

**FDI Outcomes, Local Conditions and Development Narratives:
A Case of Norpalm Ghana Limited and Small-scale Farmers in
the Oil Palm Industry in Ghana**



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DEDICATION

To my dad Festus Adeho and mum Gifty Adeho for the love and support.

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ABSTRACT

Foreign Direct Investments (FDI) in the Ghanaian economy has increased tremendously since 1983 when the country adopted neo-liberal economic policies. In order to take advantage of the globalization processes, FDI is represented as a way of increasing capital investments and reducing poverty rates in Ghana. More generally, FDI in agriculture is viewed as an effective poverty reduction tool and a medium for economic growth, especially in rural areas of the developing countries where majority of the world's peasant farmers live. In an era characterized by an increasing spatial interconnectedness and flows of capital across national borders, FDI has emerged as a development strategy since the 1950s. However, critics argue that FDI often tend to worsen the poverty situation in developing countries rather than creating any economic improvements. This argument is exemplified by the way investing economies accumulate and transfer wealth out of developing countries without generating many benefit to them. The broad generalization of the outcome of FDI however fails to consider its spatial context and other cultural specificities. Undoubtedly, differences between and within developing countries in terms of economic policies, ecological conditions, political and social systems among others interact with FDI to generate differentiated outcomes.

This study focuses on a Norwegian company, Norpalm Ghana Limited (hereafter called Norpalm), that invested in the oil palm industry in Ghana since 2000. Norpalm has cultivated approximately 11,300 acres of land and adopts a nucleus estate production model that integrates smallholders (oil palm farmers who have contractual agreements to access land, farm inputs, credit from Norpalm and in turn supply their oil palm bunches to them) and outgrowers (oil palm farmers who do not have contractual agreements with Norpalm and may supply their oil palm bunches to Norpalm based on price incentives). This investment is located in rural farming communities dominated by small-scale farmers who are often constrained by limited access to farmland, farm inputs, and ready markets for their oil palm bunch. As a typical case of FDI in agriculture, this study examines the outcomes of Norpalm's smallholder and outgrower schemes and the local conditions that account for these outcomes. The specific objectives of the study are to examine 1) the enabling factors for Norpalm's investment in the oil palm industry in Ghana; 2) the outcomes of Norpalm's smallholder scheme to the company and the smallholders; 3) the outcomes of Norpalm's outgrower scheme to the company and the outgrowers; 4) the local conditions that account for the outcomes of these schemes.

An analytical framework that defines FDI as consisting of economic capital, actors and knowledge is adopted to analyze the outcomes of Norpalm's smallholder and outgrower schemes and the local conditions that account for the specific outcomes of the schemes (Fløysand and Barton, 2014). The study takes the post-structuralist approach to development and the concepts of 'land transactions', 'land grabbing' and 'contract farming' to analyze the findings. Using a case study approach, the study uses primary and secondary data sources. Interviews, informal conversations, personal observations and review of secondary data were varied methods that were used to document the enabling factors that led to Norpalm's investment in the oil palm industry in Ghana and the differentiated outcomes of the schemes for Norpalm, smallholders and outgrowers.

The study found that Ghana's Structural Adjustment Programme; modern oil palm processing technology used by Norpalm and the company's quest to maximize this technology and increase their market share were the major factors that were conducive for Norpalm's investment in the oil palm industry in Ghana. Though Norpalm integrated smallholders and outgrowers into its production after acquiring formerly state-owned oil palm company, National Oil Palms Limited, there are differentiated outcomes for the smallholders and outgrowers. The smallholders' accessed lands, farm inputs, credits, markets for their oil palm bunches and improved farming techniques or knowledge from Norpalm. In most cases, Norpalm in turn recorded an increase in total quantity of oil palm bunches harvested from the smallholders due to a guaranteed supply of oil palm bunches. On the contrary, the outgrowers were unable to access farm inputs, credits, improved farming techniques or knowledge from Norpalm. Consequently, Norpalm experienced a reduction in the supply of oil palm bunches from the outgrowers compared to that of the smallholders. The positive outcome of the smallholder scheme to both Norpalm and smallholders is termed *FDI as trickling down effects* whereas the outcome of the outgrower scheme to Norpalm and the outgrowers is termed as *FDI as backwash effects*.

The predominantly customary land ownership system in Ghana and the level of farmer-based organizations were local conditions identified to account for the differentiated outcomes of Norpalm's smallholder and outgrower schemes. The thesis therefore argues that an analysis of outcomes of FDI should go beyond 'development' and 'dependency' to consider specific local conditions present in the investment environment.

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ABBREVIATIONS

BMP	Best Management Practices
CPO	Crude Palm Oil
DIC	Divestiture Implementation Committee
FAO	Food and Agriculture Organization
FBO	Farmer-Based Organization
FDI	Foreign Direct Investment
GIPC	Ghana Investment Promotion Centre
GOPDC	Ghana Oil Palm Development Company
IMF	International Monetary Fund
MNE	Multi- national Enterprise
MOFA	Ministry of Food and Agriculture
MOU	Memorandum of Understanding
NGL	Norpalm Ghana Limited
NGO	Non- governmental Organization
NOPL	National Oil Palms Limited
OECD	Organization for Economic Co-operation and Development
PAMSCAD	Programme of Actions to Mitigate the Social Costs of Adjustment
PNDC	Provisional National Defense Council
RCC	Regional Coordinating Council
SAP	Structural Adjustment Programme
SFC	State Farms Corporation
SOE	State-owned Enterprises

UAC United African Company

UNCTAD United Nations Conference on Trade and Development

CHAPTER ONE

INTRODUCTION TO RESEARCH PROBLEM

1.1 Introduction

The growing spatial interconnectedness of the global economy is one of the features that have characterised the world since the 1950s (Dicken, 2011). One of the indicators of this interconnectedness is the growth of FDI (ibid.). FDI is often regarded as a way of incorporating developing countries into the globalization process (Chudnovsky and López, 1999). This is because FDI serves as an important source of capital investment (Gohou and Soumaré, 2012) and as a means by which developing countries could reduce poverty rates in order to meet the Millennium Development Goals (United Nations, 2000; Funke and Nsouli, 2003, Gohou and Soumaré, 2012). For instance, Gohou and Soumaré (2012) argue that African countries need continuous investments, as provided by FDI to stimulate their economies and trigger reductions in poverty because of their current development levels. Arguments such as these have supported the prevailing belief that FDI promotes growth in developing countries. However the question of whether it is worthwhile for countries to allocate their limited resources to attract FDI into their development plans also exists (Moran et al, 2005). Counterarguments on the relationship between FDI and development are that FDI often tends to aggravate the economic situations of developing countries rather than improve them hence widening the gap between developed and developing countries. Such critics argue that, often times, the investing economies accumulate and transfer resources out of developing countries without recording many benefits to them.

In the academic and development discourse, arguments have also emerged for the need to view the role of FDI in poverty reduction as a function of how FDI interacts with the investment environment (Lall and Narula, 2004). This is because the broad categorisation of FDI as development and dependency obscures the different economic policies, ecological conditions and political and social systems between and within investment environments that interact with FDI to account for differentiated outcomes. Thus, an analytical framework that defines FDI as consisting of economic capital, actors and knowledge will be adopted to analyze the outcome of FDI and the local conditions that account for the specific outcomes of the investment (Fløysand and Barton, 2014).

The past two decades have seen some changes in the global inflow of FDI in developed and developing countries. Chudnovsky and López (1999) noted that although FDI is concentrated in developed countries, inflow of FDI to developing countries made the biggest gains in the 1990s recording US\$ 34 billion in 1990 (17% of global inflows) and US\$ 149 billion in 1997 (37% of global inflows). This upward trend of FDI's inflow into developing countries continued well into the new millennium. In 2010, developing countries and transition countries together attracted more than half of global FDI flows for the first time (UNCTAD, 2011). By 2012, developing countries alone had absorbed 52% of global FDI and had maintained this lead in 2013. However, the role of FDI as a global poverty reduction strategy raises many questions considering the disparity in the general pattern of capital flow even within the developing countries. For instance, developing Asia alone received 30% of global FDI flows in 2013 (UNCTAD, 2014). Also, even though FDI inflows to Africa rose by 4% to US\$57 billion in 2013, this was mainly because of increased flows to Eastern and Southern Africa. FDI flows to Northern, Central and Western Africa on the other hand declined partly due to political and security uncertainties (ibid.).

The role of the agricultural sector is very essential since the need for upgrading of the sector in developing countries provides investment opportunities. Thus, the World Bank (2007) asserts agricultural investment as one of the most effective strategies for economic growth and poverty reduction in rural areas of developing countries where the majority of the world's peasant farmers live. Accordingly, the agricultural sector in developing countries which did not attract a lot of investment in past times started to record an upsurge of FDI in the late 2000s (Food and Agricultural Organization [FAO], 2013). The increasing commodity prices in 2007 and 2008 and expected increasing demand for finite natural resources could account for this trend (FAO, 2012).

Although various economic sectors in Ghana attract FDI, the majority is in the natural resources sector, attracting the largest volume of foreign investors (UNCTAD, 2003). This is evident in the numerous Transnational Companies (TNCs) that have been attracted into the Ghanaian economy after the start of major oil production in the country (UNCTAD, 2011). Information and Communication Technology, Agriculture and Agro-processing, Health, Education, Financial services, Manufacturing, Petroleum and Mining services and other service sectors are among the sectors that have investment opportunities.

Even though the agricultural sector in Ghana employs more than half of the country's population, the sector is often described as an "unexploited investment opportunity" (KPMG, 2012). According to the Ministry of Food and Agriculture in Ghana [MOFA] (2010), the sector is predominantly cultivated on a small-scale in spite of the existence of some large farms and plantations especially in oil palm, rubber, cocoa and coconut farms. International Fund for Agricultural Development [IFAD] (2011) asserts that the role of small-scale farmers in poverty reduction should not be underestimated because they support a third of global population and produce up to 80% of food consumed in developing countries. Limited access to land, farm inputs, credits and ready markets for their produce are some of the major challenges that the small-scale farmers encounter in crop production.

After foreign companies took over large-scale oil palm plantations from the state in Ghana, many of them continue to involve small-scale farmers in their production (Fold and Whitfield, 2012). These forms of cooperation have received increased attention since it provides an option for small-scale farmers to access credits, farm inputs, extension services and ready markets for their produce and (Kirsten and Sartorius, 2002). The large-scale oil palm investors on the contrary are unable to efficiently operate their mill to full capacity because of the unwillingness of customary land owners to lease out land on long term basis (Kasanga and Kotey, 2011; V  th and Kirk, 2011). Accordingly, the large-scale oil palm investors supply the small-scale farmers with credit, farm inputs and improved farming techniques or technology and in turn receive a guaranteed supply of oil palm bunches from the small-scale farmers. This cooperation however, it is usually perceived as a means by which many of the small-scale farmers are exploited by the large-scale agricultural investors (von Braun and Meinzen-Dick, 2009). In light of this, promoting cooperation between small-scale farmers and foreign investors that is beneficial to both actors is a way of ensuring that foreign investment in agriculture is sustainable (IFAD, 2011).

Norpalm Ghana Limited (hereafter called Norpalm) is a Norwegian owned investment in the oil palm industry in Ghana since 2000. Norpalm cultivates approximately 11,300 acres of land and incorporates smallholders and outgrowers into its nucleus estate production model. Thus, the main research question of this study is: what are the outcomes of Norpalm's smallholder and outgrower schemes and which local conditions account for these outcomes? The specific research questions that this study seeks to answer include:

1. What are the enabling factors for Norpalm's investment in the oil palm industry in Ghana?
2. What are the outcomes of Norpalm's smallholder scheme to the company and the smallholders?
3. What are the outcomes of Norpalm's outgrower scheme to the company and the outgrowers?
4. Which local conditions account for the outcomes of the schemes?

My first research question forms the descriptive part of the study drawing mainly on literature on Norpalm's investment and the factors that led to their investing in the oil palm industry. The research question will also address national and international events that account for the development of Norpalm's investment in Ghana hence the history of Norpalm. Written documents will be supported with interviews with various stakeholders in this investment to answer this question. The stakeholders identified for this study include the General Manager, Human Resource Manager and Plantation Manager of Norpalm, the chief of Ewusiejoe and Mporhor, Regional Lands Officer at the Public and Vested Lands Management Division of Lands Commission and the Head of Finance and Administration at DIC.

My second and third research questions direct me to relate my study to the 2 outcomes of FDI when capital interacts with local conditions as argued by Jakobsen et al. (2005). The outcome of FDI which I conceptualize as *FDI as trickling down effect* or *FDI as backwash effect* will be discussed in detailed in chapter 2. I will rely on data produced from interviews with smallholders and outgrowers about their views, feelings and perceptions of the smallholder and outgrower schemes respectively. Also, interviews with the Plantation Manager of the Norpalm and other key informants in charge of the outgrower and the smallholder scheme will enable me produce data on the outcome of the scheme to the company. I argue that the outcome of Norpalm's smallholder scheme to the smallholders is one that can be described as *FDI as trickling down effect* due to their access to land, farm inputs, credits, market for their produce and improved farming techniques or knowledge from the company. Following the increase in the total yield of oil palm bunches harvested from the outgrowers, I argue that the outcome of the smallholder scheme to Norpalm is *FDI as trickling down effects*. Alternatively, Norpalm's outgrower scheme demonstrates *FDI as backwash effect* because the outgrowers are unable to access land, farm inputs, credit and improved farming techniques or

knowledge from Norpalm. Oil palm bunches is used in this study to mean the fresh fruit bunches, FFB, harvested from the oil palm tree)

(Goldstein and Udry (2008) established that different actors use their power with regards to natural and financial resources, access to information, or control over other actors, to realize their goals. It can be argued then that the motivation of various actors has a bearing on varied outcomes (Väth, 2013). Following these arguments, I discuss the motivation of Norpalm for incorporating the smallholder and outgrower schemes into its production as well as the motivation of the smallholder and outgrowers for joining the schemes to highlight the outcomes of the schemes. Sources of data to discuss the motivation of the various actors include data produced from interviews with the Plantation manager of Norpalm, key informants in charge of the smallholder and outgrower schemes, smallholders and outgrowers.

The fourth research question will enable me to identify the local conditions that interact with Norpalm's smallholder and outgrower schemes to produce *FDI as trickling down effects* and *FDI as backwash effects*. This research question is based on the assumption that the outcome of Norpalm's smallholder scheme described as *FDI as trickling down effects* and the outcome of its outgrower scheme in the form of *FDI as backwash effects* depends on how the schemes interact with local conditions in the investment environment. The study argues that the outcome of Norpalm's smallholder and outgrower schemes to an extent is based on the predominantly customary land ownership system in Ghana and the level of farmer-based organization.

1.2 Overarching Project: Foreign Direct Investment, Regional Change and Poverty

Foreign Direct Investment, Regional Change and Poverty is a project linked to the Department of Geography at the University of Bergen, Institute for Research in Economics and Business Administration (SNF), Comparative Research Programme on Poverty (CROP) and other international institutions. The project focuses on investigating how the spatial dynamics of FDI in developing countries produces specific outcomes relating to power relations, regional development and poverty reduction through case studies. The underlying assumption of the project is defining FDI as a complex cluster of interrelated "pools" of actors; economic capital; and knowledge depending on the form of capital invested and how this capital interacts with local conditions (Fløysand et al., 2005).

My study is a case study that aims at examining the outcome of Norpalm's smallholder and outgrower schemes and the local conditions that account for these outcomes. This case study seeks to contribute to the understanding of the spatial embeddedness of FDI.

1.3 Structure of the Thesis

Chapter 1: Introduction to Research Problem

This chapter includes an introduction to the study. The research questions that the study seeks to answer are outlined in this chapter. The chapter also provides a recap of the data sources to address each research question and concludes with the overarching project of this case study.

Chapter 2: Theories, Concepts and Analytical Framework

The second chapter begins by defining the concept of FDI, FDI incentives and the factors that firms consider before investing. Thereafter, the background to development theories is discussed. Two different theoretical positions about the outcome of FDI which I term, *FDI as trickling down effect* or *FDI as backwash effect* are discussed under the theory chapter. A discussion of the concepts of land transactions, land grabbing and contract farming paves the way to present the analytical approach that is adopted for this study. Based on the definition of FDI as a complex cluster of interrelated 'pools' of actors, economic capital and knowledge, an analytical framework focusing on economic capital and knowledge is adopted for analyzing the findings of the study.

Chapter 3: Methodology

The methodology focuses on the research methods that were employed to produce data. The sampling techniques used in selecting informants and the study area will be discussed. In this chapter, I emphasize my positionality, how my insider and outsider perspectives, role and status affected data produced. The various data production methods that were employed are also discussed. Other issues include research ethics, validity of data, challenges that I faced during the field work and how I overcame them.

Chapter 4: The Case in Context

The fourth chapter is dedicated to answering my first research question. The chapter addresses the national and international events that resulted in an increase in FDI in Ghana. In this chapter, I present the specific factors that were conducive for Norpalm's investment in the oil

palm industry in Ghana. The chapter goes on to present Norpalm's investment and geographical area of this investment.

Chapter 5: Outcome of Norpalm's Smallholder Scheme to the Company and Smallholders

Using the capital and knowledge component of the analytical framework, the chapter addresses the outcome of the smallholder scheme to Norpalm and smallholders. The chapter explores the motivation of Norpalm for continuing the smallholder scheme started by formerly state-owned National Oil Palm Limited (NOPL). The motivation of the smallholders for enrolling in the scheme is also discussed in this chapter.

