for revival of Wonji/Shoa, Fincha sugar unit. The EXIM bank also extended an LoC of \$27 million to Senegal for export of equipment for irrigation projects in 2006. Moreover, at the Second India-Africa Summit, Prime Minister Manmohan Singh announced a grant of 75 billion CFA (\$160 million) to Senegal for the second phase of the programme of mechanisation of agriculture (Second Africa-India Forum Summit, 2011). According to the EXIM bank report, there are 140 LoC currently being made available to foreign governments or financial entities with nearly 100 in Africa, mostly in the agriculture sector. In 2013, the EXIM bank opened a \$217 million credit line to finance infrastructure projects in Mozambique (All Africa, 2013).

At the Second Africa-India Forum Summit 2011, Africa and India reaffirmed their commitment to cooperate to increase agricultural output and achieve the Millennium Development Goal of reducing by half the proportion of people suffering from hunger and malnutrition by 2015. Leaders at the summit also focused on the need to develop scientific research for raising agricultural productivity on the one hand, and conservation of land and environment on the other. The aim is to 'ensure food security for their people and to bring down the currently rising cost of food prices so as to make food for the implementation of the Comprehensive Africa Agricultural Development Programme (CAADP)' (Second Africa-India Forum Summit, 2011).

One of the main features of India-Africa cooperation in agriculture is India has actively pursued capacity building and sharing its experiences to help develop the African agriculture sector. Particular attention has been given to research and knowledge sharing methods on various agricultural practices. According to the document titled, 'India & Africa Partners in Development: Capacity Building Programmes & Lines of Credit', in 2011, India sent teams of farm experts from the Indian Council of Agricultural Research (ICAR) to Zambia, Ethiopia and South Africa and several African countries to

get firsthand knowledge of how African countries explore ways of improving their agricultural practices (MEA).

Moreover, Platform for India-Africa Partnership in Agriculture (PIAPA) has been set up by The International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), the International Agriculture Consulting Group (IACG) and Indian Council of Agricultural Research (ICAR) to bring various stakeholders on board as consortium partners to create better policies, more effective institutions, improved infrastructure and better access to markets and higher quality inputs, particularly for dry land farmers in India and Africa.

Then, ICRISAT has set up ICRISAT South-South Initiative (IS-SI) to provide a systematic and effective cooperation between India and Africa in the agriculture sector. It has already established strong and successful India-Africa partnerships to scale up its role as a driver of prosperity and economic opportunities in the dry-land tropics (ICRISAT, 2013). According to the report published by ICAR in December 2011, an MoU for cooperation in the field of agricultural research and education was signed between the Department of Agricultural and Research (DAER) and ICAR and the Director General of Ethiopian Institute of Agricultural Research (EIAR), Ethiopia. The priority areas of cooperation include agricultural research in horticulture, crop science, fisheries, animal science, agricultural engineering and natural resource management, agricultural extension and agricultural education. Both countries agreed to extend cooperation through exchange of scientists, scholars, technologies, literature, information and germplasm, as well as pursue collaborative research projects. Precise areas of collaboration were also discussed and a draft biennial work plan was developed and shared (ICAR, 2011).

To further develop human resources, the Prime Minister of India proposed to establish new institutions in the areas of agriculture and rural development. He stressed on the need to form an India-Africa integrated textile cluster, to support the cotton industry, an Africa-India food processing cluster to contribute to value addition and creation of regional and export markets, and an India-Africa centre for medium range weather forecasting to harness satellite technology for agriculture and fisheries.

The document titled 'Key Assertions and Documentations', by EXIM bank and Confederation of Indian Industry (CII), pointed out that five key areas received special attention during the course of deliberations at the conclave: bilateral trade expansion, Indian investments in Africa, capacity building, food security and energy security. The document states that delegates from both the regions deliberated on the need for greater cooperation in agriculture and agro-processing, which would have a great bearing on the food security situation in Africa and India. Africa's farm sector is expected to grow to the tune of \$1 trillion by 2030, although this growth will depend largely on adequate technology infusion (EXIM bank and CII). The delegates also spoke about how Africa could learn from India's Green Revolution, White Revolution and expansion of its agri-processing industries. Tractorisation of African farm sectors was cited as an important area to be addressed. While some parts of northern and southern Africa have increasingly inducted tractors for agriculture, farmers in most parts of Africa still depend on hand-held implements for farming.

The experts suggested that Indian companies could help Africa's agriculture sector in the following ways: farm mechanisation, agro-processing and storage, investments in training and development of human resources for the farm sector, and employment generation, greenfield investments, local vendor development and agriculture exports to neighbouring countries, setting up agro parks in Africa, setting up horticulture industries and floriculture units and contract farming (CII-EXIM Bank Conclave on India-Africa, 2013).

3.2. India's Investment in Agriculture in Africa

The past few years have seen rapid increase in the demand for land suitable for agriculture by foreign investors in Africa. Although foreign investments in agriculture and land are not a new phenomenon, the issue of growing edible food crops primarily for the purpose of shipping back home to domestic markets as part of a food security strategy have provoked debate in various international forums. A World Bank report points out that majority of the foreign investments in agricultural land have taken place in Sub-Saharan Africa. Sudan, Ethiopia,

Ghana, Nigeria and Mozambique alone covered 23 per cent of the global land investment projects during 2002-2009 (World Bank 2010).

According to Food and Agriculture Organization (FAO) of the United Nations, the main form of recent investments is acquisition mostly through long term leasing of up to 99 years of agricultural land. The land investments can be large scale with many involving more than 10,000 hectares and some more than 500,000 hectares. A particular pattern of bilateral investment flows also emerged following established cultural, political and business ties and geographical restrictions on investment funds. For example, Gulf countries prefer investments in Sudan and other, mainly African, OIC member states, while Asian countries prefer Zambia, Angola and Mozambique. However, the pattern is becoming more diffused (Hallam, 2009).

A recent database on land deals reports that almost 5 per cent of Africa's agricultural land has been bought or leased by investors since 2000. Researchers estimate that more than 200m hectares of land—roughly eight times the size of the UK—were sold or leased between 2000 and 2010. New international land deals database reveals rush to buy Africa (*The Guardian*, 2012).

The disquieting factor is there is as yet no detailed data on the extent, nature and impact of these investments. Available FDI data lack sufficient details and are too aggregated to determine just how much investment in agriculture there has been and what form it takes. It is therefore difficult to say with any precision whether the recent investments are a totally new development or a continuation of existing trends (FAO, David Hallam, 2009).

A study conducted by the FAO titled, 'Resource-seeking Foreign Direct Investment in African Agriculture', reviews the main findings of eight case studies in select African countries: Uganda, Mali, Madagascar, Sudan, Morocco, Ghana, Senegal and Egypt. It shows a mixed picture, as the impacts vary significantly across countries and locations within a given country. They depend on many factors, including the contents of the investment contract, the type of business model implemented and the institutional framework in place in the host country. The main benefits that can be expected for the host country are economic

benefits such as employment creation, higher productivity, improved access to finance and markets for smallholders, technology transfer and enforcement of production standards. However, some studies found that FDI had not generated the expected benefits and two studies even observed that investment projects removed income opportunities for local farmers. The studies also found that the legal framework and procedures governing land acquisition, land registration, land-use and the rights of smallholders are generally unclear and not transparent. The granting of land without undertaking the relevant studies and public consultations to ensure the social, environmental and economic feasibility of an investment project was seen as a critical problem likely to have adverse effects on local communities. To maximise the positive impacts of international investment while minimising the risks, governments should verify that the existing policies, regulations and institutions are adequate and that preliminary studies and consultations are conducted with all stakeholders (Christin Gerlach and Pascal Liu, 2010).

Indian companies have leased or acquired significant portions of land in Africa, South America and South East Asia to grow foodgrain, pulses and edible oils. A major underlying concern of the recent upturn in Indian investments in agricultural land abroad is its concern for food security. Its foodgrain production is unable to match its growing population. The import of edible oils is the second largest drain on India's foreign exchange after crude oil. The situation is even more critical in the case of pulses (lentils), which provide most Indians the protein component in their food.