Chapter 6: Outcome of Norpalm's Outgrower Scheme to the Company and Outgrowers

The chapter dwells on the capital and knowledge component of the analytical framework to present the outcome of the outgrower scheme to Norpalm and the outgrowers. The variance of Norpalm's outgrower scheme from the smallholder scheme is discussed in this chapter. The company's motivation for buying oil palm bunches from the numerous outgrowers within its operational area and surrounding communities as well as the motivation of the outgrowers for selling oil palm bunches to Norpalm will also be discussed in this chapter.

Chapter 7: Local Conditions in Norpalm's Smallholder and Outgrower Schemes

The chapter is dedicated to discussing the local conditions that interact with Norpalm's smallholder and outgrower schemes. Thus, the chapter provides answers as to why Norpalm's smallholder scheme results in *FDI as trickling down effects* to the company and the smallholders whilst the outgrower scheme results in *FDI as backwash effects* to the company and the outgrowers.

Chapter 8: Conclusion

In this concluding chapter, an overview of the key findings in relation to my research questions will be presented. The chapter concludes with new research areas that the study identified.

CHAPTER TWO

THEORIES, CONCEPTS AND ANALYTICAL FRAMEWORK

2.1 Introduction

Theory has a ‘direct contact with the occurrences, events, and practices of lived reality’ (Peet, 1998:5). Following this argument, this chapter addresses the theories and concepts that form the basis of the analytical framework of the study. The analytical framework will serve as the practical tool that will be used to examine the outcome of Norpalm’s smallholder and outgrower schemes as well as the local conditions that account for these outcomes. The chapter also provides a discussion of the key concepts in this study namely FDI and the metanarratives that surround FDI and development. FDI incentives and the factors that firms consider before investing is also discussed in this chapter. The chapter goes on to address the concepts of land transactions, land grabbing and contract farming. It is important to discuss these concepts as it provides background information to the analytical framework which will be employed to analyze data produced from the fieldwork.

2.2 Justification of Choice of Theory

The main research question, *what are the outcomes of Norpalm’s smallholder and outgrower scheme and which local conditions account for these outcomes?* drives me to discuss key concepts used in the study.

The first research question which is descriptive in nature makes it necessary to discuss the metanarratives within development discourse that prescribe the way developing countries should develop. As will be discussed later in chapter 4, one of these metanarratives, neo-liberalism called for the privatization of state-owned enterprises. The neo-liberal economic policies in Ghana count as one of the factors that contribute to Norpalm’s investment in Ghana. FDI incentives and the factors that firms consider before investing is discussed to help me discuss the major factors that led to Norpalm’s investment in the oil palm industry in Ghana.

My second and third research questions which looks at the outcome of Norpalm’s smallholder and outgrower schemes to the company, smallholder and outgrowers, calls for the need to discuss the narratives that accompany FDI and development. These narratives are described by Roe (1991) as simplified versions of complex stories that require actions to be taken.

Following arguments by Jakobsen et al. (2005) concerning the two main outcomes when FDI interacts with local conditions, I conceptualize the terms *FDI as trickling down effect* and *FDI as backwash effect*. The concepts of ‘land transactions’ and ‘land grabbing’ have emerged in development discourse after the increase in large-scale agriculture investments. In order to avoid asymmetrical relationships between foreign investors and small-scale farmers, contract farming has been promoted. These concepts are discussed because they constitute the analytical framework that is used to analyze the outcome of Norpalm’s smallholder and outgrower schemes.

The fourth research question: *which local conditions account for the outcomes of the schemes?* is my motivation to discuss the post-structural approach to development. I adopt the spatial embeddedness of FDI proposed by Fløysand et al. (2005) to discuss the local conditions that account for these outcomes. This is useful in highlighting the spatial context of the outcome of FDI and development.

2.3 Definition of Foreign Direct Investment

Several definitions of FDI have been provided by scholars and institutions in the field of Finance and International Trade. International Monetary Fund [IMF] (1993) *Balance of Payment Manual*, 5th edition (BPM5) defines FDI as the category of international investment that reflects the objective of a resident entity in one economy (foreign direct investor) obtaining a lasting interest in an enterprise resident in another economy (foreign direct investment enterprise) other than that of the investor. Foreign direct investors could be individuals, incorporated or unincorporated private or public enterprises, associated groups of individuals or enterprises, government or government agencies or estates, trusts or other organizations that own direct investment in economies other than where they reside (IMF, 1993).

The “lasting interest” according to IMF is the existence of a long-term relationship between the foreign direct investor and the enterprise and some significant degree of influence by the foreign direct investor on the management of the enterprise. Thus, the ability of the foreign direct investor to exert some level of control over the management is what distinguishes FDI from other types of international capital flows such as portfolio investment. Other international economic organizations such as Organization for Economic Co-operation and Development [OECD] (1996), further emphasizes that a characteristic of FDI is that the investor exerts some level of influence over the management of the enterprise when the

foreign direct investor owns 10 percent or more of the enterprise. Bernasconi- Osterwalder et al. (2012:2) provide a concise definition of FDI as “an equity interest and other capital that gives the investor a lasting interest and effective voice in the management of the foreign enterprise”. FDI is not restricted to the transfer of financial capital but includes transfer of management and organizational expertise, technology, entrepreneurship, incentive structures, values and cultural norms and access to markets across national boundaries (Dunning and Lundan, 2008:7). This leads to the creating of a lasting interest across international borders.

2.4 FDI Incentives and Motivation for Investing

Global FDI flows have generally increased yet government compete for investment especially those that result in technology spillover and increase the organizational skills of its local people (Narula and Dunning, 2000). The economic growth induced by foreign investments is a reason why many developing countries have implemented policies that aim at attracting foreign investors. However, the motivation for firms to engage in foreign investments varies. According to Dunning (1998), firms consider the macroeconomic environment and the institutional framework of the host country where they have a choice. Thus, Multi National Enterprises [MNE] invest in locations with the best economic and institutional facilities. Among the factors that attract investors into a country include the market size, natural resource endowments, availability of skilled labour, political and macroeconomic stability of a country (Blomström and Kokko, 2003; Asiedu, 2006). Nonetheless, the level of importance attached to the above mentioned factors depends on the spatial context (Blomström and Kokko, 2003). For instance, firms that wish to invest in more developed countries may consider the size of the market whilst those investing in developing countries would want to consider other factors such as the availability of skilled labour, good infrastructure and the political and macroeconomic stability of the country.

The existence of policies by various governments to attract FDI, and the various local factors at play are not the only determinants that attract foreign investors; the particular motive of the interested investor also plays a role. The motive of the MNE plays a determining role in the location of an investment and the importance placed on each motive is a partial reflection of the economic development of the host country (Lall and Narula, 2004: 451). For instance least developed countries usually tend to attract resource seeking FDI and the industrializing developing countries tend to attract efficiency seeking FDI (Lall and Narula, 2004).

Different authors have outlined different motives for an investment to take place. Narula and Dunning (2000) identified four main motives for an investment to take place; namely natural resource seekers, new market seekers, restructuring existing foreign production seekers and new strategic asset seekers. They further categorized these four motives into two broad categories. The first three motives which usually attract investors to developing countries aim at asset-exploiting by generating economic rent using existing firm-specific assets. The new strategic asset seekers on the other hand aim at acquiring new assets in order to protect or augment existing assets (Lall and Narula, 2004:451).

Dunning's OLI paradigm sheds more light on motives by which investments take place, by addressing not just the motives for investing but also highlighting the advantages that are necessary for an investment to take place. In other words, it outlines the factors that firms consider before investing in a country. Dunning's further development of the internalization theory into a paradigm provides a general framework that firms consider before investing in a particular country and not another or in their own home country (Dunning and Lundan, 2008). The ILO paradigm is also useful because it determines the extent and pattern of foreign investment (ibid.). The factors necessary for an investment to take place according to Dunning's OLI paradigm include Ownership advantage (O), Location advantage (L) and Internalization advantage (I).

The *Ownership advantages* refer to the assets of the foreign firm that makes it gain a competitive advantage over local firms. Ownership advantages may include technology, organizational competence and innovation skills that the foreign firm possesses over local firms. The advantages that a particular country has that make them desirable by foreign firms compared to other countries refer to the *Location advantage*. For instance, the presence of resources or market demand in a particular country may give it a location advantage over other countries. Enterprises may choose to diversify their value-adding activities as a way of increasing their market power. They do so partly to maximize the net benefits of lower production or transaction cost arising from common governance and partly to ensure that they gain the maximum economic rent from the O advantages they possess. This refers to the *Internalization advantages*.

The OLI variables provide a higher value when they interact than when they are considered as individual factors (Dunning and Lundan, 2008). Therefore, the ability of FDI to produce growth does not depend only on how attractive the investment policy of the host country are

but also on the comparative advantage of the investing firm and the transaction cost variables. In other words, these are the advantages that determine whether an investment would take place or not. Aoyama et al. (2011), also explain the OLI variables as factors that play an important role in explaining whether FDI occur in a particular region and not another and how firms enter into the market.

2.5 Discourse of Development

The assumption that the contribution of capital flow, in the form of FDI, is necessary for the economies of developing countries is rooted in the development theories that emerged after the Second World War. This section looks at the development theories that have emerged since this time, how they have come to be accepted as grand theories and how they relate to the discussion of FDI.

‘Modern philosophy’s claim to universal truth is interpreted as a claim to universal power’ (Peet, 1998:195). This is the main concern of the post-structural view especially that of Foucault. Such universal truths have come to be referred to as discourses. Foucault uses the term discourse to refer to ‘serious speech acts of experts in the human sciences’ (ibid.: 201). Providing the same meaning other authors such as Adger et al. (2001: 683) define discourse as a shared meaning of a phenomenon. Barnes and Duncan (1992:8) further explain discourses to mean ‘frameworks that embrace particular combinations of narratives, concepts, ideologies and signifying practices, each relevant to a particular realm of social action.’ Thus discourses are blueprints that are intended to stimulate particular actions. These discourses provide enabling and constraining frameworks for understanding the world (ibid.). Some discourses dominate others making them broadly accepted in the society. Such discourses are termed hegemonic discourses (Adger et al., 2001).

According to Hajer and Versteeg (2005), even though actors may have a shared meaning of concepts such as development, this is not a guarantee that these actors understand each other. As a result of this, discourses become liable to negotiation, opposition and change (Barnes and Duncan, 1992:8). Discourses may be communicated through various ‘expressive means’ such as narratives, story lines, metaphors and other rhetorical devices (Adger et al., 2001: 685). Discourses that are expressed as narratives may appear in the form of a story with a beginning, a middle and an end and generally have the objective to telling stories that simplify ambiguities in development processes (Roe, 1991: 288). Narratives may also be represented

in the form of an argument when they are characterized by premises and conclusion. These narratives usually ‘revolve around a sequence of events or positions in which something happens or from which something follows’ (ibid.: 288). Adger et al. (2001) assert that a narrative has a structure with ‘cast’ of actors including ‘heroes’, ‘villains’ and ‘victims’.

An example of a highly contested hegemonic discourse that has required actions to be taken by practitioners, bureaucrats and policy makers is development. The discourse of development has undergone a series of transformations. Development means other things including ‘transformation, embracing a new way of being and thinking and leaving the old ways behind’ (Neumann, 2005). The hegemonic discourse of development is one that has received attention at both the local and global scale though authors allude different meanings to it. This is evident at the global scale at the way the world is broadly categorized by stages of advancement and evolution into the ‘developed countries’ and ‘developing countries’ (Potter et al., 2008:4). The modern development term emerged from January 20, 1949 when the President of the United States of America used the term to refer to countries with less economic accomplishment (Sachs, 1992). According to him, such countries would be exonerated from the undignified condition called underdevelopment if they turn to the ‘developed countries’ for assistance. Thus, it was the duty of the developed regions to bring development to the ‘developing countries’ (Potter et al., 2008).

Grand theories in the form of metanarratives have evolved to explain development or the lack of development. We can therefore say that development theories are metanarratives that exist in the development discourse. One of such theories using the classical traditional approach is the Modernization Theory. This approach was basically about the spatial diffusion of modernity to economically deprived regions in the world. The modernization theory blamed underdevelopment to the factors that were inherent to the developing countries (Heo and DeRoyen Jnr., 2002). The main argument of proponent of modernization was that less advanced countries should abandon their ‘traditional’ ways and adopt the ways of the ‘*modern, westernized nations*’ by imitating the stages of economic growth of the developed regions (Potter et al., 2008). The developing countries were required to repeat the history of the West in order to develop or by failing to do so, remain underdeveloped. (Harrison, 1988). The economic advancement of a country was the category for measuring and assessing the level of development of a country at that time. For instance, Rostow’s 5 Stage Model of Economic Growth in the 1960s proposed 5 stages that all countries had to pass through to be

industrialized in order to develop (Potter et al., 2008). The stages include traditional society, preconditions for take-off, take-off, drive to maturity and age of high mass consumption.

A major turn in the conceptualization of development that criticized modernization theory was the ideas of the dependency theory which dominated the 1970s. The early work of Raul Prebisch focusing on the inequality of exchange between the developed countries and Latin America gave foundation to the dependency theory (Lewellen, 1995 in Heo and DeRoyen Jnr, 2002). The dependency school emerged from Marxist ideas in Latin America and Caribbean and ascribed the level of development of these areas to the manner in which such countries were incorporated into the world capitalist system (Potter et al., 2008). A vibrant proponent of this dependency school was Andre Gunder Frank who published 'The Development of Underdevelopment'. He argued that the way in which developing countries were integrated into the development system only served as a way for developed regions to continue to extract and transfer surpluses from developing countries. This was because of the failure of the core regions in developing regions to use surpluses for production within their economies. Rather, surpluses are traded with the capitalist states and this trade is characterized by unequal exchange (Hunt, 1989). Gunder Frank argued that developing nations could put a restriction on this perpetuation of underdevelopment by putting in place trade barriers, controls on transnational corporations and the formation of regional trading areas as well as promoting local production (Turner and Hulme, 1997). The dependency theory unlike the modernization theory attributed underdevelopment to the external factors (Heo and DeRoyen Jnr., 2002). The Policy of Import Substitution Industrialization that called for state intervention and attempted to reduce foreign dependency was common among in developing countries during this period.

The neo-liberalism thoughts in the late 1970s and 1980s redefined development. The main percept of neo-liberalism was to allow the market forces decide the most efficient means of distributing resources for development (Neumann, 2005). The belief in free markets dates back to the early works of the English Economist Adam Smith in *Wealth of Nations* (1776). Thatcher's popular capitalism in Britain and Reaganism in America during the 1980s were manifestations of neo-liberalism (Potter et al., 2008). The faith in the state for resource distribution was lost because the state was seen as an obstacle to development (Neumann, 2005). 'Liberalization' from the state was widely promoted in developing countries in the 1980s. International Financial Institutions such as the World Bank and IMF played leading

roles in enforcing neo-liberalism by attaching conditionalities of the Structural Adjustment Programmes (SAPs) to aid packages for economic restructuring. The principal instruments of the adjustment programmes included currency devaluation, monetary discipline, reduction in public spending, price reforms, trade liberalization, reduction and or removal of subsidies, wage restraints and institutional reforms. In Africa, for instance, there was an increase in the privatization of state-owned enterprises in the 1980s following the adoption of the SAPs (Ariyo and Jerome, 1999). Developing countries in general recorded an increase in FDI inflows since the conditions of the adjustment programme made most developing countries attractive for foreign investors. In Agriculture, proponents of neo-liberalism argued that privatization was necessary to increase the levels of innovation and diversification by the farmers as well as provide the farmers with increased access to capital, technology and markets (Huddleston and Tonts, 2007). Opponents to the market liberalization debate on the other hand argue that privatization could result in financial vulnerability of landowners through unequal political and economic relationships with corporations, overdependence of farmers on inputs provided by firm and limited control of small-scale farmers in decision making (ibid.: 276).

The development theories discussed above are criticised because that they do not incorporate the cultural dimensions to development (Tucker, 1999). These theories, defined between the mid-1960s and early 1980s, were dominated by Marxist and neo-Marxist thinking (Peet and Hartwick, 2009). Development during this period was defined in a more structural and systematic way in which societies had to go through particular processes (ibid.). They provided the nomothetic approach to development by arguing that all regions could develop in the same manner as the Western countries had. Post-structural thinking emerged in France during the 1970s and gradually spread to Britain and the US in the 1980s (Peet and Hartwick, 2009). By the 1990s, post-structural thinking had dominated the discourse of development as well. Thus, post-development is 'based on the criticism that development is a Western construction in which the economic, social and political parameters of development are set by the West and are imposed on other countries in a neo-colonial mission to normalize and develop them in the image of the West' (Potter et al.:18). Post-development theories argue for the idiographic approach to defining development that considers variation over space and time. In other words, development should encapsulate the spatial context and other cultural specificities. According to Peet and Hartwick (2009:220) 'post-structural thought, especially

in the tradition of Foucault, placed emphasis on development discourses formed in the context of cultures and framed within power relations.’

2.5.1 Narratives Surrounding FDI and Development

Sachs (1992:1) argues that development ‘is much more than just a socio-economic endeavour; it is the perception which models reality, a myth which comforts societies, and a fantasy which unleashes passions.’ Sachs goes on further to describe the historical conditions that resulted in Truman’s perspective of development as extinct, thus describing development to be an ‘amoeba-like concept’ that is shapeless but ineradicable (ibid.:4). Therefore ‘though development has no content, it does possess one function: it allows any intervention to be sanctified in the name of a higher goal’ (Sachs, 1992:4). This suggests that the hegemonic discourse of development is a socially constructed claim to the truth that defines perception.