The situation has become so critical that India's prime minister constituted three high-powered committees of chief ministers and central ministers to recommend ways of containing inflation and boosting agricultural production. The working group on agricultural production was chaired by Haryana chief minister B S Hooda, with chief ministers of West Bengal, Punjab and Bihar as members. The Hooda Committee suggested that, like many other countries that have 'shopped for land abroad for growing crops to meet consumption needs', Indian companies could also be encouraged to buy land in other

countries for producing pulses and edible oils. 'We should seriously consider these options,' the committee recommended, 'for at least 2 million tons of pulses and 5 million tons of edible oil for 15-20 years' (The *Times of India*, Biraj Patnaik, 'The new shifting agriculture: Shopping for fields overseas', July 9, 2010).

The Indian government facilitates the process of outsourcing food production overseas by Indian firms in a number of ways. The government has led many trade missions of its farmers to various countries and regions, and supported efforts to facilitate the entry of Indian foreign agricultural investors at major regional trade and business summits. The Indian government has supported a host of various initiatives to facilitate Indian agricultural companies in their overseas investments in Africa and elsewhere, including thorough support for conventional new greenfield FDI; merger and acquisition (MSA); purchases of existing firms; public-private partnerships (PPPs); specific tariff reductions on agricultural goods imported to India; negotiation of regional bilateral trade and investment treaties (BITs); and double taxation (avoidance) agreements (DTAs).

Another major way in which the Indian government has financially facilitated the process is by giving concessional Lines of Credit (LoC) to various developing country governments, banks and financial institutions, as well as regional financial institutions, through the Indian EXIM bank. Often such LoC are for the purpose of national development projects, and where these projects involve agricultural development, Indian foreign investors stand ready to win concessions and contracts for agricultural development in the form of their FDI.

The EXIM bank also gives soft loans and LoC directly to Indian companies, although it is difficult for the public to obtain details on this activity for specific companies. For example, India has allotted \$75 million LoC to Zambia for its development project; and a grant of \$5 million for projects on health, education and social sectors and a loan agreement between EXIM bank and the Zambian Ministry of Finance and National Planning was signed to extend to Zambia's \$50 million LoC for Itezhi Tezhi hydropower project in which TATA and Zesco are joint venture partners (High Commission of India, Lusaka).

Then, Tata group has been given a land lease in Uganda to run a pilot agricultural project, while the Jaipurias of RJ Corp have a lease of a 50-acre model dairy farm. Construction major Shapoorji Pallonji & Co has acquired the lease for 50,000 hectares of land in Ethiopia and may look at agricultural projects in future. And it's not just large Indian companies, small and medium

enterprises in sectors ranging from spices and tea to chemicals are looking at entering the commercial agriculture space in Africa.

Indian companies entering into contracts to work in Africa stand to benefit because they are being given all support, but they do little in return to ensure African farmers benefit or safeguard

TABLE 4: A SAMPLE OF INDIAN COMPANIES INVESTING IN AGRICULTURAL LAND IN AFRICA

Sl No.	Company	Country	Details
1	Karuturi Agro Products Plc.	Ethiopia	Acquired 100,000 ha in the Jikao and Itang districts of the Gambela region for growing palm, cereal and pulses, with conditional option to acquire another 200,000 ha. Karuturi Agro Products is a subsidiary of Karuturi Global Ltd.
2	Ruchi Soya	Ethiopia	Acquired a 25-year lease for soyabean and processing unit on 152,649 ha in Gambela and Benishangul Gumaz states
3	Verdanta Harvests Plc.	Ethiopia	Acquired a 50-year lease for 5,000 ha in the Gambela region for a tea and spice plantation
4	Chadha Agro Plc	Ethiopia	Acquired up to 100,000 ha in Guji Zone in Oromia regional state for a sugar development project
5	Varun International	Madagascar	Subsidiary Varun Agriculture Sarl leased or purchased 232,000 ha to grow rice, corn and pulses
6	Uttam Sucrotech	Ethiopia	Won a \$100-million contract to expand the Wonji-Shoa sugar factory
7	McLeod Russel India	Uganda	Purchased tea plantations worth \$25 million, including Uganda's Rwenzori Tea Investments; McLeod Russel India is owned by BM Khaitan
8	ACIL Cotton Industries	Brazil, Congo and Ethiopia	Plans to invest nearly \$15 million (Rs 68 crore) for land leases to start contract farming pulses and coffee in Brazil, Congo and Ethiopia
9	Adani Group	Africa, Brazil, Argentina, Indonesia and Malaysia	Plans to (as of October 2010) set up farms to cultivate edible oil and pulses
10	Sannati Agro Farm Enterprise Pvt. Ltd.	Ethiopia	Acquired a 25-year lease on 10,000 ha in Dimi District, Gambela region, for cultivation of rice, pulses and cereals
11	Jay Shree Tea & Industries	Rwanda, Uganda	Acquired two tea plantations in Rwanda and one in Uganda; Jay Shree Tea & Industries is controlled by BK Birla
12	ACIL Cotton Industries	Brazil, Congo and Ethiopia.	Announced plans in January 2011 to invest nearly \$15 million (Rs 68 crore) to start contract farming of crops like pulses and coffee in Brazil, Congo and Ethiopia.
13	BHO Bio Products Plc.	Ethiopia	Acquired 27,000 ha to grow cereal, pulses and edible oil crops
14	MMTC Ltd (state-owned)	Kenya and Tanzania	Plans to (as of October 2010) grow pulses

Source: Rowden, R. Grain and Economics Research Foundation

the environment. There are virtually no limits on groundwater use or environmental pollution, or obligations related to labour, wages or working conditions, transfers of technology or purchases of local goods or services (Rowden 2011).

Indian perspective on such investments

During the course of this study the team contacted several Indian company heads for their inputs on this issue. The team contacted Ms. Indrayani Mulay from the Confederation of Indian Industry (CII) and Ms. Shiela Sudhakaran from the Federation of Indian Chambers of Commerce and Industry (FICCI). Ms. Mulay provided details regarding the ninth CII-EXIM Bank Conclave on India Africa Project Partnership held from March 17-19, 2013 in New Delhi, which presented a different dimension to the India Africa relations in the economic sector. The event witnessed the presence of various dignitaries from India and various African nations, especially Zambia, Burundi and Cameroon. A few sessions were dedicated to the agriculture sector. Ms. Mulay mentioned that the organisation creates a platform to bring various delegates and investors onto a common table through conferences and conclaves in which CII acts as a mediator and highlights the opportunities.

Ms. Sudhakaran highlighted that Zambia holds huge potential for Indian investment as the country has a stable political and emerging economic environment. She further apprised that FICCI has been actively associated with the energy auditing team of Vedanta Group, a major Indian investor in Konkola Copper Mines. The organisation is working towards contributing to promote India-Africa investment in agriculture. In this regard, FICCI organised India-Africa Agribusiness Forum in February this year, which saw several African nations participating in it, including Zambia.

In addition to this the team also contacted Mr. Wilfred at the Indian Social Action Forum (INSAF), Mr. Ashish Kothari at Kalpavriksh and Mr. Anil Chowdhary at PEACE. They apprised the author regarding the land grabbing issue in Africa. Mr. Kothari furnished a few reports regarding land grabbing in Africa but since most of their work has been on Ethiopia, they regretted not being able to provide anything in particular on Zambia. Mr. Chowdhary provided various reports and research findings on land grabbing in Africa.

The team contacted Mr. R. Sreedhar at Mines, Minerals and People too. He is a legal petitioner against Vedanta resources. He told the author that investors sought tie ups with the local governor and tribal chiefs offering them incentives who in turn do not seek consensus from local people. Investors are seeking soft targets like Ethiopia and Mozambique, he said. He further stated that under the name of empowerment there is a "resource curse". He foresees a bleak future as companies are destroying natural resources to raise their own investments and profits.

The team also held meetings with Ms. Kavery Ganguly at Food and Agriculture Centre of Excellence, Mr. Abhilash Puljal at Avignam Group and Mr. Sriram Subramaniam at the EXIM bank. Mr. Puljal spoke about the China factor. African countries like Ethiopia preferred Indian investors to investors from China and western countries. The reason is Indian firms work with locals and they believe in capacity building, while China imports its population. In fact they bring their prisoners for intensive labour work. He agreed that there is certain kind of land grab but the picture presented in media was extreme and a bit far from the real picture.

SECTION 4: INDIA – ZAMBIA ENGAGEMENT

4.1 Zambian Agriculture policies

In Zambia, agriculture plays a key role in the economy and could be a major driver of growth and poverty reduction. The sector is characterised by a dual structure, where a small number of large commercial farms, concentrated along the railway line, co-exist with scattered subsistence smallholders and a few small commercial farmers who face severe difficulties accessing input and output markets. It is estimated that about 40 per cent of rural households are engaged solely in subsistence agriculture. While the agriculture sector has long been neglected by the government's urban bias and single-minded emphasis on maize for food self-sufficiency, the country's infrastructure, extension services and agricultural research and development remain underdeveloped, especially in remote rural areas (Bonaglia, 2008).