Two major differing narratives surround the complex relationship between FDI and development. A critical look at the narratives shows how the fundamentals of the development theories, discussed in section 2.5, are embedded in them. It is important to discuss these narratives surrounding FDI and development because it paves the way to vividly present the analytical framework that would be used to analyze the outcome of the smallholder and outgrower schemes in Norpalm nucleus estate production model. Some researchers have established that there is a positive relationship between FDI and development. Counterarguments also seek to show FDI as a way of widening the gap between the developed countries and the developing countries.

The first narrative is the taken-for-granted idea that there is a positive relationship between FDI and development. Several studies have been carried out to show that there is a relationship between FDI and poverty reduction (Klein et al., 2001; Gohou and Soumaré, 2012; Morrissey, 2012; Antwi et al., 2013). They argue that FDI contributes in many ways to economic growth, community development, improved environmental and labour standards. An example of the conventional wisdom about the development-induced nature of FDI is the ‘Washington Consensus’. The ‘Washington Consensus’ was formulated by the economist, John Williamson in 1989 to serve as a benchmark for development in developing countries in order to increase economic growth. Reducing barriers in order to increase the inflow of FDI was one of the 10 broad sets of policy recommendations of the ‘Washington Consensus’. The

‘Washington Consensus was originally formulated with the belief of redeeming Latin American countries from the economic and financial crisis they faced in the 1980s.

The second narrative on the role of FDI in the development discourse portrays it as one that contributes to underdevelopment rather than development. This narrative argues that FDI makes it easier for the wealth created in the peripheries (host countries) to be transferred and accumulated to the investing economies and not to the benefit of the peripheries. This counter narrative has the underlying assumptions of the dependency theory discussed earlier in section 2.5. For instance, the boom in cross-border large-scale agricultural investments, an aftermath of the increased food price in 2008, has given rise to the concept of ‘land grabbing’ in development discourse (ElHadary and Obeng-Odoom, 2012). (The concept of ‘land grabbing’ is discussed in details in section 2.7).

2.6 Spatial Embeddedness of FDI

The spatial embeddedness of FDI uses the assumption of the post development approach to development by defining the outcome of FDI based on the context. This makes it important to examine the kind of interaction between FDI and the local conditions present in the investment environment. Giarratana et al. (2003) states that there are 2 outcomes when FDI interacts with local conditions. These outcomes have been identified by Jakobsen et al. (2005) as ‘FDI as development’ and ‘FDI as dependency’.

‘FDI as development’ is characterized by a situation in which there are extensive regional effects of FDI, such as employment, linkages to local industry, knowledge spill-overs, spin-offs, innovation networks and technology transfer (Fløysand and Barton, 2014). ‘FDI as dependency’, on the other hand, is a situation in which FDI results in employment but involves foreign control of the economy and profits are returned to the investing economy. It also involves displacing workers, environmental degradation, corruption and ‘out-crowding’. (ibid.). The major argument of ‘FDI as dependency’ is that FDI hampers the economic growth and development of the recipient economies. FDI allows MNEs to have control and not the local people.

However, others have argued that FDI does not just result in positive or negatives outcomes rather the outcome produced by FDI depends on the interplay of several factors. Most econometric studies show that there is a correlation between FDI and development, growth and productivity. This analysis however ‘masks the fact that different countries with different

policies and economic factors tend to drive different benefits and cost of FDI' (te Velde, 2003:15). Thus, the broad labeling of the relationship between FDI and development as one with both positive and negative effects tends to obscure the diversity of the outcome of FDI and local conditions in space and time. He further argues that 'whether the positive effects of FDI outweigh the negative effects will depend on the economic and policy factors in the host country as well as the sector and the strategies of multinational affiliates' (ibid: 15). Explaining this further, Fløysand et al (2005: 13) assert that 'the outcome of FDI is not only determined by the variables that are internal to the firm, but also by the properties of the place in which it operates'. Hence, the ability of FDI to lead to economic development and poverty reduction largely depends on how FDI interacts with the local environment (Lall and Narula, 2004).

According to Jakobsen et al. (2005), the outcome of FDI, whether progress or dependency, depends on the characteristics of FDI and the kind of interaction between the investors and the local conditions. They further argue that the nature of the FDI is important for the outcome of FDI. Therefore, FDI's that are characterized by capital, competence and network stimulate progress than those dominated by economic capital. Fløysand et al. (2005), emphasize that FDI can help alleviate poverty in developing regions depending on the form of capital invested and how this capital interacts with local conditions. They argue that FDI should be defined as 'a complex cluster of interrelated "pools" of actors; economic capital; and knowledge' (Fløysand et al., 2005: 7; Fløysand and Barton, 2014) instead of just economic capital. How FDI is organized depends on the relation between the actors and the economic capital; the relation between economic capital and knowledge-based tasks refers to what the FDI produces whilst the relation between actors and knowledge-based tasks refers to the rationality for FDI to take place (Fløysand et al., 2005: 7).

In a study conducted by Borensztein et al. (1998), it was found that FDI contributes to growth but the intensity of this growth depends on the level of development of human capital in the host country to absorb advanced technologies. Likewise, specific factors that are unique to a specific location tend to influence the outcome of FDI and this is what is referred to as local conditions in this study. Thus, the local conditions that are present in Norpalm's investment environment that account for specific outcomes of Norpalm's smallholder and outgrower schemes for Norpalm, smallholders and outgrowers will be discussed in chapter 7.

The adoption of the capital-actor-knowledge complex with a focus on capital and knowledge component, will enable me investigate how complex dynamics of FDI are embedded in spatial scales (Fløysand et al., 2005.) and in this case, Norpalm's smallholder and outgrower schemes.

2.7 Concepts of 'Land Transactions', 'Land Grabbing' and Contract Farming

Large-scale land acquisitions can serve as an opportunity for increased agricultural investment in developing countries (von Braun and Meinzen-Dick, 2009). The food crisis from 2007 through mid-2008 and the financial crisis in the second half of 2008 that led to surges in food prices saw many investors acquiring land for large-scale agricultural investments (von Braun and Meinzen-Dick, 2009; Cortula, 2011; ElHadary and Obeng-Odoom, 2012). Increases in agricultural investment in such regions are ways of promoting development in rural areas and introducing capital investment which hitherto, governments were unable to provide (von Braun and Meinzen-Dick, 2009). Proponents of large-scale agricultural investments argue for the possible benefits for rural development, namely employments, infrastructural developments, proliferating of new agricultural technology and increased production for local consumption and export (von Braun and Meinzen-Dick, 2009). Proponents of this 'win-win' discourse use the concept of 'land transactions' (Boamah, 2014).

However, such large-scale agricultural investments have raised concerns of a possible new era of dispossession local people of land (Nolte and Vãth, 2013). Proponents to the 'critical' discourse assert that such large-scale agricultural investments result in adverse consequences for food security, land tenure and livelihoods (Boamah, 2014). They subscribe to the concept of 'land grabbing' (ibid.). Land is categorized as 'grabbed' where there is an *alienation* or *expropriation* of land, usually from people in weaker socio-economic classes (ElHadary and Obeng-Odoom, 2012). The term 'land grabbing' is widely used to refer to situations involving transnational corporations, but it may include national and local elites (IFAD, 2011; ElHadary and Obeng-Odoom, 2012). A common example is instances whereby governments take land from people for national interest and refuse to pay fair and adequate compensation promptly (ElHadary and Obeng-Odoom, 2012).

von Braun and Meinzen-Dick (2009) state that the acquisition of land is often made on unequal terms for the investors and the local community. Such unequal relations become more distinct when land deals are based on customary land ownership arrangement instead of formal land titles (ibid.). von Braun and Meinzen-Dick (2009) argued that contract farming

helps land users and existing small-scale farmers to benefit from foreign investments as well as making way for large-scale agricultural investments to take place.

Contract farming that is beneficial to small-scale farmers helps to create positive outcomes to foreign investors, mostly, large-scale investments, and local communities' members (ibid.). This is because small-scale farmers are actors who are likely to lose out in the market share to large-scale farmers with the increase in globalization and market liberalization (Eaton and Shepherd, 2001). A way of preventing this situation is to involve these small-scale farmers into the production chain.

Contract farming is described as 'a means of organizing the commercial and agricultural production of both large-scale and small-scale farmers (Eaton and Shepherd, 2001; von Braun and Meinzen-Dick, 2009; IFAD, 2011). An agreement between one or more farmer(s) and a contractor for the production and supply of agricultural products under forward agreements, frequently at predetermined prices is what is referred to as contract farming (Eaton and Shepherd, 2001). The five broad models of contract farming include the centralized model, nucleus estate model, multipartite model, informal model and intermediary model (ibid.).

In relation to this study, Norpalm's investment in Ghana is a large-scale agricultural investment where land forms an important asset that the company acquired from the Ghanaian government. Following von Braun and Meinzen-Dick (2009)'s argument, Norpalm's investment is likely to produce unequal relations between the company and the existing small-scale farmers because of the customary land ownership system practiced in the country. Norpalm has a nucleus estate model which is mostly appropriate for oil palm cultivation and comprise Norpalm's plantation, smallholder scheme and outgrower scheme (Osei- Amponsah, 2013). Small-scale farmers are used as a broad term for smallholders and outgrowers in this study.

According to V  th and Kirk (2011) the main difference between smallholders and outgrowers is access to land. Whereas investors provide smallholders with land to farm on, in compensation to people whose land were expropriated by the state for oil palm cultivation, outgrowers provide their own land for cultivating oil palm. Thus, smallholders are used in this study to mean oil palm farmers who access farm inputs, credits, and land from Norpalm and in turn supply all oil bunches to Norpalm based on contracts. An operational definition of outgrower is adopted for this study to mean oil palm farmers who cultivate land other than that provided by Norplam and may choose to sell their oil palm bunches to the company

depending on price incentives. The outgrowers have no contractual agreement with the company hence they are unable to access farm inputs, and credits from Norpalm.

According to Eaton and Shepherd (2001), contract farming is basically an agreement between unequal parties such as companies and economically weaker farmers. This asymmetrical power relation tends to undermine the sustainability of outgrower and smallholder schemes (Porter and Phillips-Howard, 1997). However, when organized and managed properly, this form of agribusiness can be beneficial to both the company and the participating small-scale farmers. Some of the benefits that the participating small-scale farmers are likely to derive from contract farming when properly managed include access to inputs and production services, access to credit, introduction of appropriate technology, guaranteed and fixed pricing structures and access to reliable market (Eaton and Shepherd, 2001). Contract farming helps the contracting company to enjoy consistent quality of their produce. Furthermore, the company is able to overcome land constraints usually associated with large -scale farming as well as production reliability and shared risk (ibid.).

Contract farming may produce adverse consequences to the company and participating small-scale farmers. For instance, though large-scale investments such as oil palm plantations require monopoly to be viable, the participating small-scale farmers may be dominated by monopoly of cultivating particular kinds of crops or selling to one purchaser. The farmers may find new technologies unsuitable when they are introduced or incompatible with particular crop production. The company, on the other hand, is constrained when there is minimal or no security on the land cultivated by the small-scale farmers. Other challenges that the company is likely to be confronted with are extra-contractual marketing and the diversion of inputs by the participating farmers. Extra-contractual marketing is the selling or buying of produce outside the conditions of the contract (Eaton and Shepherd, 2001).

Thus, Norpalm's smallholder and outgrower scheme is likely to produce positive effects when it is advantageous to both the company and the participating small-scale farmers. On the other hand, the schemes will result in negative effects when one or both of the parties do not benefit.

2.8 Analytical Framework: Spatial Embeddedness of Norpalm's Investment in the Oil Palm Industry in Ghana

This study will focus on how capital and knowledge in Norpalm's smallholder and outgrower schemes interact with local conditions to analyze the outcomes that these schemes produce. I adopt the term *FDI as trickling down effects* and *FDI as backwash effects* to mean development effect and dependency effect of Norpalm's smallholder and outgrower schemes when it interacts with local conditions. Capital constitutes farm inputs, credits, land and market that the scheme provides. The smallholder and outgrower schemes result in *FDI as trickling down effects* to the small-scale farmers when they are able to access land, credit, farm inputs and markets for their oil palm bunches from Norpalm. The smallholder and outgrower schemes may also exhibit *FDI as backwash effects* to the small-scale farmers when they do not have access to credit, farm inputs, market for their oil palm bunches. The schemes, on the other hand, will lead to *FDI as trickling down effects* to Norpalm if there is an increase in the quantity of oil palm bunches supplied by the small-scale farmers. The schemes will result in *FDI as backwash effects* to Norpalm when the company records a decline in oil palm bunches supplied by the small-scale farmers.

The improved farming techniques or knowledge that small-scale farmers may derive from the scheme refers to knowledge. In this study, Norpalm's smallholder and outgrower schemes will lead to *FDI as trickling down effects* when the small-scale acquire improved farming techniques or knowledge on how best to maintain their farms. The small-scale farmers should be able to transfer the improved farming techniques or knowledge they acquire from the scheme in the cultivation of other crops. The knowledge includes but not limited to the use of improved farm tools and farm management practices such as crop recovery, moisture and nutrient management techniques, canopy management. The schemes will manifest *FDI as backwash effects* when there is no transfer of improved farming techniques or knowledge transfer from the company to the small-scale farmers. The analytical framework is illustrated in figure 1 below.

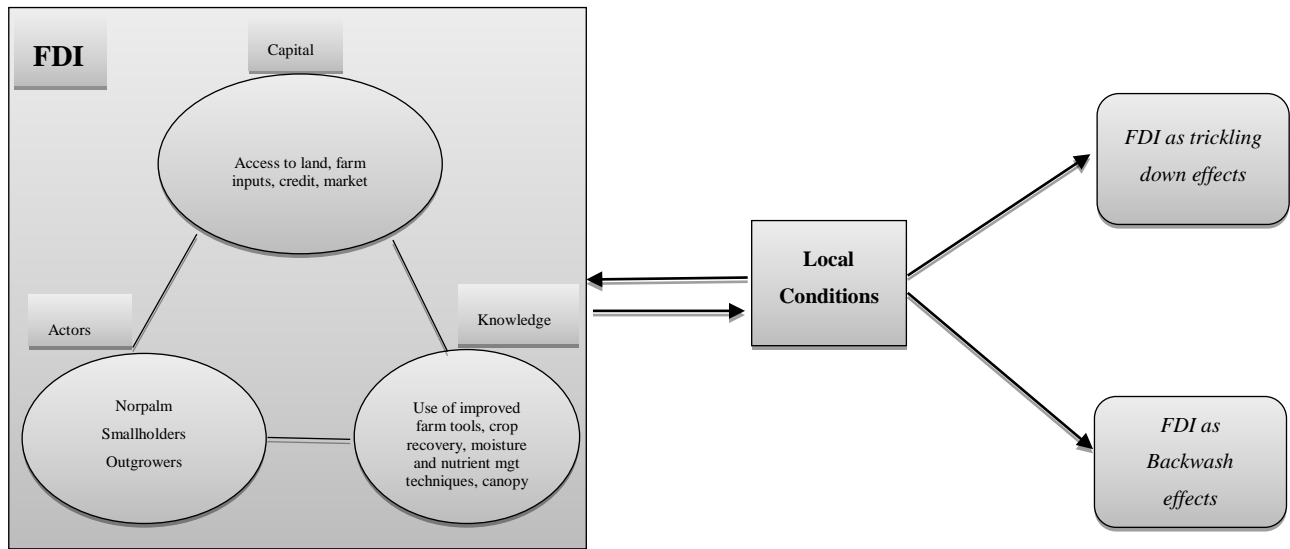


Figure 1: Analytical Approach: Norpalm's Investment in the Oil Palm Industry in Ghana.

Source: Adapted from Fløysand et al., 2005

2.9 Chapter Conclusion

In this chapter, I have discussed key concepts of FDI and development narratives that are used in the study. The incentives in host countries that aim at attracting foreign investors, the motivation of these investors and the factors that they are likely to consider before investing are also discussed. I have argued the need to define FDI and its contribution to development beyond the 'taken-for-granted' development or dependency narratives that obscure the spatial variations in its outcome. Thus, the outcome produced by FDI will neither depend solely on the flow of economic capital in the host countries but on the form of capital invested and how this interacts with local conditions. I have argued in this chapter that FDI should be defined as a 'complex cluster of interrelated 'pools' of economic capital, actors and knowledge'. I have also discussed the concepts of 'land transactions', 'land grabbing' and contract farming that characterize large-scale agricultural investments such as Norpalm's in this chapter. I did this to highlight the skepticism surrounding large-scale agricultural investment and the need to incorporate small-scale farmers through contract farming. These concepts were relevant as I relied on them in constructing the analytical framework for the study. The chapter concluded with an analytical framework which was developed out of the theories and concepts discussed. This is further developed in the next chapter by showing how this impacted on the methodological approach for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at the research approach and methods that was employed in producing and analyzing data as well as explaining the reason for employing these methods. According to Bloomberg and Volpe (2008), methodology refers to ‘how research proceeds and encompasses a range of logistical, relational, ethical, and credibility issues’. Thus methodology is not limited to the methods that are used to produce and analyze data but also extends to the rationale for using a particular method instead of another in addressing our research problems (Kothari, 2004). The case study approach was used in this study and the particular data production methods used in generating data is discussed. I discuss the statuses I was ascribed, the insider, outsider and neutral positions that I highlighted during my fieldwork. Other issues such as research ethics and validity of data are discussed. The chapter concludes with a discussion of the challenges I encountered during the fieldwork and how I overcame them.