Since the early 1990s, Zambian agricultural policy has undergone a major change, shifting from heavy government intervention to a liberalised system aimed at bolstering private sector participation in various aspects of agricultural production including input supply, processing, marketing and extension service provision. As part of the government disengagement, the Ministry of Agriculture, Fisheries and Forestry ventured into public-private partnerships by creating agricultural trusts with the mandate to manage public assets on a commercial basis and provide research, advisory and training services (Bonaglia, 2008). However, the 1996-2001 Agricultural Sector Investment Program (ASIP) designed by the Government of Zambia and donors to facilitate the transition to a market economy in agriculture did not produce the desired outcome. A series of droughts coupled with an unsupportive and unpredictable business environment contributed to reducing the incentives for the private sector to fill the void left by public intervention (Katharina Felgenhauer, 2007).

The new National Agricultural Policy (NAP) 2004-2015 provides the overall vision and policy framework for the agriculture sector and assigns a pivotal role to the private sector, which is expected to engage increasingly in service provision. The Ministry of Agriculture and Co-

operatives (MACO) is expected to focus on its core functions (policy formulation, enforcement of legislation and regulation) while developing partnerships with other stakeholders in the sector to ensure extension services, agricultural research, and monitoring and evaluation. Donors are encouraged to provide financial, technical and other support in the implementation of agricultural policies and programmes and capacity building for stakeholders (Bonaglia, 2008). MACO uses its staff from the national level down to the field level to implement extension programmes. At the national level, Zambia public extension comprises 742 staff members and is managed by a team of 308 senior staff according to the MEA'S report (2011). Seven of the senior staff members have a PhD and 31 were trained at the Master of Science level. Women account for 13 per cent of senior management staff. There are 64 subject matter specialists, 323 field-level extension staff and 26 ICT staff. The report indicated that the public sector does not employ in-service training staff.

There are several Zambian government sources that showcase Zambia as a viable investment opportunity. The office of the Minister of Commerce, Trade and Industry and organisations such as the Zambian Development Agency (ZDA) and Zambian International Trade and Investment Centre publish various reports and studies that highlight the great investment potential of the country. The United Nations came out with a comprehensive study titled, 'Investment Guide to Zambia – Opportunities and Conditions', in 2011 that provides in depth information on various variables. The report suggests that three good reasons to invest in Zambia are investment friendly environment, market access and resources and opportunities²⁹. There are different arguments on how Zambia can work towards wealth creation and distribution, economic growth, employment creation and improve the livelihood of Zambian people. One common thread that runs through them all is the understanding that foreign investment is a crucial component. With India increasing its engagement in most parts of Africa, various official bodies in Zambia have made available data and information that will aid potential investors.

A comprehensive report put together by NEPAD and OECD titled, 'Accelerating reform in Africa: Mobilising investment in infrastructure and agriculture - Highlights of the Policy Framework

for Investment in Zambia', covers a wide range of topics related to Zambia. It discusses the various reforms put in place by the Zambian government in its transition from a state dominated to a private sector driven economy. The reforms were designed to introduce a market-based and private sector-driven economy, rather than the state-dominated economic system that prevailed. Various pieces of legislation were enacted and statutory institutions created to implement the reforms. Among these institutions were the Zambia Investment Centre (ZIC), the Export Board of Zambia (EBZ), the Zambia Privatization Agency (ZPA), the Zambia Export Processing Zone Authority (ZEPZA) and the Small Enterprises Development Board, each with specific mandates focused on promoting trade and investment in the country. Additionally, it also details the various agreements made to protect investors, various strategies made to promote investment, steps taken to ensure the basis for a corporate governance framework that promotes overall economic performance and transparent and efficient markets and so forth (OECD, 2011).

A report prepared by Steven Haggblade for Food Security Research Project-Zambia titled, 'Returns to Investment in Agriculture', begins by emphasising the significance of investment in agriculture as it is necessary to ensure rapid economic growth and poverty reduction in Zambia. He explains in great detail the various policy measures in place since the NEPAD initiative and the structural flaws that hold back development. For instance, in allocating these funds, Zambia spends majority of its discretionary agricultural budget on recurrent subsidies for private farm inputs, primarily fertiliser, while spending far less on rural infrastructure and technology development (Haggblade SJ, 2007).

Organisations such as the Oakland Institute provide in depth analyses of the various facets of investment deals in Africa. Its country report on Zambia focuses on under-researched aspects such as the nature of land acquisition by various actors and the economic, social and environmental impact on Zambian society among others (The Oakland Institute, 2013).

Correspondingly, the working paper published by the German Institute of Global and Area Studies (GIGA) authored by Kerstin Nolte titled, 'Large-Scale Agricultural Investments under Poor Land

Governance System: Actors and Institutions in the Case of Zambia', also provides interesting insights. The report scrutinised the Zambian land governance system and its evolution, the process that an investor has to go through to acquire land and the actors responsible for shaping the process. The study highlights that enforcement of formal rules is weak when it comes to the processes involved in acquiring land. This study also conducted power analyses of all the stakeholders including the investors, local authorities, government and contends that the local land users play an increasingly negligible role. The report also stresses that there is a great development opportunity with these land deals and that to categorise them as 'land grabs' by affluent 'powerful actors' would be oversimplification (German Institute of Global and Area Studies, GIGA, 2013).

Mujenja, Fison and Wonani, Charlott in their paper, 'Long-term outcomes of agricultural investments: Lessons from Zambia', discuss two agricultural investments in Zambia: Kaley Smallholders Company Ltd (KASCOL) and Mpongwe Development Company Ltd (MDC) and its successors ETC Bio Energy and Zambeef. The two projects started in the 1970s and early 1980s as joint ventures between the government of Zambia and the Commonwealth Development Corporation (CDC), and were privatised recently. The involvement of CDC reflected the development orientation of both projects at their inception. Given this circumstance and the significant implementation time behind these two experiences, the case studies can provide valuable insights on the longer-term development outcomes of best-practice investments in agriculture. These insights may be a useful contribution to today's international debates about agricultural investment (Mujenja Fison, Wonani Charlott 2012).

The government of Zambia has provided the following general investment incentives and allowances for the agricultural sector (Zambia Development Agency, 2011):

- Corporation tax at 15 per cent on income from farming and non-traditional exports
- Farm works allowance of 100 per cent for expenditure on stumping, clearing, prevention of soil erosion, bore holes, aerial and geophysical surveys and water conservation
- Development allowance of 10 per cent of the

cost of capital expenditure on growing coffee, banana plants, citrus fruits or similar plants

- Farm improvement allowance, which includes capital expenditure incurred on farm improvement, is allowable in the year of incurring the expenditure
- Dividends paid out of farming profits are exempt for the first five years the distributing company commences business
- Carry forward losses for five years

Furthermore the Zambia Development Act provides additional incentives for investors investing not less than \$500,000 in the following agricultural related priority subsectors – floriculture, horticulture, processed foods, beverages and stimulants, production and the processing of the following products in the textiles sector: cotton, cotton yarn, fabric, agro processing, production and processing of the following products in the leather sector: cattle hide, crust leather, leather products and garments.

The priority sector incentives provided for under the ZDA are:

- A corporate tax of 0 per cent for an initial period of five years from the first year profits are made
- For years six to eight, corporate tax will be paid on 50 per cent of profits and in year nine to 10 on 75 per cent of the profits
- Dividends shall be exempt from tax for five years from the year of first declaration
- Capital expenditure on improvement or for the upgrading of infrastructure shall qualify for improvement allowance of 100 per cent of such expenditure
- Suspended customs duty to zero for five years on machinery and equipment

4.2 Indian Agricultural Investments in Zambia

Zambia possesses huge potential in the agriculture sector. Gifted with good soil and an area of 60 million hectares of arable land, out of which only 15 per cent is in use, ample amount of surface and underground water, climate conditions are appropriate for cultivating a wide variety of crops like wheat, soyabean, coffee, cotton, tobacco, sugar, paprika etc. The Zambian government is also contributing to the

enhancement of this sector by allocating vast tracts of land near the rail and road networks for prospective investors and electrification of these blocks is underway. Agro-processing of wheat, soyabean, cotton, tobacco, spices, sugar and vegetables is encouraged to add value to local produce. Special incentives are offered to commercial and small-holder farmers. Zambia has rich forestry reserves consisting of pine and eucalyptus, but logging is threatening the natural resources. In terms of fisheries, commercial fish production is about 70,000 tonnes per year. Both government and the private sector are involved in the fisheries industry and are working to implement programmes of sustainable fishing practice (Government of India, Focus Africa).