3.2 Methodological Approach and Justification

Selecting a particular research approach over the other depends on the nature of the research problem and research questions (Creswell, 2014). Qualitative research is an approach for “exploring and understanding the meaning individuals or groups ascribe to a social or human problem” (ibid.:4). The qualitative case study approach was also adopted because the overarching aim of the study is to contribute data to discuss the spatial embeddedness of FDI. In other words, the use of a case study approach enabled me to reflect on how FDI interacts with local conditions to produce outcomes for Norpalm, smallholders and outgrowers.

Case study research involves ‘the study of a single instance or number of instances of a phenomenon in order to explore in-depth nuances of the phenomenon and the contextual influences on the explanations of that phenomenon (Baxter, 2010). Case study is used as a qualitative approach to research design rather than as a research method in this study (ibid.). The study employed 3 main types of qualitative data namely oral, observational and textual (Winchester and Rofe, 2010). The specific methods that were used to produce these data included interviews with smallholders and outgrowers, key informants and stakeholders;

informal conversations; personal observations and review of secondary data. According to Cohen et al. (2007), contexts are unique and dynamic and the use of case studies helps to reproduce these complex dynamics. Data produced from the use of these methods were interpreted in relation to the analytical framework presented. This will be discussed in details in section 3.8.

The qualitative techniques enabled me to produce data such as the age of smallholders and outgrowers, farm size, farm location, years of cultivating oil palm, duration of selling oil palm bunches to Norpalm. Maxwell (2010:478) argues the use of numbers in qualitative research does not make a study a mixed method research. Such data that was produced was for the purpose of emphasizing the diverse characteristics of informants (ibid.). This notwithstanding, the study relied mainly on qualitative data.

3.3 Justification for Selecting Case: Norpalm and Small-scale Farmers

Initially harvested as a wild crop in Ghana, oil palm has gradually developed into an agricultural crop that is now cultivated on plantations in commercial quantities (Adjei- Nsiah et al, 2012) and has attracted approximately 305,758 hectares (ha) of total land area for its cultivation (MOFA, 2011). The crop is increasingly gaining much importance and has been considered very “versatile” because of the usefulness of its products for both domestic and industrial purposes (Fold and Whitfield, 2012). Palm oil produced from oil palm crop forms an essential part of local Ghanaian meals. In a national survey conducted in 2008, 54% of households said they used palm oil in cooking (Ghana Statistical Service [GSS], Ghana Health Service [GHS], and ICF Macro, 2009). Apart from its domestic uses, the cash crop is widely used for industrial purposes in the production of laundry products, fats and cooking oils, industrial oils and cosmetics, paints, pharmaceuticals and paints (Asante, 2012). In recent times, oil palm has been very useful in the production of biofuels (Fold and Whitfield, 2012). In addition to the importance of the crop as both a food and cash crop, oil palm production has the potential to reduce poverty (Adjei_Nsiah et al., 2012). In this regard, Danyo (2013b) asserts that the contribution of oil palm cultivation to Ghana’s socio-economic development will increase if more investments are made into its cultivation.

Yet the customary land ownership system in Ghana (discussed on section 4.7) was appropriate for small-scale farming than large-scale farming. For this reason, the colonial government could not seize large tracks of land for large-scale agriculture (Danyo, 2013a).

The colonial government therefore promoted small-scale farming because of fear of displacing local land owners which might result in local opposition, and because small-scale farming was more economically resilient compared to large scale production (Gyasi, 1996). Currently, small-scale farming dominates the oil palm industry in Ghana, contributing over 80% production of oil palm bunches; nonetheless, there are some large plantations (MOFA, 2011). After colonial independence, the government promoted plantation farms because small-scale production was not able to cater for the growing demand for the cash crop (Gyasi, 1996). The post-colonial government had to forcefully acquire lands from landowners to support plantation production generally and oil palm in particular (Fold and Whitfield, 2012; Danyo, 2013a).

Consequently, the first state-owned oil palm plantation, National Oil Palms Limited (NOPL) was established. The plantation was privatized following national and international events (discussed in chapter 4) to Norpalm. Norpalm has a nucleus estate production model of contract farming that incorporates small-scale farmers in its production through its smallholder and outgrower schemes. Thus, Norpalm provides a suitable case to examine the outcome of the interaction between FDI and local conditions for Norpalm, smallholders and outgrowers.

Small-scale farmers are used as a broad term for smallholders and outgrowers in this study. An operational definition for smallholders and outgrowers was adopted. Thus, smallholders are oil palm farmers who access farm inputs, credits and land from Norpalm and in turn supply all oil palm bunches to Norpalm based on contracts. Outgrowers on the other hand, refers to oil palm farmers who cultivate land other than those provided by Norpalm. The outgrowers have no contractual agreements with Norpalm and may choose to sell their oil palm bunches depending on price incentives.

Unlike the growing debate on the destruction of primary forest in countries like Indonesia, Malaysia and Brazil, Ghana's oil palm plantations could be described as less environmentally sensitive. Vãth and Kirk (2011) provide two main explanations why this is so. Firstly, with the exception of some protected forest reserves, there are few remaining primary forests in Ghana to be destroyed. Secondly, the growing population and customary land ownership in Ghana makes it difficult to convert large acres of land into monoculture oil palm plantations. The four main oil palm plantations in Ghana were originally cultivated by the state during the times when the country's population was low and land was plentiful (Yaro et al., 2013). These

plantations were not primary forest which were destroyed by foreign investors. Regardless, of these plantations, the proportion of small-scale farmers in the oil palm industry is a reflection of the domination of small-scale farming in Ghana.

3.4 Preliminary Studies

This study began with two weeks of preliminary studies. The preliminary studies formed the exploratory stage of my study where I gathered background information on Norpalm's investment and major actors involved in the investment. During this period, I made contact with the General Manager of Norpalm and informed him of the purpose and relevance of my study. I conducted 2 key informant interviews, made observations as well as paid visits to two farms owned by outgrowers. On several visits to the company, I observed farmers bring their oil palm bunches to be sold to stationed agents who in turn sold to the company. I began my field work in June which happened to be the end of the peak season for the harvesting oil palm bunches. It was during these visits that I enquired about how Norpalm organizes the small- scale farmers from whom they buy their oil palm bunches.

3.4 Selecting Informants and Study Area

According to Morse (2004: 994), sampling is 'the deliberate selection of the most appropriate participants to be included in a study, according to the way that the theoretical needs of the study may be met by the characteristics of the participants'. Purposive sampling was relevant since this strategy enables a researcher to have access to information-rich cases in order to produce insight and understanding of the phenomenon under investigation (Bloomberg and Volpe, 2008: 69).

A total of 52 informants were purposively sampled for this study. They comprised of 42 primary informants, 7 stakeholders and 3 key informants. 27 outgrowers and 15 smallholders who sell oil palm bunches to Norpalm were sampled as primary informants. Norpalm originally bought 65% of oil palm bunches from approximately 1000 independent outgrowers in the Western and Central Regions of Ghana. The company also has a signed agreement with 40 smallholders from 4 communities within its operational area. These communities include Ewusiejoe, Mpohor, Ahanta Yabiw and Bokoro. 15 of these smallholders were sampled for my study. Whilst interviewing 15 smallholders is a fair representation of the 40 smallholders, 27 outgrowers were interviewed with the purpose of highlighting the differences in the outcome of the scheme to few contract-holding smallholders and the many non-contract-

holding outgrowers that Norpalm buys oil palm bunches from. Outgrowers were selected from Mpohor (9) and Ewusiejoe (11) because these 2 communities contribute approximately 73% of land for cultivation to Norpalm comprising 5620 acres and 2676.80 acres of land respectively. However, 7 outgrowers who lived outside NGL's operational area were interviewed because Norpalm does not restrict itself to buying from farmers within its operational area but also buys oil palm bunches from other communities with the Western and Central Regions.

Prior to the field work, the focus of the study was to examine the outcome of the outgrower scheme for Norpalm and outgrowers. However, after my interaction with key informants during my preliminary studies, I discovered that the outgrowers did not have any form of contractual agreement with Norpalm therefore they operated in an open market. I was introduced to Norpalm's smallholder scheme after further interaction with key informants. The 40 smallholders under the scheme had a written contract with Norpalm and were organized as a group. The flexibility in conducting qualitative research made it possible to include smallholders. Interviewing both smallholders and outgrowers allowed me to produce data to assess how smallholders organized as a group and linked to Norpalm through a contract are able to access land, credits, farm inputs and improved farming techniques or knowledge from the company as compared to the outgrowers who operated as individuals. The outgrowers on the other hand were used as a control group because though they may be affected by spillover effects and demand of oil palm bunches from Norpalm, there are no direct linkages between the outgrowers and Norpalm in terms of access to credits, land, farm inputs and improved farming techniques or knowledge. The outgrowers therefore served as a control group to further assess the differences in the outcome of the smallholder and the outgrower schemes.

Outgrowers were sampled with the help of my gatekeepers. A gatekeeper is one 'who can facilitates or interferes with your study (Maxwell, 2005: 82). At Ewusiejoe, my gatekeeper was an outgrower farmer who had previously held a political position as the assemblyman of the community. He was also the Assistant Agronomist of the Farmer-Based Organization (FBO) during the period of the President's Special Initiative on Oil Palm. The President's Special Initiative on Oil Palm was an initiative launched by the then President of Ghana in 2002. It was a poverty reduction strategy that aimed at assisting unorganized small-scale farmers in rural areas with improved planting materials and improved agricultural practices (Asante, 2012). The initiative required that small-scale farmers formed FBOs in order to

access improved planting materials and other improved farm inputs. At Mpohor, my gatekeeper was a middle aged outgrower farmer who also engaged in small-scale mining locally known as *galamsey*.

3.5 Positionality: Insider and Outsider, Role and Status

Qualitative research is mainly based on the researcher's perception of a situation at a given point in time (Punch, 1994:84). The personality and the nature of the interaction between the researcher and his/her informants influence this perception (ibid.:84). Mullings (1999:338) further highlights that knowledge produced by a researcher tends to be partial but situated as his/ her positionality tends to affect how knowledge is produced and interpreted. Positionality refers to how researcher's characteristics affect all aspects of the research process, from the nature of interaction between the researcher and the informants through to how the findings are received (Carling et al, 2013:2). It is therefore necessary for me to discuss how my positionality at any point in time influenced the research process.

3.5.1 Insider and Outsider

Mullings (1999) further explains that researchers become insiders when they belong to the group studied whilst those that do not belong to the group become outsiders. Since researchers oscillate between different positionalities in time and space, they are able to enjoy the advantages of being insiders and outsiders. Insiders have the advantage of using their knowledge of the group under study to gain intimate insights into their opinions (Mullings, 1999: 340) Outsiders, on the other hand, are able to gain access to information that hitherto would not be given to them, because they are considered to be neutral (ibid. : 340). Mullings (1999: 340) argues that researchers must seek *positional spaces*, that is areas where the situated knowledges of both parties in the interview encounter engender a level of trust and co-operation.

I became an outsider or an insider at different levels of my field work. My position as a Ghanaian gave me an insider status. Even though I am not a native of this area, I understand the Fanti language and speak Twi language which is widely spoken in the Western Region. Indigenes in my study area are mainly the Ahanta's or Wassas' although the Fante and Twi languages are widely spoken in this area. I explained to my informants that my mother is from the Central Region (Fanti is the local language) and has some relatives in the Western Region. This helped me to gain some level of trust among smallholders and outgrowers in the area.

During my preliminary studies, I moved around with a field assistant who is a native of this area. The positionality of my assistant as an insider was very influential in gaining the trust and confidence of my primary informants. My field assistant was a second year student at Kwame Nkrumah University of Science and Technology, a tertiary institution in Ghana. He used to assist his late grandmother on her oil palm farm and had interacted with some of these farmers. He shared his experience and knowledge with me about the kinds of interaction between small-scale farmers and oil palm producing companies.

The way an individual represents himself/ herself can influence whether they are granted an interview or not (Mullings, 1999). This is referred to as the 'politics of self- representation' (ibid. : 340). My position as a student studying in Norway conducting research about a Norwegian firm was likely to influence the kind of data that I produced. In order to prevent this, I oscillated between insider, outsider and neutral perspectives with my position as a student from Norway.

My insider position as a student from Norway helped me to gain the trust of key informants from Norpalm mainly because; I was coming from the home country of Norpalm. On my first visit to Norpalm, the General Manager shared his experience of his stay in Bergen and other cities in Norway. He then introduced me to the other managers who later became my key informants. I was able to obtain data from them without much difficulty.

I assumed a neutral position with my position as a student from Norway when I was interacting with the small-scale farmers. This is because informants could expect some sort of assistance or feel unsecured if they assumed I was connected to Norpalm in any way (Carling et al., 2013). For instance, I abjured a neutral status during the meeting between Norpalm and smallholders by declining to make PowerPoint notes for Norpalm, when I was called upon during the meeting.

In obtaining data from Divestiture Implementation Committee (DIC), my status as a student from Norway posed a problem to me. DIC is an agency of the Ghanaian government that is responsible for the implementation of all government divestiture programme under the Divestiture of State Interest (Implementation) Act 1993 (Appiah-Kubi, 2001). I abjured a neutral position on issues that characterised Norpalm's investment. When asking questions on issues as land acquisition, transfer of ownership from the state to Norpalm, I had to assure my key informant the purpose of my study was to produce more knowledge on FDI. This was

because he assumed I was affiliated to Norpalm as he kept saying ‘*your people*’ when he was referring to Norpalm.

3.5.2 Status and Role

Status as described by Linton (1936:113) is the position an individual holds in relation to his total society. These statuses are accompanied by rights and duties, which become roles when they are performed. Researchers may occupy several statuses depending on the position they occupy in the society. During my fieldwork, I occupied various statuses as a new employee of Norpalm, an agricultural extension officer, an official of the CID unit of Ghana Police Service and a student. During my visits to Norpalm, I was initially seen as a visitor to Norpalm but later treated as a new employee of the company. On my first visit to the company I was given a visitor tag and asked to sign a visitor’s log book. However, during my subsequent visits I was allowed into the premises without a tag. It was easy to interact with the workers and other key informants from Norpalm because of the fact that I was a student from Norway, also the home country of the foreign investors.

To the small-scale farmers, I was initially ascribed the status of an agricultural extension officer who was working with an NGO, Solidaridad West Africa. This NGO was an organization which was involved in educating small-scale farmers’ agronomic practices few months before I began my fieldwork. The small-scale farmers were therefore expecting me to give them information on agronomic practices. For instance, even though I explained to the small-scale farmers I was a student seeking information for my study, most of them referred to me as ‘*Madam Cynthia*’. I gradually assumed the status of a student conducting research after I had spent some weeks in the field. This was because I was asking the small-scale farmers questions about their farming practices rather than giving them information as they expected.

Mpohor is a mining community and hence most of the middle aged men are involved in *galamsey* (Fieldwork, 2014). There was much difficulty in sampling informants because most people were initially skeptical of my identity as a student. This was partly because some officials of the Criminal Investigations Department (CID) Unit of Ghana Police Service had disguised themselves and lived in the community for 6 months and later arrested some *galamsey* workers who were illegally mining gold (Fieldwork, 2014). My close association

with my gatekeeper at Mpohor cleared the minds of the community members because they realized it was impossible for a fellow *galamsey* worker to expose them to a CID official.

3.6 Primary Data Production Methods

In order to produce qualitative data, primary data production tools were used for this study. The methods that were employed allowed me to interact with informants in order to produce data for the study.

3.6.1 Interviews

The primary method for producing data for this study was through interviews. An interview is defined as a ‘face- to- face verbal interchange in which one person, the interviewer, attempts to elicit information or expressions of opinion or belief from another person or persons’ (Maccoby and Maccoby 1954: 499 in Hay, 2010:101). Conducting interviews, according to Kitchin and Tate (2000: 213), enables a researcher to ‘produce rich and varied data on people’s experiences, opinions, aspirations and feelings’. The use of interviews for this study was relevant because it allowed informants to share their perspectives, experiences, feelings and opinions about Norpalm’s investment, smallholder and outgrower schemes.

Using semi structured interview guides, I interviewed 42 small-scale farmers. Data produced from interviewing the small-scale farmers was relevant for addressing my second and third research questions: *What are the outcomes of Norpalm’s smallholder scheme to the company and the smallholders?* ; *And what are the outcomes of Norpalm’s outgrower scheme to the company and the outgrowers?* To be sure that responses from small-scale farmers were free from their personal emotions for or against Norpalm, I begun by asking informants to state the outlet where they sell their oil palm bunches. I then asked follow-up questions that were specific to Norpalm. Open ended questions were asked during the interviews in order to allow informants the freedom to express their views in their own terms. The answers that the informants gave afforded me the opportunity to ask follow- up questions. Questions included demographic information about the informants, the kind of agreement the small-scale farmers had with Norpalm, the motivation for joining the scheme, changes to farming system since joining the scheme, the transfer of improved farming techniques or knowledge and production network since joining the scheme, as well as some expectations the small-scale farmers had of Norpalm. (See appendix 1).

I interviewed 3 key informants. Payne and Payne (2004:134) define key informants as ‘those whose social positions in a research setting give them specialist knowledge about other people, processes or happenings that is more extensive, detailed or privileged than ordinary people, and who are therefore particularly valuable sources of information to a researcher, not least in the early stages of a project.’ The key informants for this study were chosen because they had adequate knowledge to share and not because they were representative of the general population (Parsons, 2008). The key informants included the assemblyman of Mpohor, the supervisor in charge of smallholder scheme and the assistant plantation manager in charge of outside fruit purchases. Outside fruit purchases referred to oil palm bunches that were bought from outgrowers. These key informants were important because they had knowledge about the outgrower and the smallholder scheme and shared this knowledge about how the schemes were organised at Norpalm as well as their perception about the changes that had occurred in the lives of the small-scale farmers since joining the schemes. (See appendix 3).

My first research question: *What are the enabling factors for Norpalm’s investment in the oil palm industry in Ghana?* relies on data produced from interviewing stakeholders in Norpalm’s investment. These stakeholders include the General Manager, Human Resource Manager and the Plantation Manager of Norpalm, the chief of Ewusiejoe and Mpohor, Regional Lands Officer at the Public and Vested Lands Management Division of Lands Commission and the Head of Finance and Administration at DIC. However, the Plantation Manager of Norpalm shared information on the company’s motivation for including the schemes into its production and the outcome of the schemes to the company. This information was relevant for producing data for my second and third research questions. (See appendix 2-6).

An interview with the General Manager and the Human Resource Manager was important in order to produce relevant data on factors that account for Norpalm’s investment in the oil palm industry in Ghana.

The chiefs were interviewed to highlight the role they played in the transfer of ownership from the state to the private investors. This is because the customary land ownership system in Ghana often constrains large-scale agricultural investments in the country (discussed in section 4.7). The chief of Ewusiejoe was ill (as a result of old age) at the time of the fieldwork. Nonetheless, he insisted that he was interviewed instead of delegating someone. This was because according to him he was directly involved in issues with Norpalm. The

chief of Ewusiejoe had made several complains to various government institutions concerning some misunderstandings with Norpalm over the ownership of land (Fieldwork, 2014). This interview was conducted in the presence of my gatekeeper at Ewusiejoe and 2 members of the chief's household. Although the interview lasted for only 10 minutes, he shared very important information about the land acquisition process and the compensation that chiefs had received. My gatekeeper and the 2 members of the chief's household supplemented some of the information that the chief provided. The interview with the chief of Mpohor however lasted for approximately 50 minutes during which he also highlighted some of the issues discussed by the chief of Ewusiejoe.

In an interview with the Regional Lands Officer at the Public and Vested Lands Management Division of Lands Commission, he discussed the land acquisition process, compensation and the role the institution played during the transfer of the asset from the state to Norpalm. Lands Commission is the statutory agency in Ghana responsible for managing all lands compulsorily acquired by the state (Larbi et al, 2004).

The Head of Finance and Administration at DIC also shared information on the reason for divestiture of formerly state-owned National Oil Palm Limited (NOPL) to private investors, their expectation from Norpalm and the role DIC played during this transfer.

The Regional Minister at the Regional Coordinating Council (RCC) in the Western Region was an important stakeholder involved in Norpalm's investment. RCC is the administrative and coordinating body that reviews and coordinates public services in the region. The chairman of RCC in the position of the Regional Minister acted as the government representative during this transfer. However, it was impossible to conduct an interview with the Regional Minister because he had been re-appointed to a different region during my fieldwork. The Regional Economic Planning Officer had little information to give me because he had just assumed that office. Notwithstanding this, I resorted to secondary data and information from other stakeholders on the transfer of the asset from the state to Norpalm.

All interviews were conducted with a semi-structured interview guide. The purpose of conducting semi-structured interviews was to maintain some predetermined order by asking questions that were useful in answering my research questions. The interviews were conducted in a flexible and informal manner allowing the informants to make contributions. All interviews with the informants were recorded with a voice recorder with the exception of one smallholder farmer who declined. At the beginning of each interview, I briefed the

informants on the purpose of my study and assured them that the information obtained was purely for academic purposes and would be treated with confidentiality. I sought permission from each informant before recording the interviews. The recorded interviews were later transcribed verbatim. In addition to the recorded interviews, short notes of key words, phrases and other forms of non-verbal communications such as facial expressions were also taken.

3.6.2 Informal Conversations

Another qualitative method that was useful in producing qualitative data for this study was informal conversation. This is a form of interview conducted without any formal structure (Kitchin and Tate, 2000). Through the informal conversations, informants provided their opinions and experiences of Norpalm's smallholder and outgrower schemes. These conversations enabled me to fully understand issues from the informant's perspective because they talked freely (ibid.).

Group interviews were one of the methods I proposed to use for this study. However upon reaching the field, it was impossible to carry out because the farmers were scattered in different communities. For instance, the smallholders were scattered in 4 communities which made it practically impossible to conduct group interviews with them. I had to resort to the use of informal conversations as a qualitative method. At Mpohor, I had informal conversations with a group of 4 middle aged outgrowers; my gatekeeper and 3 other men. Three (3) of the men agreed to join in the informal conversations because of my close association with my gatekeeper who is a farmer and a *galamsey* worker. They shared their experiences about selling their oil palm bunches to Norpalm and reasons why most young people were not involved in farming in this community.



Photo 1: Informal conversation with outgrowers at Mpohor

I had informal conversations with an oil palm fruit seller and a palm oil seller in the Takoradi Market Circle. Takoradi Market Circle is the largest market located in the Central Business District of Takoradi, the commercial capital of the Western Region. These sellers compete with the large-scale processing mills like Norpalm for the decreasing yield of oil palm bunches that the outgrowers produce. In these conversations, we talked about the effects of Norpalm's investment on other actors in the oil palm industry. They shared their views on why their demand and supply for oil palm bunches and palm oil is not affected even with the increase in the number of large-scale and medium-scale oil palm companies like Norpalm in the region.

I also had informal conversations with outgrower farmers who had stopped selling their oil palm bunches to Norpalm. These farmers explained reasons why they had diverted from selling their oil palm bunches to Norpalm. Outgrowers also talked about why they were diverting from oil palm cultivation to rubber cultivation.

3.6.3 Personal Observation

'Observation entails description of and reflection upon embodied and emotional experiences, intersubjective and material exchanges, and social and non-human interactions' (Watson and Till 2010:126). Observation was relevant for this study because this qualitative data production method enabled me to see for myself what existed or what people did compared to what they claimed to do or existed (Kitchin and Tate, 2000: 220). I made personal

observations where I played passive and non-intrusive roles during these observations (Webb et al. 1966 in Bryman 2012).

During my first visit to Norpalm, I observed stretch of oil palm trees at the main entrance of the plantation, along the road. These trees were older and taller compared to other trees in the plantation. Another observation was that new houses were been built in the plantations at the main entrance to the company. Further probing showed that Norpalm and the chiefs disagreed on ownership of the land Norpalm operated on. I also observed the emergence of construction activities along the Takoradi - Mpohor main road. It partly highlights the reason for land related disagreements as will be discussed in chapter 4.

I visited the processing mill of Norpalm and a local processing mill and compared the activities of both processing mills. It was relevant as this helped me to interact with workers at Norpalm's processing mill, who were mostly men and the local processing mill, mostly women.

I observed a meeting between Norpalm officials and smallholders during my fieldwork. I also observed a meeting between Norpalm and outgrowers outside their operational area. This observation was necessary for me to discuss the ease which not just smallholders organised as a group are able to access inputs and other assistance from Norpalm but also outgrowers who are organised as a group.



Photo 2: Norpalm Training Centre

3.7 Secondary Data Sources

Data for this study was also produced from secondary data sources. The data sources were books, documents from government institutions and Norpalm, articles, newspaper publication, minutes of meetings and internet sources. For instance, a copy of the agreement Norpalm signed with the smallholders and data on the change in harvesting yields for smallholders between 2010 and June 2014 were obtained from Norpalm. I acquired a land report from Lands Commission and an information memorandum on formerly state-owned NOPL was obtained from DIC.

3.8 Data Analysis

It is important to make meaning out of data and this can be achieved by interpreting transcripts of interviews, observations, and written documents. According to (Aase, 2007), actions and statements can be observed but they need to be conceptualized in order to produce data. Audio recording of interviews were transcribed verbatim and field notes were organized.

In order to avoid using my own cultural categories in the analysis of data, I used the represented realities as they were presented by my informants. I used direct quotations used by my informants. The outcomes of the schemes were organized and analyzed in relation to the research questions and categories guided by the analytical framework presented in the theory chapter.

Exploring narratives of development, I analyzed the responses of my informants by identifying narratives that were present in statements made by my informants. Narratives as explained in chapter 2 are simplified versions of complex problems that aim at getting their hearers to believe or do something even when their truth-value is in question (Roe, 1991). Thus, it was necessary to explore in details the reason why the different actors in the scheme would present different narratives about the schemes.

3.9 Ethical Issues

Ethics in social research refers to ‘the moral deliberation, choice and accountability on the part of the researcher throughout the research process’ (Edwards and Mauthner, 2012:14). The interactive nature of qualitative research may alter the lives of the research participants. For this reason some ethical issues were considered when this research was designed and conducted.

An important way to address ethical issues in geographical research is to seek the consent of informants to be part of the research (Howitt and Stevens, 2010). Upon reaching Ghana, I made contact with the General Manager of Norpalm and informed him about my study and the need to interview some small-scale farmers from whom Norpalm buys oil palm bunches. I began each interview by mentioning my name and introducing myself as a Ghanaian studying in Norway. I told my informants about the purpose and relevance of my study and assured them that all data would be treated as confidential. I also explained to my informants that their participation was voluntary and they had the right to opt out during an interview. In some cases, I had to show my introductory letter from my supervisor and my student identification card as a proof that my study was for academic purposes.

With the exception of one primary informant who objected, all my interviews were recorded on a digital audio recorder. I sought the consents of all my informants before the interviews were recorded. Where pictures had to be taken, I sought the consent of my informants. Some informants requested that I was part of the pictures that were taken, to be sure that the pictures were not going to be used for other purposes. I showed the pictures to the informants after they were taken. In one instance, an informant asked that another picture of him be taken because he felt he had not pose properly. Pictures of informants who were engaged in *galamsey* were censored to prevent easy identification.

Codes of ethics require that the identities of research subjects and research locations are protected (Christians, 2005). Confidentiality is the primary safeguard against unwanted exposure (Punch, 1994, Christians, 2005). Using pseudonyms is a way of ensuring anonymity (Dowling, 2010). Although pseudonyms are used in this study, some identities cannot be completely concealed. For instance, it will be easy to identify Norpalm even if a pseudonym is used because it is the only Oil Palm Plantation in Ghana with Norwegian investors. Other individuals as chiefs, managers at Norpalm, Regional Lands Officer at Lands Commission and Head of Finance and Administration at DIC can easily be identified even though their names are not mentioned.

In order to make informants part of the research process and to eliminate the possibility of a 'potentially exploitative relationship' between myself and primary informants, interviews were scheduled at the time and place that was most convenient of the informants. Dowling (2010: 32) uses the term 'potentially exploitative relationship' to describe a situation whereby a researcher may be in a position of greater power in relation to the informant. In order to

avoid such a situation, I assured the small-scale farmers that the study was intended to give them a voice hence making their opinions heard.

3.10 Validity of Data

Validity as explained by Maxwell (2005:106) refers to ‘the correctness or credibility of a description, conclusion, explanation, interpretation, or other sort of account.’ Triangulation of data sources was one way of ensuring the validity of this study. Creswell and Miller (2010: 126) define “triangulation as a validity procedure where researchers search for convergence among multiple and different sources of information to form themes or categories in a study”. This study used triangulation of data sources to ensure the validity of data. The purpose of this was to reduce the limitation of data sources as well as a way of complementing data sources. I validated my primary data with secondary data and government publications. For instance, I found data produced from an interview with the chief of Ewusiejoe in minutes of meetings at the Ghana Ministry of Food and Agriculture.

One major threat to the validity of this study was ensuring that informants and I had the same meaning to the questions that were asked. In order to ensure validity, I reframed the questions in several ways as a way of ensuring that both my informants and I had the same meanings to the questions. For instance, with regards to questions about changes to their farming activities since Norpalm’s investment, farmers were asked to describe their farming activities under NOPL’s management and the management of Norpalm.

3.11 Limitations

I faced some challenges during the data production phase of my research. Prior to my visit to Ghana, I reviewed literature that stated Norpalm to be located at Prestea, a popular mining community in Ghana approximately 168 km from Takoradi. The presence of an oil palm plantation close to Prestea may be the source of this misrepresentation in literature. The misinterpretation could also be a typographical error that interchanged the letters *t* and *s* in Pretsea. Even though Norpalm has been divested to Norpalm, most people still refer to the company as ‘state farms’ and this could be another reason for the misrepresentation. After travelling to Prestea, I found out that Norpalm is located in Pretsea, approximately 26 km from Takoradi, after making contact with the assembly man of Prestea who happened to be a native of Pretsea and used to work in Norpalm’s plantation.

My status as a student from Norway made it difficult for me to be granted an interview with officials from DIC. In spite of the fact that I had provided an introductory letter from my supervisor and presented a copy of my student identification card to the institution, they suspected I was affiliated to the Norwegian investors of Norpalm. It was impossible to conduct an interview with the Executive Secretary of DIC who was the government official directly involved in the transfer of formerly state-owned NOPL to Norpalm as a result of this. I was however granted an interview by the Head of Finance and Administration at DIC few days before my departure to Bergen. In order to ensure that my status as a student did not affect the quality of data that I obtained from DIC, I crosschecked data produced from DIC from other written sources. Also, I conducted interviews with other stakeholders in Norpalm's investment namely, the chiefs, Lands Commission and the management of Norpalm.

During the research design process, I proposed group interview as a data production method. This was to enable me explore the meanings, feelings and values that the small-scale farmers place on their relation with Norpalm as a group. Group interviews were also relevant to assess the power relations that exist between the small-scale farmers. Conducting a group interview was however constrained by the fact that small-scale farmers were scattered in several communities.

3.12 Chapter Conclusion

The chapter begun with a justification for adopting a case study approach for producing data. As argued by Flyvberg (2006), the use of a case study for producing data for this study goes a long way to discredit the assumptions that case studies are not useful for generalizing as well as testing and building theories. This is because the study sought to contribute data to discuss the spatial embeddedness of FDI. Norpalm has a nucleus estate model and thus provided a suitable case for examining the outcomes of schemes that aimed at incorporating small-scale farmers into large-scale production. The use of interviews as the main data production techniques enabled me to produce data based on the experiences, opinions and feelings of the informants as well as the opportunity to probe further verbal and non-verbal responses of my informants. The interviews were supplemented with personal observation, informal conversations and review of written documents. In order to avoid a situation of endangering the informants rather than giving them a voice, research ethics were considered in the study. The validity of data was observed in order to ensure that the findings of the study were derived from a carefully conducted research process. The challenges I encountered during the

fieldwork and how I overcame them were also discussed. The chapter that follows looks at the factors that lead to Norpalm's investment as well as the study area.

CHAPTER FOUR

THE CASE IN CONTEXT.

4.1 Introduction

This chapter seeks to address my first research question; *what are the enabling factors for Norpalm's investment in the oil palm industry in Ghana?* by using Dunning's OLI paradigm discussed in the theory chapter. In this chapter, I will discuss the context within which my study is placed. The chapter also draws on the metanarratives within the development discourse to discuss the background to the national and international events such as State-Owned Enterprises Reform Program and Structural Adjustment Programmes (SAPs) respectively which contributed to the upsurge of FDIs in Ghana is also discussed. Norpalm was one of the FDIs that came into existence during this period. The factors that led to Norpalm acquiring formerly state-owned National Oil Palm Limited (NOPL) is discussed in this chapter. The chapter concludes with a discussion of reasons presented by various stakeholders for the delay in transferring land ownership to Norpalm.

4.2 Structural Adjustment Programmes and FDI in Ghana

Ghana has a long history of FDI. The country initially recorded low foreign investment in spite of the enactment of the Capital Investment Act (Act 172) of 1963 to promote private investment in the country (Aryeetey and Baah-Boateng, 2007). The low capital investment flow into the country in the past is associated with the socialist idea of the country's first president, Dr. Kwame Nkrumah (1957-1966) that perceived foreign investment as exploitative (ibid.).

By the 1970s the Ghanaian economy saw FDI mainly in import- substitution manufacturing industry (UNCTAD, 2003). During the colonial times, Ghana's economic trade was marked with the exchange of its natural commodities for manufactured goods that the country could not produce. The country exhibited features of underdevelopment when it gained independence in 1957 (Konadu- Agyemang, 2000). The post-colonial government wanted to play an active role in the development of the country. Thus, the post-colonial government adopted the Import Substitution Industrialization Strategy (Dake, 2000). A number of State-Owned Enterprises (SOEs) were established as a result of the strategy. These enterprises dominated sectors such as the mining, energy, utilities, business and financial services,

construction, transportation and communication sectors (Adda, 1996). At independence, the number of public enterprises were 4 but the number increased to about 53 state enterprises, 12 joint private enterprises and 23 public boards by 1966 (Killick 1978 in Appiah- Kubi, 2001). Subsequent governments established a number of new SOEs and nationalized other existing foreign owned firms (Appiah- Kubi, 2001).