The government of India has categorised Zambia as one of the important countries in the 'Focus Africa' programme. One of the major platforms that has facilitated the creation of various new policies is the India Africa Forum Summit. Detailed reports that list out the various inducements for trade are easily available. For instance, India Africa Forum summit increased existing credit lines to Africa from \$ 2.15 billion to \$ 5.4 billion till 2012. The funds are disbursed through India's EXIM bank. Additional measures include duty free access to 85 per cent of India's total tariff lines; duty access to 9 per cent of India's total tariff lines by Africa's 33 LDCs; Zambian Minister for Commerce, Trade and Industry signing the letter of intent to utilise India's Duty Free Tariff Preference Scheme (DFTP) in May 2010. With the signing of this letter and on completion of documentation, Zambian products gained access up to 94 per cent of the Indian market. Moreover, three institutions are proposed to be established in Zambia: Human Settlement Centre, Entrepreneurship Development Institute and Cluster of Biomass Gasifier Systems (High Commission of India, Lusaka).

Both nations have a consistent flow of high level political and business delegations visiting each other. Such meetings result in new policies to attract entrepreneurs. For instance, on August 17, 2007, India and Zambia successfully concluded review of the convention between India and Zambia for avoidance of double taxation. Another case in point is when the Zambian delegation visited India from July 29-August 5, 2010 with the objective of attracting investments from India through public private partnerships (PPP). The delegation

included Deputy Minister of Finance and National Planning David Phiri and Deputy Minister of Commerce Trade and Industry Lwipa Puma. They visited Delhi and Mumbai. Around 30 Indian companies took advantage of the PPP model and entered into various investment portfolios.

According to Commerce, Trade and Industry Minister Felix Mutati, Zambia has benefited from Indian investment worth over \$3 billion over the past three years. For instance, an Indian company, Shree Renuka, is to invest about \$200 billion on a turn-key sugarcane plantation and factory to be sited in the southern province of Zambia, which suffers chronic sugar shortage. The company has granted the Mazabuka council an undertaking that it will create 6,000 new jobs in the rural district and build a sugar factory that will also produce ethanol from sugarcane residues as well as generate power.

4.3 Field visit in Zambia

During the field visit, the author of this report spoke to several companies that have invested in Zambia. Danma Corporation Ltd, a horticulture enterprise, started operations in January 2011. The owners were earlier in the construction business. They hold 25 acres of land which includes four greenhouse facilities, land, packaging and cold storage. They plant tomatoes, peppers, strawberries, cabbage, carrots, cauliflower and broccoli. The profitable crops are red and yellow bell peppers and strawberries. The seeds used are imported from Korea and South Africa. They have not conducted social or environmental impact assessments to date nor invested in any major infrastructure. Various aspects of the supply chain were: four greenhouses and irrigation facilities were imported from South Korea; coco-peat imported from India and Sri Lanka; red cabbage seeds sourced from Israel; tomato seeds from South Africa; and strawberry plants from local suppliers under a patents related agreement with the University of California. They sought consultancy services from an Israeli agronomist. Their produce is supplied to local markets especially Shoprite, Spar and Pick and Pay and second grade produce goes to the Soweto market. Their plan is to increase the volume of production and export to Angola at higher prices. With regard to labour, they employ 80 people of which 70 per cent are women. One-fourth of them are permanent and they pay labourers 16 kwa a day plus one meal,

which works out to about 400 kwa per month. They are members of Zambian National Farmers Union.

The next company the team approached was the Export Trading Group (ETG). Over the past 40 years, ETG has studied agriculture in Ethiopia, Kenya, Tanzania, Uganda, Malawi, Mozambique and Zambia. Founded in 1967 and purchased by its current directors in 1986, ETG owns and manages a vertically integrated agriculture supply chain in Africa, with operations in procurement, processing, warehousing, distribution and merchandising. ETG is based in 45 countries in the world with its group headquarters in Dal-e-Salaam and financial headquarter in Mauritius. ETG has 6,500 employees in total, with 73 in Zambia. The company is also involved in mid and downstream agriculture processing, cleaning and packaging businesses. ETG currently has 26 such plants operating in Africa and Asia, transforming maize, rice, cashew nuts, wheat, pulses, soybean, sesame seeds, coffee and fertiliser into marketable products for regional and international distribution.

The company's production is over 25 million tonnes a year. It is primarily an agro trading corporation, which imports fertilisers and facilitates crop diversification. ETG focuses on procurement and movement of agricultural goods as well as supply of agricultural inputs and best farming practice support.

In 2002, the group substantially increased investment in agricultural processing. Currently, ETG has 21 processing centres in Zambia, Malawi, Tanzania, Uganda, Ethiopia, India and Mozambique. The agro-processing plants help create jobs for the local communities, earn foreign currency for the countries in which the group operates.

This agro trading firm utilises contract farming: maize procured from small holder farmers, stored in warehouses and then exported to South Africa and Malawi. Seeds and fertilisers at subsidised and fixed rates are provided to small holder agriculture farmers. They are looking to establish a sugar factory soon where they plan to procure sugar from the small holder agriculture farmers. They own a sugar plantation which is about 12,000 ha, of which only 4,000 ha is farmable. Of the 12,000 ha, only 100 ha is being used for production.

Motherson was another firm the team met with. They initially started in the cement manufacturing industry but are now looking to produce wheat and maize. They got involved in agriculture last year. They own 234 ha on a 99-year lease. They produce maize and soya. The owners are planning to bring machinery from India while seed is imported from Thailand and India. To facilitate land acquisition, customary land had to be converted into privately owned state land (Mumbwa, Zambia). More than 200 ha (234 ha) were leased at \$500 per ha. They had to negotiate with the headman as well as the chief and paid about \$600 per ha. They are unclear about the role of the ZDA in this negotiation. They also pointed out that equipment is more expensive in Zambia because it is a land locked country.

Another company the team approached was Olam. It claims to be a global leader in the supply chain management of agricultural products and food ingredients. Olam has a direct sourcing and processing presence in most major producing

countries catering to 13,600 customers across the world. The company’s team comprises 23,000 people and deals in cocoa, coffee, cashew, sesame, rice, cotton and wood products, says the company’s website.

Olam is a multinational company, headquartered in Singapore, but it was started in Nigeria by people of Indian origin. It has presence in 66 countries, of which 24 are in Africa. It employs 1,200 workers at any point in time; of which 200 are permanent. Its turnover is \$5.5 billion. They have strong links, including a cashew processing factory in Tanzania. Environmental and social impact assessments are conducted and IFC requirements are followed because there are no local laws in Zambia to safeguard rights. CSR activities include ‘license from communities’, alternate employment opportunities, work on education and health by partnering with NGOs (Solidaridad and others).

TABLE 5: STAKEHOLDERS IN ZAMBIA’S AGRICULTURE SECTOR

Indian Companies in Zambia	Government and Public Research and Educational Institutions	Farmer Based organisations
Neha International Ltd.	ASTI Agricultural Research and Development	Zambia Export Growers Association (ZEGA)
Sterling Agriculture Enterprise Zambia limited (SAEL) - a subsidiary company of SP Group of India	Zambia Development Agency (ZDA)	Zambia National Farmers Union (ZNFU)
Vedanta Resources	Zambia Agricultural Commodities Exchange (ZAMACE)	Organic Producers and Processors Association of Zambia (OPPAZ)
Mohan Exports	Ministry of Agriculture and Cooperatives (MACO)	Grain Traders Association of Zambia (GTAZ)
	Zambia Land Alliance	Zambia Cotton Ginners Association (ZCGA)
	Zambia Agricultural Research Institute (ZARI)	Zambia Seed Traders Association (ZSTA)
	National Institute for Scientific and Industrial Research (NISIR)	Conservation Farming Unit (CFU)
	Department of National Agricultural Information Services (NAIS)	Farmer Organisation Support Program (FOSUP)
	University of Zambia, School of Agricultural Sciences Department of Agricultural Economics and Extension	National Peasants and Small-Scale Farmers Association
		Large-Scale Commercial Representative

SECTION 5: OUTLINE OF INDIA TEAM RESEARCH FINDINGS

5.1 Methodology

For the purpose of this study the research team elaborated the definition of an 'Indian company'. The team approached companies that are owned and managed by Indians or members of the Indian Diaspora in Zambia. These companies are not necessarily based in India, with most of them headquartered overseas and their activities extending to various parts of the world including India. For instance, Danma Corporation Ltd started operations in January 2011 in Lusaka. Similarly, ETG is headquartered in Dar-e-Salaam, with its financial headquarters in Mauritius.

For the purpose of critical assessment of the larger impacts of these companies, it was decided not to use the yardsticks provided in the NVGs (National Voluntary Guidelines) of the Ministry of Corporate Affairs, Government of India, 2011. These Guidelines are inappropriate as they were expressly designed for the Indian context, taking into consideration mandatory Indian laws related to land acquisition, labour, minimum wage, environment etc. The same Guidelines have been extended to cover the activities of companies operating outside India, where such laws are either entirely absent, weak or different. Besides, these Guidelines were primarily framed by corporate India, in consultation with (and not in agreement with) other stake holders and notified as such by Government of India. In terms of enforcement, even within India, they are required

TABLE 6: INFORMATION ON THE COMPANIES INTERVIEWED

Company	Danma Corporation Limited	ETG Trading Company Limited	Motherson Enterprises Limited	Olam International Limited
Back ground	<p>Company started operations in January 2011; Earlier involved in construction business</p> <p>25 acres of land; First sale/yield in September 2011;</p> <p>Four greenhouses facilities, land, packaging and cold storage;</p> <p>Horticulture: tomatoes, peppers, strawberries, cabbage, carrots, cauliflower, broccoli; Profitable crops: red and yellow bell peppers, strawberries;</p> <p>Plans for agro-processing soon (tomato sauce), providing salad packs</p> <p>Seeds are imported from Korea, South Africa; 25 acres purchased at USD 8,000/acre;</p> <p>Sub-leased land, state land: 76 years left (original title holder local Zambian farmer. Unclear who holds the title)</p>	<p>East African company Group HQ – Dar-e-Salaam, Financial Headquarters – Mauritius</p> <p>Based in 45 countries in the world- 30 in Africa</p> <p>6,500 employees in total: 73 in Zambia - ETG increases local employment and adds value to local economies by investing in mid- and downstream agriculture processing, cleaning and packaging businesses. ETG currently has 26 such plants operating in Africa and Asia, transforming maize, rice, cashew nuts, wheat, pulses, soybean, sesame seeds, coffee and fertiliser into marketable products for regional and international distribution. Production over 25 million tonnes/ year</p> <p>Agro trading- Import fertilizers – They facilitate crop diversification – 12,000 hectares of land, cultivate sugar cane and pigeon peas.</p> <p>No agreements with ZDA</p> <p>They facilitate crop diversification. They are actively following up various CSR activities.</p>	<p>Initially started in the cement manufacturing industry</p> <p>Looking to produce wheat and maize</p> <p>Got involved in agriculture last year</p> <p>234 hectares of land- 99 year lease</p> <p>Produce: Maize, soya</p> <p>The firm is planning to bring machinery from India</p> <p>Seed is imported from Thailand and India</p>	<p>Multinational company (HQ: Singapore) but Indian management and PIOs</p> <p>Started in Nigeria by people of Indian origin</p> <p>Based in 66 countries, 24 in Africa</p> <p>1,200 workers at any point in time; 200 are permanent</p> <p>Supply chain managers/ contract farming model – link between SHA farmers and raw material consumers (Nestle, Kraft and Mars)</p> <p>Turnover \$5.5 billion- Present in 66 countries – 26 African – Strong forward linkages – They have a cashew processing factory in Tanzania</p> <p>In Zambia: maize, wheat, sugar and cotton produced locally, inputs provided by Olam</p> <p>Services provided to SHA farmers: inputs, training, knowledge in best practice</p> <p>Agro-processing: cotton, cashews</p> <p>Own coffee plantation near Kasama – 2000 ha. Brownfield site but without infrastructure</p> <p>Environmental and social impact assessments conducted, followed IFC requirements, requirements as per national law are weak</p> <p>CSR activities– 'license from communities': alternate employment opportunities, education, health through NGO partnerships (Solidaridad and others)</p>

Company	Danma Corporation Limited	ETG Trading Company Limited	Motherson Enterprises Limited	Olam International Limited
Supply chains	<p>Four greenhouses and irrigation facilities imported from South Korea</p> <p>Coco-peat imported from India and Sri Lanka</p> <p>Red cabbage seeds sourced from Israel, tomato seeds from South Africa</p> <p>Strawberry plants: agreement with local suppliers (who have an agreement with University of California)</p> <p>Consultancy services sought from an Israeli agronomist</p> <p>Produce is supplied to local markets</p> <p>Major: Shoprite, Spar and Pick and Pay</p> <p>Also second grade produce goes to the Soweto market</p> <p>Future plans: to increase volume of production and export to Angola (higher prices)</p>	<p>It owns and manages the most vertically integrated agriculture supply chain on the African subcontinent with operations spanning in procurement, processing, warehousing, distribution and merchandising.</p>		<p>It has included small scale farmers within their supply chain. This is aimed to improve farmers' income, transfer agriculture and business skill to farmers, developing thriving communities through improvement in local infrastructure and providing practical solutions to issues such as food security, water constrains etc.</p> <p>They work with large-scale farmers to embed sustainable agricultural practice specialty in the areas of water, carbon and energy. The goal is to increase yield so as to maximise agricultural land utilisation. These yield increases a need to be achieved without increasing the use of fertiliser and water. Targeted drip irrigation facilities are used to ensure 'more crop per drop'.</p>
Labour	<p>80 people employed, 70% women 20/80 (one fourth): permanent</p> <p>Member of Zambian National Farmers Union</p> <p>Pay labourers 16 kwa/day plus one meal (works out to about 400 kwa per month)</p>	<p>120 Zambian labourers – 80 permanent.</p> <p>They pay casual labourer 30 Kwacha/per diem.</p>		
Production Model	<p>Agro-trading: maize, sugar, soya, groundnut</p> <p>Contract farming: (upto 10,000 hectares; there is no regulation) Maize procured from small holder farmers, stored in warehouses and then exported to South Africa, Malawi</p> <p>Seeds and fertilisers at subsidised and fixed rates provided to SHA farmers</p> <p>Looking to establish a sugar factory (agro-processing) soon (procuring sugar from the small holder agriculture)</p> <p>Owns a sugar plantation which is about 12,000 ha of which only 4,000 ha is farmable</p> <p>Of the 12,000 ha only 100 ha is being used for production</p> <p>ZDA's role in facilitating investments – limited in success</p> <p>In the future – crop diversification as a means to reduce fertiliser use (partnering with local NGO) and promote production of pigeon-peas</p> <p>Four crucial steps to ensure sustainable growth in the future:</p> <p>Providing Bigger Markets for Existing Small Growers</p> <p>New Products and Regions</p> <p>Adding Value via Vertical Integration</p>	<p>Agro-processing and packaging are its specialisation. They also facilitate crop diversification and import fertilisers. They buy seed and produce it locally but it is made for international consumption. Therefore a large chunk of the produce is exported. They engage small scale farmers.</p>	<p>Phasing out production – 40 ha (ready for cultivation) out of 234 ha</p> <p>Anticipated volume: S 2,500 per yield of maize</p> <p>Plans to import equipment from India; seeds from Thailand and India</p> <p>For the 40 ha, looking to invest \$40,000; expecting to earn 2.5 times as much, recoup in four months (maize)</p> <p>Maize to be supplied to local chains</p>	<p>One of the leading players in the global rice trade, OLAM is involved across the entire value chain from origination to distribution; has several innovative ideas. For example, its Nigerian operation, Olam Nigeria Limited, recently adopted a production model endorsed by the Rockefeller Foundation which is poised to deliver 16,000 tonnes of rice annually by 2018.</p>

Company	Danma Corporation Limited	ETG Trading Company Limited	Motherson Enterprises Limited	Olam International Limited
Land acquisition			<p>Customary land had to be converted into privately owned - state land (Mumbwa)</p> <p>234 ha leased at 500 \$/ha</p> <p>Had to negotiate with the headman as well as the chief, paid approx. \$ 600/ha</p> <p>Unclear about the role of the ZDA in this negotiation</p> <p>Displacement of people - has promised electricity, construction of schools, outgrowing schemes</p> <p>Equipment more expensive in Zambia because it is a land locked country</p>	

to operate on 'apply or explain' basis. Therefore, the imperatives for their compliance overseas are either nonexistent or very weak. As a result, the methodology to understand the impacts of private sector investment in agriculture was to examine them within the statutory, legal and local regulations as given and monitored by bodies like Zambia Land Development Agency and others.