Through the Government Participation Decrees in 1972, the government was the majority shareholder in many multinational companies in the country (Appiah- Kubi, 2001). The SOE gradually increased in size and importance, increasing their contribution to GDP from 26% in 1968 to 36% by 1987 (Appiah – Kubi, 2001). The sector was nonetheless described as one that immensely drained the available resources of the economy rather than contributed to it. Several factors including the poor financial performance, poor management, lack of technical competence and expertise, over staffing, abuse of monopoly, lack of positive entrepreneurial direction, inadequate investment, low incentives for management, corruption and political interference accounted for this (Adda, 1996; DIC, 1998, and Appiah-Kubi, 2001).

Eventually, the country's economic and financial stability was threatened by the poor performances of the SOEs (Adda, 1996). The economic difficulties in the early 1980s however are not the only cause of the non-performance of the public sector. For instance, in January 1983, illegal Ghanaian migrants who had relocated to Nigeria in order to escape Ghana's worsening economic state was expelled (Brydon, 1985). The economic difficulties were compounded after the combination of severe Sahelian drought and sporadic bush fires that the country experienced in the late 1983 (Bawumia, 2004 in Obeng-Odoom, 2012: 91).

The SOE Reform Program was formulated in 1987 by the Provisional National Defense Council (PNDC) government as an initiative to revive the management and financial performance of SOEs and their effect on the economy (Appiah – Kubi, 2001: 204). Entailed in this SOE reform agenda was a privatization programme. The privatization programme included divestiture of ownership or management of state enterprises to private investors and the liberalization which exposed these enterprises to more competition (ibid.: 205). The SOE Reform Program was also formulated based on the recommendations of World Bank and IMF's neo-liberal ideas in the form of Structural Adjustment Programmes. The SAPs ascribed Ghana's economic problems to internal factors that constrained development (World Bank, 1981; Adda, 1996; Konadu- Agyemang, 2001). Consequently, the Divestiture Implementation Committee (DIC), an agency of government responsible for the implementation of all

government divestiture programmes under the Divestiture of State Interest (Implementation) Act – 1993 (PNDC Law 326), was established in 1987. The DIC received financial support and advice from the World Bank as well as technical assistance from the Overseas Development Authority (Ariyo and Jerome, 1999).

Through the various modes of divestiture such as sale of assets, sale of shares, joint venture, lease and liquidation, DIC had successfully divested 212 SOEs by 1998 (Appiah- Kubi, 2001: 208). Both foreign and domestic investors were invited in the bidding of the assets yet most of the SOEs were divested to foreign investors because of the difficulty local investors faced in mobilizing adequate funds in purchasing, rehabilitating, and managing the assets (ibid. : 208). The table below shows the number of SOEs that were divested between 1991 and 1998 and their modes of divestiture. Enterprises that were privatized include Tropical Glass, West African Mills Companies Limited, Tema Steel Company and Golden Tulips Hotel (Ariyo and Jerome, 1999).

Table 1: Divestiture of Former State-Owned Enterprises

	To 1991	1992	1993	1994	1995	1996	1997	1998	Total
Sale of assets	16	4	3	30	19	18	15	7	112
Sale of shares	11	5	2	2	6	1	2	2	31
Joint venture	6	3	1	4	0	4	1	2	21
Lease	3	1	0	1	0	0	1	0	6
Liquidation	24	2	5	5	6	0	0	0	42
Total	60	15	11	42	31	23	19	11	212

Source: Appiah- Kubi, 2001: 208

Besides the divestiture of state-owned enterprises, the country adopted the Minerals and Mining Act, in 1986 that aimed at attracting investments into the natural resource sector (UNCTAD, 2003). The country had recorded US\$ 233 million of FDI inflows in 1994 and this contributed immensely to Ghana's GDP as shown in figure 2 below. The upsurge in FDI inflow during this period was as a result of the sale of 45 % of the country's most lucrative asset, Ashanti Goldfields Corporation (AGC) to Lonmin, a South African mining company (UNCTAD, 2003:4).

By 1998, Ghana had experienced a tremendous decline in investment due to the deteriorating economic conditions in the country. This was a disincentive to foreign investors. In 1998 and

1999, Ghana experienced a fall in prices of gold and cocoa, the country’s major export commodities, and suffered major budget deficits as the prices of its major imports (i.e. petroleum products) increased. There was a turn in FDI inflows recorded in the country between 2008 and 2013 when the figures increased from US\$1,220 million to an estimated amount of US\$3,226 million (UNCTAD, 2014). The discovery of crude oil in commercial quantities in 2007 and the start of production in 2011 in Ghana could explain the increase in FDI inflows between 2008 and 2013. The contribution of FDI inflows to Ghana’s GDP from 1990 to 2011 is illustrated in figure 2 below:

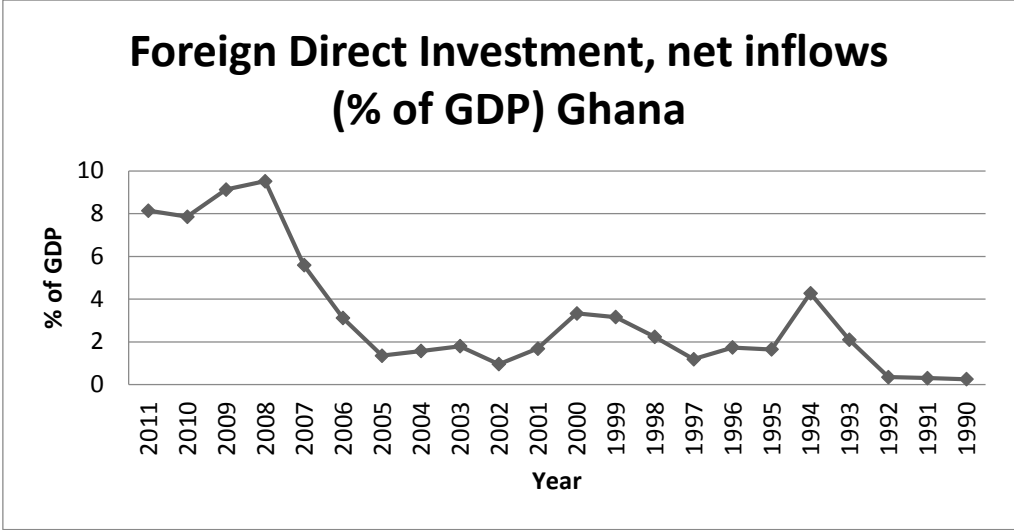


Figure 2: Foreign Direct Investment, Net Inflow (% of GDP). Source: World Bank, 2013.

4.3 Development of the Oil Palm Industry in Ghana

The development of the oil palm industry in Ghana has transitioned from one phase to another. Between 1957 and 1978, several attempts by successive post-colonial government to promote large-scale production of oil palm failed (Adjei- Nsiah et al., 2012). Factors such as poor management, lack of expertise and lack of mills to process the fruits accounted for this (ibid.). With funding from development partners such as the World Bank and European Union, state-owned large industrial estates were established in parts of Eastern, Central and Western Regions of Ghana between 1975 and 1980 (Adjei- Nsiah et al., 2012). The four oil palm nucleus estates that were established were managed by the Ghana State Farms Corporation. These plantations include the Ghana Oil Palm Development Company (GOPDC), Twifo Oil Palm Plantations (TOPP), Benso Oil Palm Plantations (BOPP) and National Oil Palms Limited (NOPL). The state’s management of the oil palm nucleus estates was influenced by the dependency theory of development that required government

intervention in the economy as a means of achieving socio-economic development (Huddleston and Tonts, 2007).

Because the customary land tenure system in Ghana does not support large-scale production, smallholder and outgrower schemes were established as a way to legitimize these plantations and to rationalize smallholders' incorporation into production for the industrial sub-sector (Fold and Whitfield, 2012). Gyasi (1996) notes that the oil palm plantations under the management of the state were not economically sustainable due to capital constraints, political interference, poor planning and management, and the rigidity of the centralized state control system.

By the 1980s, the oil palm industry had evolved into another phase. The Structural Adjustment Program initiated in 1983 led to the privatization of most state-owned enterprises (Adjei- Nsiah et al., 2012). This followed the country's adoption of neo-liberalism economic policies that proclaimed the need to shift the management of state-owned enterprises into private hands. Consequently, the four large plantations were privatized between 1994 and early 2000s (Danyo, 2013a).

4.4 Divestiture of National Oil Palms Limited (NOPL)

The agricultural sector received its fair share of the divestiture programme. One of the state-owned agribusiness that was privatized was the National Oil Palms Limited (NOPL). In 1998, the government tendered the assets of NOPL to private investors. The plantation dates back to the early 1940s when a private entity, the United African Company (UAC) of Ghana started commercial oil palm plantation at Sese in the Western Region of Ghana (DIC, 1998). It was the first oil palm plantation established in Ghana. The Government of Ghana took over the plantations at Sese and cultivated other cash crops in addition to oil palm after the country gained independence in 1957. State Farms Corporation (SFC) took over the plantation at Sese in 1962 and cultivated oil palm (Miracle and Seidman, 1968). By 1969 the government had established another oil plantation at Pretsea, also in the Western Region of Ghana (MOFA, 2011). Under the management of SFC, the two plantations and many other plantations in the country were abandoned. NOPL was established as a fully state-owned enterprise in 1983 to take over SFC. The takeover was part of government's efforts to increase agricultural productivity in the country (DIC, 1998).

The total land area that was acquired by the Ghanaian Government for the establishment of NOPL was 11,436 acres but 11,300 acres could be accounted for (Ghana Lands Commission, 2008). During an interview with the Regional Lands Officer he stated, *“I don’t know whether over 100 acres got missing or if it was encroached upon. Nobody knows”*. (Personal Communication, 2014). Of the 11,300 acres of land, 6,104.08 acres of land have no documents covering them; hence the customary landholders (i.e. chiefs, families and clans) were not compensated when government acquired those acreages of land (Ghana Lands Commission, 2008). The exact total land area cultivated in the plantation is unknown as various documents reviewed during the fieldwork provided contradictory figures such as 11,436.02 acres, 11,400 acres, 11,436.46 acres, 11,065.6 acres and 11,119.74 acres of land.

The Human Resource Manager of Norpalm also noted during an interview, *‘Even the history of this place, being used as an oil palm plantation dates back to the 1900s. So between 1900 and 2000, ‘a lot of water must have passed under the bridge’. So even if this is the size of the land that you [customary landholders] gave to the first person who came to purchase it, some part of the land hitherto land degradation and erosion must have been chipped off or you yourself must have eaten into the land so you won’t have it the same’.... ‘With human development and land degradation, people doing galamsey..., you won’t get the same land’*. (Personal Communication, 2014).

Most literature attribute the divestiture programmes commenced in 1987 to the poor performance of the SOEs and the economic pre-requisite of the SAPs. This view was however refuted by the Head of Finance and Administration at DIC, who stated in an interview that all SOEs were divested as part of government policy and this was regardless of the economic unviability of the enterprises or the SAP requirements. SAPs have been criticized for the adverse social consequences that accompanied them (Brydon and Legge, 1996; Konadu-Agyemang, 2000). The retrenchment of workers in state-owned enterprises is an example of some of the social consequences in Ghana. Consequently, the Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD) was introduced in November 1987 to provide short term relief from the consequences of the adjustment programme (ibid.). The inefficiency of the PAMSCAD also led to the Poverty Reduction Strategy Papers of 1999. The adverse social consequences of the SAPs could explain the reason for DIC’s disassociation from SAP.

4.5 Norpalm's Acquisition of NOPL

Norpalm is a Ghanaian affiliate of a Norwegian owned company, Norpalm AS that took over NOPL and started its operations in 2000. Before investing in Ghana, Norpalm AS initially invested in an oil palm plantation, approximately 3,705 acres, and a processing mill in Ecuador in 1997 and founded the Ecuadorian company *Palmera Noruega Ecuatoriana S.A (Palnorec)*.

Palnorec was the first FDI to receive funds from the Norwegian Investment Fund for Developing Countries (Norfund) for its investment (Norfund, 1998). Apart from investing in the oil palm industry, Norpalm AS was also involved in the sale of equipment and technology for processing oil palm. The oil palm industry was already flourishing in the Ecuadorian region, posing a major challenge for the Norwegian company to compete with the locals. Norpalm AS therefore introduced the Norwegian separator technology which reduces pollution from palm oil production and at the same time increases the amount of oil extracted from raw materials resulting in productivity (ibid.) Norpalm AS combined its modern environmentally sound technology that it had introduced with the local expertise and network. This was intended to increase production compared to other competitors in the region (Norfund, 1998).

Ecuador was Norpalm AS's pilot country and the company had envisaged investing in another country. By 1998, Norpalm AS tendered for the assets of NOPL in Ghana, approximately three times the size of Palnorec. However, Norpalm AS diversified from *Palnorec* only 10 years after production to concentrate on their investment in Ghana.

The factors surrounding Norpalm AS's investment in the oil palm industry in Ghana are in line with Dunning's OLI paradigm discussed in section 2.4. The OLI paradigm outlines *ownership advantage*, *location advantage* and *internalization advantage* as the factors that firms consider before investing in a particular country and not another (Dunning and Lundan, 2008). Norpalm possesses *ownership advantages* in the form of modern technology for oil palm processing. Ghana provided *location advantages* for Norpalm not only because the country falls within the tropical region, conducive for oil palm cultivation but also because of the divestiture of most state-owned enterprises at the time. Norpalm AS increased its market power and maximised economic rent from the modern technology that they possessed by engaging in the sale of oil palm processing equipment as well as acquiring NOPL in addition to its investment in Ecuador, *Palnorec*. Thus Norpalm possessed *internalization advantage*.

Norpalm has gradually developed and modernised the plantation and mill it acquired from formerly state-owned NOPL. After takeover, the company began its replanting programme in 2002 and had replanted approximately 4,942 acres by 2012. The milling capacity of the processing mill has also been upgraded from an average annual processing of 30,000- 40,000 tonnes of oil palm bunches in 2000 to an average annual processing of 80,000 tonnes of oil palm bunches in 2012. The increased milling capacity makes it possible for Norpalm to receive oil palm bunches from the numerous small-scale outgrowers within its operational area. Norpalm’s modern technology gave it competitive advantage over other oil palm companies during the President’s Special Initiative on Oil Palm Project. Asante (2012) states that Norpalm’s nursery was relatively unaffected by the lack of systematic support from the project because the company uses the sprinkler irrigation system instead of the drip system that was adopted by the project.

Currently, the company is one of the four leading industrial oil palm processing companies in Ghana that focuses on increasing the quality and efficiency of its palm oil production processes. The crude palm oil (CPO) that Norpalm produces is mainly for industrial purposes. Norpalm receives ready market for its CPO because the company has signed a Supply Contract with PZ Cussons Ghana Limited since 2003. This contract gives PZ Cussons the exclusive right to buy all CPO produced by Norpalm. PZ Cussons is a major manufacturer of cosmetics, soaps, gels and other household chemicals.

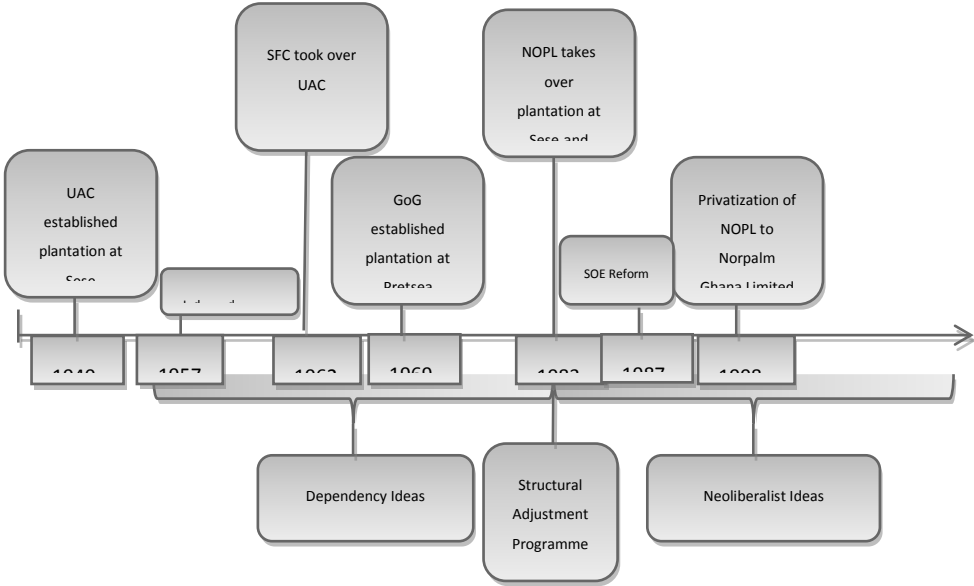


Figure 3: Timeline for key development of Norpalm. Source: Author, 2015.

The timeline for Norpalm’s development is illustrated in figure 3 above. In the early 1940s, a commercial oil palm plantation privately owned and managed by United African Company (UAC) of Ghana. The State Farms Corporation (SFC) took over the management and expansion of the oil palm plantations in 1962 because the Government of Ghana was dissatisfied with the growth of agricultural production in the country after independence (Miracle and Seidman, 1968). The period from 1957 until 1983, when the government was actively involved in the growth of the economy is termed the ‘nationalisation’ of the Ghanaian economy. In 1983, the oil palm plantation was transferred to NOPL to be effectively managed. During this same period the economic and financial situation in the country had worsened, forcing the government to sign up for the Structural Adjustment Programme proposed by the World Bank and IMF. Consequently the SOE Reform Program was formulated to ensure the privatization of state-owned enterprises. The period after 1983 is referred to as the ‘privatization’ of the Ghanaian economy. NOPL was eventually privatised to Norpalm in 1998.