5.2 Zambia Development Agency

The Zambia Development Agency (ZDA) was established in 2006 by an act of Parliament and became operational in January 2007 after the amalgamation of five statutory bodies that hitherto operated independently to foster economic growth and development by promoting trade and investment through an efficient, effective and coordinated private sector led economic development strategy. These institutions were the Zambia Investment Centre (ZIC), Zambia Privatisation Agency (ZPA), Export Board of Zambia (EBZ), Small Enterprise Development Board (SEDB) and Zambia Export Processing Zones Authority (ZEPZA). Their mandate is to monitor pre- and pro-investment facilities, bring investors and train and pursue them. They are active in diversification of economic resources and looking at developing other sectors besides copper. They are also keen on building PPPs.

The act gives powers to the ZDA in key areas of trade development, investment promotion, enterprise restructuring, development of green fields' projects, small and enterprise development, trade and industry fund management, and contributing to skills training development.

The amalgamated agency is therefore a semi autonomous institution with its board of directors appointed by the Minister of Commerce Trade and Industry. The board comprises members of the public and private sector as well as civil society organisations, while both the chairperson and the vice chairperson are appointed from the private sector. The organisation has its head office in Lusaka and regional offices in Chipata, Kitwe, Kasama, Livingstone, Mansa, Solwezi and Mongu. The functions of ZDA are as follows.

- The ZDA is responsible for fostering economic growth and development in Zambia by promoting trade and investment and an efficient, effective and coordinated private sector led economic development strategy.
- The agency also has the challenge to develop an internationally competitive Zambian economy through innovations that promote high skills, productive investment and increased trade.
- The ZDA principally furthers the economic development by promoting efficiency, investment and competitiveness in businesses, as well as promoting exports. It also addresses the high cost of doing business in the country by simplifying the processing of various business formalities, such as licensing.
- It builds and enhances the country's investment profile for increased capital inflows, capital formation and employment creation. It also promotes the growth of the SME sector by providing incentives that can propel long-term sustainable domestic growth.

- ZDA is a one stop shop for all investors and it is evident that Zambia is open for all to do business.

During the team's interactions with various company heads it was pointed out that ZDA has assisted and facilitated several investors. They also facilitate and make available work permits. One of the functions of ZDA is to convert customary land to statutory land. In the district level there are two committees that carry out random survey of land. According to an official in the ZDA, the chiefs can give only 250 ha and the rest is up to the state. They also encourage integrated farming, involving growing, processing and marketing. They have introduced farming blocs in 10 provinces. Government facilitates infrastructure building for farm blocs.

5.3 Zambia Land Alliance

Zambia Land Alliance is a network of seven NGOs working for just land policies and laws that take into account the interests of the poor in Zambia. The NGOs have branches in different districts. It was formed in 1997 primarily in response to the government land law. NGOs wanted to protect customary land. They did not want multinational companies to invest in these lands. Although under customary law an individual has no right to buy or sell land, it was found that certain chiefs were selling land to private companies.

The natives of the customary land believed they had a right over their land. However, the customary system is informal and the government is seeking to systematise the process and bring it under state control. The alliance promotes secured access, ownership and control over land through lobbying and advocacy, research and community participation. According to the organisation's website, the overall objectives include lobbying and advocating for inclusive policies, laws and administrative systems; conducting research on land related issues; stepping up awareness on land rights, gender etc; and networking and collaborating with a range of organisations to share experiences on land issues.

5.4 Observations and Findings from the Field Visit:

- The share of India's investment in agriculture sector in Zambia is very small. It is not backed by Indian government. These are mainly individual investments.
- One has to differentiate between India's

investment and investment by Indian diaspora population in Zambia.

- South African and Zimbabwean farmers are main competitors of Indian farms.
- Indian farmers suffer losses because of fluctuation of market price for agricultural produce and lack of forward linkages.
- Only 6 per cent of Zambia's land belongs to the State. The remaining is customary. The government of Zambia is looking to reformulate land policies to facilitate privatisation of customary land rights. In 1995, Zambian government enacted a pro-investment law to attract foreign investment. Consequently, large tracts of customary land were converted to private tenure because of increasing foreign investments.
- Investors access land by acquiring leasehold title in the form of provisional certificate which is valid not exceeding 14 years. After six years upon submission of the boundary survey in accordance with the procedure stipulated in the 1971 survey procedure investors may apply for 99 years' certificate title which is non-contestable.
- While land act recognises existing rights to land in customary areas, it also enables foreign investors to convert land in customary areas to leasehold and to acquire title.
- For acquiring land, investors either seek consent directly from the chief with consultation of the village headman or a lands working group with the ministry of lands and ZDA negotiates land transfer on behalf of the investors. If acquisition is approved, the chief issues an approval letter. The investors then carry out physical demarcation of the area with a sketch map in the presence of village headman. Both are submitted to the district council. The council issues a letter of recommendation to the commissioner of lands, who either recommends or sends it to the president for approval.
- In recent years the government has embarked on a number of initiatives to encourage foreign investors under Private Sector Development Reform Programme. These include:
 - A land working group comprising ZDA and Ministry of Land
 - Supporting farm block development programme
- No protests have been recorded arising from re-allotment or displacement of land so far.

SECTION 6: INTERVIEWS IN DELHI

As part of the field visit in Delhi the research team interviewed government officials, private agencies and NGOs. Observations after interacting with them have been thematically arranged in this section. The respondents provided insights on Indian investments in Africa and Zambia. While CII and FICCI were optimistic about the Indian government's engagement in Africa and have taken several initiatives to promote this, the NGOs views were quite the contrary. Officials from the Ministry of External Affairs were difficult to reach even after repeated attempts of getting in touch with them. The Zambian consulate in Mumbai and the embassy in Delhi were not cooperative either. No documents were available at the consulate in Mumbai on this topic.

6.1 Promoting India-Africa Economic Cooperation

According to Ms. Indrayani Mulay, Deputy Director, CII, it is one of the most important organisations that provides a platform for cooperation between India and Africa. Ms. Mulay provided details regarding the 9th CII-EXIM Bank Conclave on India Africa Project Partnership held from March 17-19, 2013 in New Delhi which presented a different dimension to the India Africa Relations in the economic sector. The outcomes of the sessions on agriculture included:

- A session on 'Building Partnerships for Infrastructure and Agricultural Projects' headed by Mr. Naresh Kumar Sharma, Head Marketing Communications, Tata Projects Ltd. and Mr. Amit Sridharan, GM and Business Head – Pulses, Tata Chemicals.
- A plenary session, moderated by Mr. Sanjay Kirloskar, Chairman and Managing Director, Kirloskar Brothers Ltd., on the theme 'Achieving Food Sufficiency in Africa – Opportunity for Collaboration', focused on food security as a common concern for both India and Africa.
- Discussions took place on the various steps needed to boost Indian investments in Africa's agriculture sector.
- Questions such as: Are Indian farm technologies suited for making Africa a global food basket and in what ways can India and

African countries step up cooperation in agriculture R&D, were raised.

- A session on Zambia was held which focused on how the bilateral trade and investment could be enhanced.
- Officials of Zambia from different ministries including Dr. Guy Scott, Vice President, Republic of Zambia attended the conclave.
- Dr Guy Scott, Vice President, Republic of Zambia, said in his address that African economies should look to emulate India's industrial growth experience. He urged Indian companies to invest in Africa and in particular Zambia, by adding that Africa offers the highest returns.
- Day three of the conclave witnessed a session on 'Developing Partnership in Mobility, Power and Farm Tech Prosperity'.
- The conclave was declared a success since at the end of the conference since there were 475 projects worth \$64 billion on the table, compared to the 8th edition where projects worth \$30 billion were declared.

CII though could not provide concrete figures of the post conclave events and follow ups because the delegates did not come back to them to confirm their partnership. Ms. Mulay further stated that Indian aid to African countries especially in agriculture sector is not properly channelled. Alongside investments, India should also empower and train locals, especially rural women as this would add a social element and create a positive India branding if India is considering long term business opportunities. She also spoke of CII's Mission Africa, where CII Regional Business Delegation visited Zambia, South Africa and Kenya from June 22–July 2, 2013. In an attempt to make a strong case for India, particularly the eastern region, and to facilitate regular exchanges of dialogues, promote deeper understanding and forge strategic partnerships, a 14- member delegation, led by Mr Sandipan Chakravorty, former chairman, CII eastern region, went on a business mission. During the 11-day visit, the delegation interacted with local industry leaders, chambers of commerce, government officials and diplomats. The aim of the mission was to enhance bilateral trade and business, interact with local industry

leaders, chambers of commerce, government officials in South Africa, Zambia and Kenya, and also explore investment opportunities for Indian companies. The focus was on getting the African countries to engage more deeply with India.

The CII delegation rounded off its visit to Zambia with an MoU with the Lusaka Chamber of Commerce & Industry (LCCI). On behalf of CII, Mission Leader Mr Sandipan Chakravorty and Mr G Rossi, President, LCCI, signed the MoU. CII and LCCI agreed that as part of their common commitment to developing bilateral trade and commerce and promoting investments, they would assist each other in promotion and development of business opportunities. They would exchange information on all economic, commercial, industrial and agricultural matters and promote investment.

According to Ms. Kaveri Ganguly from CII- FACE, with technical partner as USAID, they endeavour to build capacity while leveraging technology and innovation to improve productivity and the environmental footprint of agriculture. Ms. Ganguly gave a brief of their present venture which is working towards capacity building measures in collaboration with Tata Motors in agriculture sector of Kenya, Malawi and Liberia. But they would pursue their future ventures in Zambia, Kenya and Ethiopia as well.

6.2 Beyond Food Security

On February 6, 2013 the Indian Social Action Forum (INSAF), Kalpavriksh, PEACE, and The Oakland Institute convened a day-long civil society summit at the India International Centre, New Delhi, bringing together activists resisting land grab across India and Ethiopia. According to the aforementioned institutions the meeting provided a groundbreaking opportunity for dialogue among Ethiopian small farmers and land rights activists and their Indian counterparts, providing space for those directly affected by landgrab to share their experiences, suffering and collectively strategise to challenge institutional and corporate land grabbers.

Mr. Chowdhary divulged that they have been working on the issue of land grabbing extensively and the purpose of the meeting was to provide a platform to the affected countries to voice their opinions. He also put in the picture of

various factors that are driving the India-foreign investments in agriculture. These include India's food security concerns, mounting water shortage in India and profit motive.

6.3 Indian Investment in Zambian Agriculture

Food security is not the only driving factor of India outsourcing food production. Indian companies are attracted to Africa because of low cost of farming there. Developing countries like Zambia are also inviting foreign firms to invest in the country. Zambia's move towards economic diversification is important to reduce reliance on a single commodity (copper). Other stated reasons for investment in agriculture focus include: to improve food security (at national and household level); to increase exports earnings; and to continue economic reforms required under World Bank's Structural Adjustment Programme.

Zambia has created an attractive investment climate through numerous incentives, including low levels of taxation. The relative low cost of land (particularly if obtained directly from chiefs) in the absence of a well-established land market, as well as the lack of limitations on water, perceived abundance of land and water with favourable growing conditions, central location to Southern African markets and political stability are also cited as reasons that make Zambia attractive to investors.

Numerous incentives are available to investors in the agriculture sector:

- No tax on profits for a period of five years from the first year the profits are made. From years six to eight, only 50 per cent of the profits will be taxed, and from years nine to 10, 75 per cent of the profits will be taxed
- No tax on dividends for a period of five years from the first year dividends are declared
- Customs duty exemption on capital equipment and machinery
- Reduced or free duty on imports of certain raw materials including organic and inorganic fertilisers and pesticides
- Numerous other tax incentives including wear and tear allowance of 50 per cent per

year on machinery used for farming; capital expenditure allowance of 20 per cent per year for the first five years on farming improvement; capital expenditure allowance on the growing of coffee, tea, bananas, citrus fruits or similar plants qualify for a development allowance of 10 per cent per year up to the second year of production; and farm work allowance of 100 per cent for expenditure on farm land such as stumping, clearing prevention of soil erosion, boreholes, wells water conservation and aerial or geophysical survey.

- Fifty per cent depreciation allowance per year for the first two years on machinery used for farming.
- Twenty per cent capital expenditure allowance per year for the first five years on farm improvements.
- Ten per cent development allowance per year, up to the first year of production, on capital expenditure incurred for the purpose of growing coffee, tea, bananas, citrus fruits or similar plants.

These are only a handful of packages provided to the investors according to the ZDA Act.

Mr. Chowdhary said according to the work done by their NGO, Indian government has supported a host of various initiatives to facilitate Indian agriculture companies in their overseas investments in Africa through support for conventional new greenfield foreign direct investment, mergers and acquisitions, purchase of existing firms, tariff reductions on import of agriculture products, public private partnership, double taxation avoidance agreements and lines of credit where foreign investors win concessions and contracts.

The brunt of land acquisitions have been borne by the local people. As reported by different sources the daily labourers complain of inhuman behaviour and low wages, issues created due to highly mechanised technologies with limited employment creation, the environment is depleting due to chemical contamination and adverse effects on land and water due to poor production practices.

6.4 The Other Side of the Engagement

Mr. R. Sreedhar said the corporate sector is looking for countries in which government

structures are fragile and weak. In 2007 Vedanta Resources bought stakes in Konkola Copper Mines in Zambia for \$48.3 million and paid \$25.3 million and signed a contract in which every year \$5 million has to be paid. In 2008, the company earned a profit worth \$208 million. Since the past few years Indian companies have not been very eagerly investing in Zambia as the mining Industry in India is also going through a bad phase. 'India should not advance aggressively through corporate sector as India has the capacity of global stewardship for it possesses the potential to work on organic and skill development,' he concluded.

Mr Puljal enlightened that the reason African countries are lacking in land investments is due to non-mapping of land before making it available for lease. He added that small land acquisitions are more successful than large acquisitions. He even named some companies which have acquired 100,000 hectares of land are not being able to fully capitalise the potential thus proving a farce deal for the host country. In addition, the pessimistic milieu created under the name of land grabbing to an extent has been due to projection of technology and investment of seed capital followed by raising funds and eventually not investing them in projects.

Mr. Puljal believes there are some lacunae in policies that should be addressed urgently. He suggested that the government should help and promote SMEs more in land investment. Another point he referred was that the Banda regime in Zambia was pro-China due to which the influx of Chinese investors in land and agriculture was prominent but the present regime is open to all investors especially India which was apparent in the recent CII-EXIM bank conclave.

6.5 India, a crucial player

India holds 4.5 million hectares of African land and is perceived to be a significant player in farmland acquisitions. Its investments in Zambia though are still in a nascent stage. Nevertheless it would seem that there is growing investor interest due to a number of incentives offered by the Zambian government. Also, Indian investments in Zambia appear to be less controversial, relative to Ethiopia or Madagascar, where large-scale land acquisitions by foreign countries have led to visible cases of land related displacements.

Zambia has the gift of large tracts of agricultural land on offer and the opportunity to acquire land is enormous. Add to that the fact that the Zambian government has created an attractive investment climate through numerous incentives, including low levels of taxation. The National Agricultural Policy too has facilitated an increase of FDI in the country's agricultural sector. Consequently, foreign companies are investing in large numbers. In the case of India, organisations such as FICCI and CII as well as government programmes such as Focus Africa have furthered Indian industry's interests in Zambia. Zambia has a comparatively more stable political and economic environment, which serves an important incentive for industry.

Indian agriculture companies are in various stages of operation in Zambia. Some, such as Champions Food Limited, are not fully functional, while others, such as Danma Corporation Ltd., have only recently begun their operations in Zambia. Whilst this study offers a preliminary, conceptual framework to better understand the nature and modalities of Indian agro-investments in Zambia, there is a need to conduct further analytical and detailed socio-economic impact assessments of these investments. Anecdotal evidence collected during field visits suggests that negative impacts such as displacements may have been limited in Zambia so far. However, systematic evidence is lacking, making it difficult to assess whether and how these investments have reduced rural poverty and improved the livelihoods of small holder farmers. Furthermore, in the absence of both a coherent land acquisition-related displacement and resettlement policy in Zambian law, and binding mechanisms within the Indian context that regulates Indian corporate activity overseas, the risk of 'land grabbing' in the future remains quite high. Whilst not an immediate threat, it may well become one if current investment trends continue and Indian corporates are not held accountable for compliance with social, economic and environmental safeguards.