4.6 Norpalm’s operational area

The total land acquired by the government for the development of the oil palm plantation, now occupied by Norpalm, extends over 13 communities within 2 districts namely Ahanta West and MpoHOR districts in the Western Region of Ghana. The 13 communities include MpoHOR, Pretsea, Aketenkye, Egyam, Hotopo, Ewusiejoe, Bokro, Butre, Asemasa, Akatekyi, Ekumtumano, Beahu and Ahata Yabiw. The distribution of the total land contributed by these 13 communities is outlined in table 2 below:

Table 2: Distribution of Land Size

Community	Land size occupied by NGL in acres
MpoHOR	5,620.00
Pretsea	960.00
Hotopo¹	596.00
Butre²	405.06

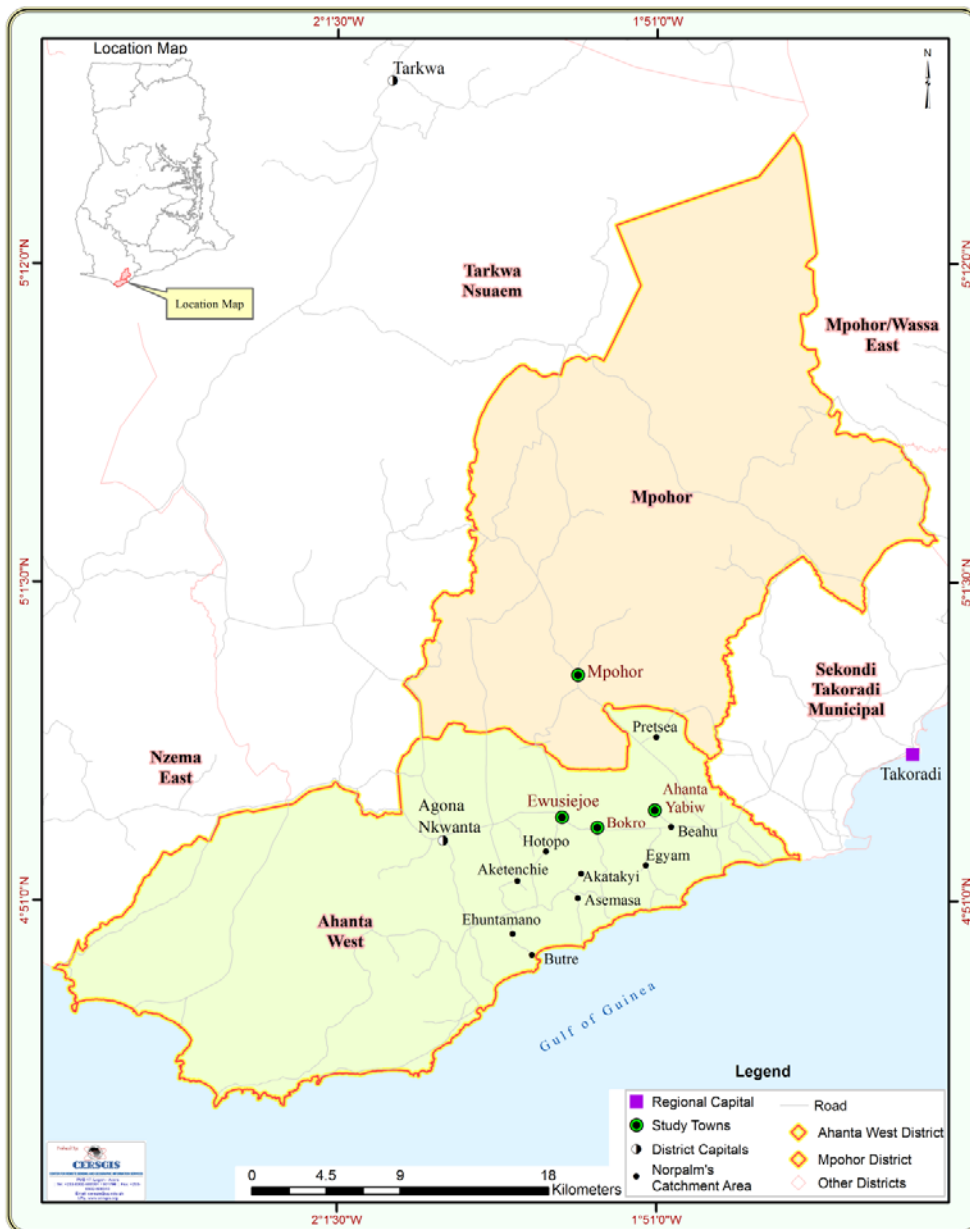
¹ Bokro falls under the Hotopo divisional chief

² Asemasa, Akatekyi and Ekumtumano fall under Butre divisional chief

Aketenchie	421.16
Beahu	52.00
Ahanta Yabiw	128.00
Egyam	577.00
Ewusiejoe	2,676.80
Total	11,436.02

Source: Lands Commission, 2008

These lands are divided into 2 parts namely the Southern sector and the Northern sector. The Southern sector also known as the Sese area covers 1,423.22 acres. The communities in the Southern sector comprise Butre, Hotopo, Aketenchie, Asemasa, Akatekyi, Ekumtumano and Bokro. Lands in the Southern sector were all legally acquired by leases supported by the Concession Validity for 99 years between 1911 and 1958. The Pretsea/ Mpohor area is located in the Northern sector and covers 10,013.66 acres of land. These Northern communities include Pretsea, Mpohor, Beahu, Ahanta Yabiw, Egyam and Ewusiejoe. Only 3,909.58 acres of land acquired in the Northern sector have legal documentations. The remaining 6,104.08 acres of land are occupied without legal documents and with outstanding compensation to be paid to the chiefs.



Map 1: Map of study area showing Norpalm's Operational Area.

Source: Center for Remote Sensing and Geographic Information Services, University of Ghana.

I restricted my fieldwork to 4 communities in the Northern sector, namely Mpohor, Ewusiejoe, Bokro and Ahanta Yabiw. This is because the Northern sector covers a greater proportion of Norpalm's operational area. Also, portions of lands acquired in this sector do not have legal documents and this has contributed to the outstanding land issues that contribute to the delay in transfer of ownership to Norpalm.

4.6.1 Geographical Location of Study Area

The Ahanta West district and the Mpohor district are located in the Western Region of Ghana. The Ahanta West district is approximately 25 kilometres from the Central Business District of Takoradi, the commercial capital of the Western Region of Ghana. The district capital of Mpohor district is about 19 kilometres off the Takoradi- Agona Nkwanta main road. Agona Nkwanta is the district capital of the Ahanta West district. These two districts share boundaries. Ahanta West is located at the south-west of the Mpohor district.

4.6.2 Oil Palm Cultivation in the Ahanta West and Mpohor Districts

Oil palm is cultivated widely in the Ahanta West and Mpohor districts of Ghana. Other non-food cash crops such as rubber and food crops such as roots, tubers and vegetables are also cultivated in the area. The forest ochrosols in these districts support the cultivation of food crops, cash crops and other tree crops (Obeng, 2000). Oil palm is used in this study mainly as a food cash crop since they are edible foods cultivated predominantly for commercial purposes.

Various reasons account for why small-scale farmers in these districts engage in oil palm cultivation. One of such reason is that the crop thrives well in the area. Small-scale farmers who had other members of their families involved in oil palm cultivation in the past are also attracted to cultivating the crop. One of the major attractions to small-scale farmers to engage in oil palm cultivation is the availability of ready market from the large-scale, medium and the numerous small-scale processing industries in the area. An outgrower farmer who was interviewed for this study remarked, *I started to grow the oil palm because of the presence of state farms [now Norpalm]...I can get quick market.*

4.6.3 Industrial Activities in the Ahanta West and Mpohor Districts

There are a number of large-scale, medium-scale and small-scale agro-based industries in both districts. The most common ones are industries that process edible palm oil industrial palm oil and industrial rubber. Norpalm and Benso Oil Palm Plantation are the large-scale oil palm agro-based industries in the Ahanta West and Mpohor districts. Other medium-scale oil palm industries include Ayiem Oil mills and B Bovid Limited located in the Mpohor district. A number of small-scale oil palm processing facilities can be found in specific locations including Ewusiejoe, Himakrom Azani, Freboho and Aketenchie in the Ahanta West district.

The Western Region in Ghana is experiencing an increase in industrial development following the discovery and production of oil and gas in the region. This has resulted in the acquisition of land along the Takoradi Agona Nkwanta main road. Constructions along this stretch of land include the Diamond Cement Factory, Schlumberger Ghana Limited and many others yet to be completed. Real estate development is also on the increase in these districts. Two estates have been completed at Apowa and Oil Village at Ewusiejo in the Ahanta West district. The recent real estate development is the Petronia City. This is a 2,000 acre city development project that began in 2013 between Ahanta Yabiw and Beahu in the Ahanta West District.

4.7 Customary Land Ownership and Compulsory Land Acquisition by the State: Views from Different Stakeholders

The section addresses customary land ownership system in Ghana and the eminent domain that the Ghanaian state possesses to compulsorily acquire land. The land ownership system in Ghana constrains large-scale agricultural investment in the country. Similarly, Norpalm faces some controversies over land ownership resulting in a delay in the transfer of land ownership to the company. Various stakeholders in Norpalm's investment presented different reasons for the delay. The stakeholders include the management of Norpalm, the chiefs, DIC and Ghana Lands Commission. This section is relevant because land is an important asset that Norpalm acquired during the divestiture process and forms an important capital in Norpalm's investments.

Traditionally, customary institutions such as stool, skin, clans and families hold allodial title to all land in Ghana in trust for the community members (Larbi, 2008). In the Ahanta West and Mpohor districts, chiefs, family and clan heads hold title to land. Members of a community possess usufruct title to lands in the form of freeholds. This explains why small-scale farmers dominate the agricultural sector in Ghana. Currently, the customary institutions own about 78% of all lands, 2% is jointly owned by the state and the customary institutions whilst the state owns 20% of lands that were acquired through compulsory acquisitions for the socio-economic development of Ghana (Kasanga and Kotey, 2001; Deininger, 2003; Larbi, 2008). The state accesses lands through the invocation of its eminent domain (Kotey, 2002). Eminent domain is 'the power possessed by the state over all property within the state, specifically its power to appropriate private property for public use' (Larbi, 2008:1).

The State Lands Act, 1962 (Act 125) in Ghana is the legal framework that gives the state the right to compulsorily acquire land for public interest. The premise for the state's compulsory acquisition of property is the 'prompt payment of fair and adequate compensation' for the property. Regardless of this *sine qua non*, some of the unresolved problem that characterise these compulsory state acquisitions is outstanding compensations resulting in some agitations between the state and customary landholders (Larbi, 2008). The case of acquisition of land for the development of formerly state-owned NOPL is an example of unpaid compensation to the chiefs. The compensation remains unpaid even after the sale of the company to Norpalm. According to Vãth (2012), investors are likely to inherit land disputes and multiple claims to land from earlier land acquisitions due to the weak land governance system in the country. The delays experienced by Norpalm in the transfer of land titles are similar to that experienced by other foreign investors who acquired oil palm plantations from the state. Consequently, there have been agitations by the chiefs and local people for the return of their lands. (MOFA, 2011; Fieldwork, 2014).

When NOPL was listed on the divestiture programme, the asset was to be divested through the sale of assets thus giving the investors full control of the property. Before government decides to diversify any of its assets, an Information Memorandum on the asset is made available to any prospective investor. The purpose of this information memorandum is to assist the recipient in considering whether it wishes to make a bid for the assets or not. During the sale of an asset, DIC and the prospective investor sign an Asset Sale and Purchase Agreement. In cases where land was included in the asset, the Ghana Lands Commission prepares the transfer of ownership of the land from the government to the investor.

Currently, although Norpalm is managing the oil palm plantation and processing mill, the asset is not fully owned by the company. In an interview with the Head of Finance and Administration of DIC he said; *'We have not done the transfer yet though they [Norpalm] are operating there. Right now, what exists there is that we have given them [Norpalm] the right of entry to the land to do whatever is expected of them. But the transfer that would say, 'now this property is mine'; we have not reached that stage yet'*.

Norplam has been operating on this piece of land since 2000 without having full ownership of the land since the land title and the transfer of ownership from the government has not been completed (MOFA, 2011; Fieldwork, 2014). The various stakeholders provided several reasons for the delay in processing the land title documents.

According to officials of Norpalm, the company was not given the land title at the time of the purchase of the land leading to the company making half payment for the total cost of the asset. This was because of the fact that the purchase involved the Government of Ghana. Also, the investors were assured that the Government of Ghana would renew all land leases from the chiefs for the next 50 years and this process was expected to take some period of time. The Human Resource Manager at Norpalm likened this to a situation where one buys a vehicle. He remarked, *'It is an issue of let's say there is a vehicle I want to sell to you, I give you the vehicle. Before giving you the vehicle, I should have handed over the papers of the car and a transfer from the vehicle licensing office to you which show that I really have handed over everything to you. But whether by accident or desire I only gave you the keys to the car and you started using the car for commercial purposes'*.

The Head of Finance and Administration of DIC claimed that the chiefs have a role to play in the delay of the land title. The reason for this statement is due to the fact that there is not a proper demarcation of the proportion of land belonging to each community. In Ghana, the land ownership is often characterized by the unspecified boundaries of land owned by land owning groups which may result in conflicts and litigations (Sittie, 2006), hence the enactment of the Land Title Registration Law 1986 to solve land disputes and to ensure land tenure security.

Before the land title is issued, there has to be a resurveying and demarcating to ascertain the boundaries of land belonging to each community after which the land will be valued according to the purpose for which the land is used. Payment will then be made to the customary landholders for the land and the expired leases will be renewed before the land title indicating the transfer of land from the government to the investors can be issued. It is not clear if the payment will be a compensation or consideration for the leases. Payments do not necessarily have to be in the form of money but may include negotiations for the chiefs to use part of the land as equity or an agreement for the company to undertake certain Corporate Social Responsibilities in the communities depending on what is agreed upon.

The chiefs made ulterior admissions to these claims. Both chiefs who were interviewed asserted that some portions of the land that was compulsorily acquired by the state did not have documentation because of the guarantee that the former State Farms Corporation would serve as a source of employment to the youth within the operational area. For this reason, they did not receive any form of compensation for the portions of land that they released after

requests from the state for lands for the establishment of industrial activities aimed at the rapid economic development of Ghana (MOFA, 2011). The privatization of NOPL meant that the original purpose for acquiring the land had changed. During interviews with both chiefs, they admitted the land transfer process is being delayed because they were not involved in the divestiture of the asset. One chief remarked; *'...Nobody told us anything. All that we saw was that the management has changed hands and Norpalm had come in. So it is the 'Norpalm people' who introduced themselves to us that they had now taken over. But the normal thing that ought to be done was for the government to introduce this new company to us that they were seeking for an investor and this investor has taken over but this was not done'*.

The chiefs claimed that the divestiture process was not transparent enough and this raised suspicions among the chiefs and local people. One chief noted; *'The way the company was divested to the new management raised concerns. ...if we were involved, we might have solved this. But we were sidelined and before we realized, it was given to someone else'*.

The chiefs still claim ownership to the lands that were compulsorily acquired by the state. Similarly, Cotula (2011), states that even in cases where land is formally owned by the state, local people who have used the lands for ages consider themselves as owners. One of the chiefs interviewed during the fieldwork said that the chiefs were still regarded as the custodians of the land even if the state sold the land to the company. For this reason, both chiefs suggested that one of the 13 chiefs in Norpalm's operational area be made a member of the board of the company as this would give them the opportunity to deliberate on strategies that will be beneficial to both the company and the communities. Similar actions have been taken by Golden Star (Wassa Mines), to involve the chiefs in their decision making process. Golden Star (Wassa Mines) is a mining company in the Mpohor district and has established a joint committee involving representatives from the mining companies and the chieftaincy.

Ghana Lands Commission did not play any role during the privatization of the assets but was involved after the chiefs and local people agitated for the return of their lands. During an interview with the Regional Lands Officer, it was disclosed that the state had the right to transfer the portions of land that had documents supporting the leaseholds and freeholds. However, the state had no right to transfer those portions of land which did not have supporting documents to Norpalm. The disagreement between Norpalm and the chiefs could perhaps have been avoided if all stakeholders; namely Divestiture Implementation

Committee, chiefs, Ghana Lands Commission and Norpalm; were involved in the privatization process.

In an effort to solve the problem, the Regional Coordinating Council (operating under the jurisdiction of the Western Regional Minister) tasked Ghana Lands Commission to provide a report on the critical land issues between Norpalm and the chiefs. In 2008, Ghana Lands Commission provided concise information on the total land area cultivated by Norpalm in the Hans Jorie Report. The Survey and Mapping Division of Ghana Lands Commission is currently undertaking a demarcation and survey of the land and this process is in its advanced stage. With Ghana Lands Commission playing the role of facilitators, a Stakeholder Committee has been put in place to ensure collaboration between Norpalm and the chiefs.

The company also makes provision for releasing land for community expansion since the plantations surround most of the communities. In this regard, Norpalm has given out a total of 200 acres of land for community expansion since it started operations. However, the company does not give out acres of land that may affect the commercial viability of the business. Nonetheless, the chief of Ewusiejoe requested for 1,000 acres of Ewusiejoe's stool land for community expansion but this request was denied. The background to this request dates back to the era of NOPL's operation after he was denied the chance to buy overgrown oil palm trees that were sold to palm wine tappers. This was because the trees had already been bought by others at the time he made the request to buy them (MOFA, 1996).