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ANNEXURE

ANNEXE 1: WHAT RESEARCH WAS DONE AND HOW

Dates and details of contacts and meetings (farm visits, and others etc.); name of contact and contact information (email, phone number etc).

Company	Action and Response	Name of contact/ Position	Contact information
Danma Corporation Limited	16 September 2013/Formal meeting/ Farm Visit	Dhruv Singh/ Managing Director	+260 973 310 738 Dhruv.danmacorp@gmail.com
Olam International Limited	19 September 2013/ Formal meeting/ Visited their office	Varun Mahajan/ Country Head	+260 974 770631 varun.mahajan@olamnet.com
Astro Holdings Ltd	17 September/ Formal Meeting/ Visited their office	SM Arora/ Executive Director	+260 211 229939 arora@astroholdings.co.zm
ETG	17 September/ Formal Meeting/ Visited their office	Mahesh Patel	
Indian Business Council of Zambia	17 September 2013/ Formal Meeting/ Visited their office	Teza Sikasula and Binod P. Menon/ Administration Manager/ Executive Secretary	+ 260 977 781168 ibczsecretariat@gmail.com
Indian High Commission	18 September 2013/ Formal Meeting/ Visited their office	Mr. J.S. Variaah / Acting High Commissioner	info.lusaka@mea.gov.in
Motherson Enterprises Limited	16 September 2013/ Formal Meeting/ Visited their office	Gunasingh Prabahar/ Managing Director	+260 0967 204173 mothersonenterprises@yahoo.com
Zambia Development Agency (ZDA)	19 September 2013/ Formal Meeting/ Visited their office	Moses K. Mwanakatwe/ Manager Business Development	+260 9778 77683 mmwanakatwe@zda.org.zm
Zambia Land Alliance (ZLA)	18 September 2013/ Formal Meeting/ Visited their office	Henry Machina/ Dimuna Phiri / Executive Director/ Research	+260 977 240823 henrymachina@gmail.com
University of Zambia	17 September 2013/ Formal Meeting/ Visited their office	Kamini Krishna J.B.Phiri	Kaminik04@yahoo.com +260977804459 Jube56@yahoo.com

ANNEXE 2 LOG OF THOSE WHO RESPONDED:

A. Companies

Danma Corporation Limited
ETG Trading Company Limited
Motherson Enterprises Limited
Olam International Limited
Astro Holdings (Ex-director of Tata Zambia)

B. Government/public bodies

Zambian Development Agency
India Business Council of Zambia
Indian High Commission
University of Zambia
Confederation of Indian Industry (CII)
Federation of Indian Chambers of Commerce and Industry (FICCI)
Indian Social Action Forum (INSAF)
PEACE
Kalpavriksh
Zambia Embassy
National Foundation for India (NFI),
Ministry of External Affairs
Mines, Minerals and People
Food and Agriculture Centre of Excellence
Avignam Group
EXIM Bank – India

C. Civil society organisation

Zambia Land Alliance

D. Parameters used for selecting companies:

Indian origin
Involvement in agriculture sector in Zambia
Registered in the Patents and Companies Registration Agency
Good and quick response to enquiry

E. Some companies were omitted because they:

Did not respond to calls and e-mails
Are not registered in India

F. In Zambia, the research team contacted the following:

i) Companies

Danma Corporation Limited
ETG Trading Company Limited
Motherson Enterprises Limited
Olam International Limited

ii) Government/public bodies

Zambian Development Agency
India Business Council of Zambia
Indian High Commission
University of Zambia

iii) Civil society organisation

Zambia Land Alliance

iv) Information was collected through the following sources:

Patents and Companies Registration Agency (PACRA), Government of Zambia
Indian Business Council of Zambia (IBCZ)
Internet Search
Information also received from other sources such as university and academia

The research team could not reach the following:

Export Trading Group
S. P. Group
Continental Ginery
Savanna Streams
Crown Millers Ltd
Zambian National Farmers Union
Satkar Limited
Earthstone Limited
Induszam Limited
Champions Limited

ANNEXE 3: LIST OF EXPERTS CONTACTED IN DELHI

Institution/ Company	Response	Name of contact/ Position	Contact information
Confederation of Indian Industry (CII)	Positive	Ms. Indrayani Mulay, Deputy Director, International Division	Confederation of Indian Industry (CII), The Mantosh Sondhi Centre 23 Institutional Area, Lodi Road, New Delhi – 110003 Tel: 91 11 24629994-7 Extn 368 / 24653092 (D) Fax: 91 11 24601298 Mob: 91 9810750611 Email: indrayani.mulay@cii.in Website - www.cii.in
Federation of Indian Chambers of Commerce and Industry (FICCI)	Positive	Ms. Shiela Sudhakaran. Assistant Secretary General FICCI Africa Desk	FICCI, Federation House, Tansen Marg, New Delhi – 110001 Phone:+91 11 23738760-70 Ext.: 380, 23322564(D) Fax: +91 11 23765316(D), 23320714 Email: shiela.jbc@ficci.com
Indian Social Action Forum (INSAF)	Positive	Mr. Wilfred	A 124/6 Katwaria Sarai, New Delhi 110016 Phone: +91 11 26517814 Fax: +91 11 26517814 Email: insafdelhi@gmail.com
PEACE	Positive	Mr. Anil Chowdhary	F- 93, Katwaria Sarai New Delhi 110016 Mobile: 9811119347 Email: anilpeace@gmail.com
Kalpavriksh	Positive	Mr. Ashish Kothari	Flat no 5, 2nd Floor, Shri Dutta Krupa, 908, Deccan Gymkhana, Pune 411004, Maharashtra, India Phone: +91-20-25670979, 25675450 Fax: +91-20-25654239 Email: kalpavriksh.info@gmail.com kalpavriksh.delhi@gmail.com chikikothari@gmail.com
Zambia Embassy	Unresponsive		Address Zambian High Commission in New Delhi, India D/54, Vasant Vihar New Delhi India Telephone (+91) 11-2615 0271 (+91) 11- 26150270 E-mail: zambiand@sify.com

Institution/ Company	Response	Name of contact/ Position	Contact information
National Foundation for India (NFI),	Does not have the requisite information pertaining to this study	Mr. Amitabh Behar, Executive Director,	amitabh.bhar@gmail.com
Ministry of External Affairs	Follow up underway	Mr. Alok Ranjan Jha, Deputy Secretary (E&SA)	Ministry of External Affairs Room 67-C, South Block New Delhi-110 011 Phone: 011-23010364 Email: dsesa@mea.gov.in
Mines, Minerals and People	Positive	Mr. R. Sreedhar	
Food and Agriculture Centre of Excellence	Positive	Ms. Kavary Ganguly	India Habitat Centre, Core 4A, 4th Floor, Lodi Road, New Delhi – 110003 Phone: 2468 2230-35 Fax: 24682226 Email: face@face-cii.in/info@face-cii.in Website: www.face-cii.in By mail: kavary.ganguly@cii.in
Avignam Group	Positive	Mr. Abhilash Puljal, Managing Director	Mr. Abhilash Puljal, Managing Director Avignam group Address: First Floor, 8 School Lane, Bengali Market, New Delhi-110001, India Phone: +91 8800969966 Facsimile: +91 9873109966 Mobile: +91 9871133726 Email: abhilash.puljal@avignam.com Website: www.avignam.com twitter: @ avignamgroup facebook: www. facebook.com/avignamgroup
EXIM Bank		Mr.Sriram Subramaniam	Phone: 91-11-23326375 E-mail: eximndro@eximbankindia.in Fax: 91-11-23322758

ANNEXE 4: AGENCIES UNREACHABLE

Embassies

The research team contacted Mr. Alok Ranjan Jha, Deputy Secretary (ES SA) via email. He suggested contacting Mr. Mahaveer Singhvi, Director (E&SA) and Mr. Srikant Chaterjee, Under Secretary (SAF) who heads Zambia division. The team contacted both but due to their schedules they were unable to give an appointment.

Several attempts were also made to establish contact, telephonically, via email and even by a personal visit, but without success. They were not receptive about scheduling a meeting.

EXIM Bank

Officials were contacted via email but there was no response.





ऑक्सफैम इंडिया
OXFAM
India