There have been instances, where portions of land given to the communities have not been used for their intended purposes. For instance, 2 acres out of 10 acres of land that was requested for by one community to be used as a cemetery was sold out and is now used for commercial purposes. This has sparked the feeling that the chiefs may request for the lands along the road following the mushrooming of commercial activities along the Takoradi-Agona Nkwanta main road (Yaro et al., 2013; Fieldwork, 2014). Some of these projects were discussed under section 4.6.3. Several factors such as the purpose, use, location, physical state, tenure and time influence the valuation of property including land (Mends, 2006). Hence the value of land for agricultural purposes will differ from that of commercial purposes which is relatively higher.

One of the results of this unresolved land ownership is that the stretches of oil palm trees along the roads at the main entrance of the plantation are over 30 years old. These trees are less productive since the economic life span of oil palm trees is 25 years. The company has

not replanted the overgrown oil palm trees for fear of losing the land to the chiefs. Regardless of the unresolved land ownership, new houses belonging to the community members were springing up in the plantations during the time of the fieldwork.



Photo 3: Houses being built in Norpalm's plantation

4.8 Chapter Conclusion

In this chapter, I discussed the events that have resulted in the development of Norpalm. In the discussion, I have argued that formerly state-owned NOPL was established based on dependency ideas that called for the state to play active roles in the economic development of the country. The formulation of SOE Reform Program and the adoption of the Structural Adjustment Programmes in Ghana however led to the privatization of NOPL to private investor, Norpalm. I have demonstrated in this chapter that the privatization of NOPL was not the only factor that accounted for Norpalm's investment in the oil palm industry in Ghana. Additionally, the modern technology that Norpalm possesses in oil palm processing was a contributing factor. Norpalm's desire to maximize the modern technology that they possess as well to increase their market power is the other factors that were conducive for their investment in the oil palm industry in Ghana. I have also argued that the customary land ownership system and inadequacies in land transactions in Ghana tends to obstruct large-scale agricultural investments, as in the case of Norpalm's investment. After Norpalm acquired NOPL, they pursued the smallholder scheme that was started by NOPL. In the next chapter, I discuss the outcome of Norpalm's smallholder scheme to the company and the smallholders.

CHAPTER FIVE

OUTCOME OF NORPALM'S SMALLHOLDER SCHEME TO THE COMPANY AND SMALLHOLDERS

5.1 Introduction

This chapter dwells on the capital and knowledge component of the analytical framework in chapter 2 in order to address my second research question: *what are the outcomes of Norpalm's smallholder scheme to the company and the smallholders?* In this chapter, I argue that Norpalm's smallholder scheme can be described as *FDI as trickling down effects* due to the smallholders' land, farm inputs, credit, market and improved farming techniques or knowledge as well as the increased yield of oil palm bunches that the company accrues from the scheme. From the discussion, I maintain that Norpalm's motivation for pursuing the smallholder scheme surpasses integrating small-scale farmers into their production. It can be said that Norpalm's smallholder scheme is an approach to appease the local people following land ownership disagreements (as discussed in section 4.7) and a way to avoid being labeled 'land grabbers'. The smallholders, on the other hand, were motivated to join the scheme in order to access farmlands as well as the 'material' benefits that they anticipated from the scheme.

5.2 The Organization of the Smallholder Scheme at Norpalm

The smallholder scheme was approximately 2,471 acres initiative by formerly state-owned NOPL to ensure continuous supply of oil palm bunches at a reduced operational cost to the company. In 1996, approximately 278 acres of land was started as a pilot smallholder scheme enrolling 40 smallholders from 4 communities namely Ewusiejoe, Mpohor, Ahanta Yabiw and Bokoro.

The scheme was opened to all indigenes of these communities except natives who were employees of the company. As part of the contract signed with the smallholders, the company made available to the smallholders a loan over the period of 5 years to be used to develop 6 acres of land each. Included in the loan facility was access to labour, cover crop seeds, oil palm seedlings, tools, herbicides, insecticides, fertilizers and transport for conveying harvested oil palm bunches from the farm to the processing mill. (The term input is used in this study to refer to oil palm seedlings, cover crop seeds, tools, herbicides, insecticides and

fertilizers). These inputs that were supplied are the non-monetary component of the loan that attracted an interest and was repaid by the smallholders supplying all their oil palm bunches to the company. The principal and interest were deducted over a period of 5 years from what the smallholders earned from selling their oil palm bunches to the company. In the words of one informant, *‘They planted the trees for us and gave us inputs to help maintain the farm. In the initial years of harvesting they did not deduct anything until it was fully matured. They deducted until the total cost was recovered. And true to their words, they have not deducted it since the loans were paid.’*

The amount deducted varies from one farmer to the other and is dependent on the type of inputs supplied, the farm management practice and the total quantity of fruits harvested. For instance, the cost of fertilizer is deducted over a period of one year and the cost of weeding, over a period of 4 months. The smallholders would own the farm for 25 years which is the economic life span of an oil palm tree. The company uses the pricing mechanism set by the World Bank whereby the oil palm bunches are bought at approximately 10 percent of world market price of crude palm oil. This means that the smallholders have no influence on the price offered for the oil palm bunches.

5.3 Outcome of Smallholder Scheme for Norpalm

Since 2010, the company has assisted the smallholders’ through the rigorous application of fertilizer, harvesting of oil palm bunches and the general maintenance of the farm. The decision to allow the company to manage the farm on behalf of the smallholder is optional. The Plantation Manager of Norpalm explained the reason for this assistance to be the relatively old age of the smallholders as shown in the age distribution of the smallholders who were interviewed (see table 3 below). Some of the smallholders deserted their farms as a result of old age and are referred to as *‘absentee farmers’*.

Table 3: Gender and Age Distribution of Smallholder Interviewed

Gender/ Age	Relatively Young (20 – 35)	Middle Age (36 – 50)	Old (51+)	Total
Male	-	4	6	10
Female	1	2	2	5

Total	1	6	8	15
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Source: Fieldwork, 2014.

The age distribution of the smallholders who were interviewed reflects the relatively old age of the smallholders. A total of 7 informants who were interviewed were below the age of 51. Out of these 7 informants, 5 of them were ‘2nd generation farmers’ who had inherited the smallholder farm from a deceased family member by virtue of being named as next of kin in the written contract between the company and the deceased. A 75 year old pensioner explained why he contracted the company to maintain his farm. He said, *‘I used to do the slashing with my wife. But ill health has now prevented me. I used to hire labourers for the harvesting and then I pay them but now the company has taken over because of my ill health. But now they do it and deduct the cost from whatever harvest we get.’*

The relatively low yield that was recorded from the smallholders’ farms is another reason why the company offered to assist the smallholders in managing their farms. This could be because some of the smallholders did not maintain their farms in accordance with maintenance practices recommended by the management of the company. For instance, most of the smallholders prior to 2010 did not apply fertilizer to their farms even though they were encouraged to do so. After the company intervened in the maintenance of the farms, the total yield harvested from the smallholders increased between 2010 and June 2014. This is shown in the table 4 below.

Table 4: Annual yield produced by Smallholder Farms (2010- June 2014).

Year	2010	2011	2012	2013	June 2014
Yield (in tonnes)	358.88	426.79	370.46	467.17	484.58

Source: Fieldwork, 2014.

In addition to the relatively old age of the smallholders and the need to increase annual yield, the arrangement by the company to manage the farm was a way of relieving the smallholders of the stress of hiring scarce labourers and the cash requirement for meeting upfront payments. One smallholder said, *‘during the time that we had not asked the company to manage it [the farms] for us,... you will need someone to help you harvest because you cannot harvest the oil palm bunches alone ... The oil palm bunches will be on the trees until they*

begin to get rotten. Also, when it is time for slashing, you would not get anyone to do it. So I considered all these things before deciding to give it to the company to assist.

The total yield of oil palm bunches harvested from the smallholder farms increased from 2013 to June 2014 yet 12 out of the 40 smallholders recorded decreased yields of oil palm bunches on their individual farms during this period. Some of the smallholders cited the late evacuation of harvested oil palm bunches to be the reason for the low yields they recorded on their farms. They explained that though the oil content of the oil palm bunches is not affected, the fruits lose weight due to excessive evaporation of the moisture content when the oil palm bunches are not transported from their farms to the processing mill on time. Thus, the company offers them a lower price for more concentrated oil palm fruits.

The company on the other hand, attributed the late evacuation to the lack of proper communication between the supervisors, plantation workers and the smallholders. Mostly, the smallholders failed to monitor the progress of their farms once they contract the company to maintain their farms, hence their failure to send information which would prompt evacuation of the oil palm bunches in time. For instance, it was observed that only 4 out of the 18 smallholders present during a meeting with the company were on their fields during a fertilizer application exercise. A smallholder explained *'as for a farmer, you will have to 'walk your fields' all the time. You are able to see whatever goes on in the farm. But if you sit somewhere and you ask them [Norpalm] to go and do it, whether they do it well or not, how would you know that they have done what you asked them to do. Sometimes the harvesters do not know the boundary of the farms so it is good that we have to go there to supervise. There will only be a problem if you don't go to the farms to supervise.'* The smallholders were promised a vehicle dedicated to the evacuation of oil palm bunches from the smallholder farms and a more effective harvesting schedule when they raised this issue at the meeting. In addition to this, the smallholders were encouraged to visit their farms from time to time.

Other smallholders attributed their low yields of oil palm bunches to the geographical location of their farms. They explained that their farms were located on a higher land. It was therefore expected that their counterparts who had their farms located in lowland will record higher yields of oil palm bunches since oil palm grows well in lowlands. In spite of this, the company has been able to terrace and cultivate with optimum yields, a much higher land than the smallholder farms.



Photo 4: A highland cultivated with oil palm by Norpalm. Source: Norpalm, 2013.

Managing the smallholder farms on behalf of the smallholders has been beneficial not only to the company and participating smallholders but to other community members as well. The management scheme creates employment avenues for other individuals who are not farm owners. Unlike the smallholders who manage the farms on their own or employ an average of 2 people to assist them in maintaining their farms, the company employs more seasonal workers to work on these farms.

5.4 Outcome of Smallholder Scheme for the Smallholders

The smallholder scheme serves as a way of improving the lives of the smallholders. In addition to the start-up input, assistance and the means of transportation for their harvested fruits, the company served as a main market source for the smallholders. The smallholders have security of market for their oil palm bunches regardless of lean or peak season and price fluctuations. The smallholders' opinions on the contribution of the scheme to their livelihoods as well as the transfer of improved farming techniques or knowledge are discussed in details in this section.

All 15 smallholders who were interviewed had alternative livelihood sources besides owning the smallholder farm. Nonetheless, most of the smallholders who were interviewed consider farming as a more secured livelihood source. A smallholder who is a commercial car driver, even before joining the scheme and has the smallholder farm as his only farm said '*farming is my main source of livelihood because it's difficult to survive if the vehicle you are operating doesn't belong to you, the farm would then be your only source of income.*' Most of the smallholders consider the scheme as an additional source of money for their household. For

instance, a 54 year old businessman said he joined the scheme in order to raise his living standard.

A widow who is also a trader in addition to the smallholder scheme said, *'I use it to support myself when I am stranded or broke. They are able to give me some money.'* Another pensioner claimed, *'it helps me to make some money. I use this money to take care of myself and my children too.'* Another smallholder explained, *'I have another job in addition to the smallholder scheme. I ask them to maintain the farm for me if I am not able to do it myself. I get something from them [the company] and I know it is useful to me..., we used to have farms in our backyard and there was no need to go and borrow money if you had financial difficulties. All you needed to do was to harvest some of the food crops and sell and you have say 100 Ghana cedis for free. It is not something you payback. You spend this money. The same scenario applies to the money I earn from the smallholder scheme; this money is not a loan so you use it whichever way you want. It is very helpful.'*

5.4.1 Smallholders' Access to Farm Inputs and Credit

The smallholders accessed a loan facility which was given to them in the form of inputs they needed in cultivating their farms. The smallholders did not pay upfront for the inputs that were supplied but in instalment by deduction from their total sales earned from the harvests. Some of the smallholders commented on the ease with which they were able to access inputs for the smallholder farms compared to their personal farms. One informant who had his own farm besides the smallholder farm indicated that he was unable to apply fertilizer to his personal farm because it is costly. He commented *"I don't apply fertilizer on my own farm, but on the smallholder farm I do. They [the company] apply the fertilizer for us, they charge us and we pay for it. But we don't pay from our pocket anyway. When you harvest, they deduct gradually until the whole loan is exhausted"*. The manner in which the smallholders repay for the cost of input also favours the smallholders. For instance, the amount of money deducted is proportional to the total quantity of oil palm bunches harvested. The company deducts less amount of money when the smallholders harvest less oil palm bunches and more money is deducted when more oil palm bunches are harvested.

In addition to these, other services are provided to the smallholders at no cost. During the rainy season when the farm roads are in bad state, they are reconstructed by the company at no cost to the smallholders. The smallholders are not required to pay for the cost of applying

fertilizers to their farms. Though a smallholder may decide to manage his own farm, he or she will be required to pay for the cost of fertilizer which is repaid in instalment. This is because the company offers to apply fertilizer to all of the smallholder farms on behalf of the smallholders. One informant who manages his smallholder farm suggested that the company is in charge of the fertilizer application probably because of the undulating nature of the land. He further explained that it is impossible for an individual to apply fertilizer to the entire farm in a day. This will require hiring extra hands or completing it within 2-3 days. The company's plantation workers on the other hand are able to complete the process within 2-4 hours. This suggests that it is relatively cheaper and convenient for the company to apply fertilizer to their farms. The possibility of smallholders diverting fertilizer to their personal farms could also explain the reason why the company offers to apply the fertilizer on their farms. Some smallholders however complained about the manner in which the fertilizer is applied to their farms. Different plantation workers do this job and the smallholders are at liberty to report which group of workers did not do a good job on their farms.

However, few of the smallholders interviewed complained that at the onset of the scheme by the state-owned NOPL, some of the inputs that they received were not as specified in the contracts they signed. One smallholder described this situation to be a *'disease that all Ghanaian companies are suffering from'*. This statement suggests that situations improved after a foreign-owned company took over state-owned NOPL. One informant attributed the irregular supply of the inputs to be the reason why some smallholders could not develop their farms when the scheme was initiated. Although all the smallholders in the smallholder scheme were assigned 6 acres of land to cultivate with oil palm, records show that 34 of the 40 smallholders cultivate less than 6 acres of land, 5 cultivate more than 6 acres of land and 1 person cultivates exactly 6 acres of land. Thus, a total of 189.6 acres of land instead of 240 acres of land was cultivated by the smallholders. Some of the smallholders who were interviewed gave reasons why they could not develop their farms. For instance, a smallholder who had developed 3.6 acres of his farm stated that he could not develop all the 6 acres of land due to pest infestation. He replanted the destroyed crops and had expanded his farm to approximately 5.9 acres.

Also, most of the smallholders who were interviewed complained about the lack of monetary assistance from the company aside the income they earned from selling their oil palm bunches to the company. One smallholder however clarified this. He said, *'in the agreement they talked about giving us an incentive in kind [labour, inputs and transport] and not cash'*. The

company did not have adequate funds to provide monetary assistance to the participating smallholders. The Human Resource Manager of Norpalm stated the cost of capital and access to capital as one of the challenges that the company faces. He explained how with the exception of one bank, most banks in Ghana were not prepared to help agro-based industries when Norpalm started operations. Although the company was not in the capacity to provide the smallholders with monetary assistance, they were very instrumental in assisting the smallholders to access loans from a bank. Goldstein and Udry (2008) state that in cases where property rights are not well defined for land to be used as collateral for loans, access to credits are likely to be hindered. Smallholders' access to credit was not constrained because of the existence of a written contract between Norpalm and the smallholders. The written contract served as a collateral that guaranteed the smallholders' landholdings in accessing credit from the bank. With time, however, the bank began to decline credit request from the smallholders. One informant opined that, they were probably declined further access to credit because of the relatively small size of their farms. Generally, the level of investment into an oil palm plantation depends on the size and type of plantation (IIED et al., 2004). Thus the limited land holdings of the smallholders could have been a disincentive for accessing credit. Another informant however, cited the inefficiency of the smallholders' association to be the reason why they could not have continued access to credits from the banks. The organization and effectiveness of the smallholders association will be discussed in the section 5.7.

5.4.2 Smallholders' Access to Improved Farming Techniques or Knowledge

Since all the smallholders had to demonstrate some knowledge of farming to make them eligible to join the scheme, it can be inferred that all of them were farmers and were involved in some sort of farming activities before joining the scheme. Some smallholders said they had not learnt anything new from their association with the company because they had prior knowledge of farming. In addition to this, one smallholder said they already had knowledge of farming since most of the community members were seasonal workers in Norpalm's plantation. In the words of an informant, *'there may be some few changes but no one teaches the other how to harvest the fruits. We are the same people [the community members] who do the job for Norpalm. We do the slashing, the harvesting and all that. We do our own harvesting so we knew how to do all that before joining the scheme. Our great grandfathers have been doing this job and we also did. It is something we know how to do already. We were born into these farms and we have been doing it since. When you give birth and you are*

unable to see the children through school, they automatically join you in the farms and this pattern continues....' These smallholders had knowledge of the 'traditional' way of farming.

Out of the 15 smallholders who were interviewed, 8 claimed that they had acquired additional improved farming techniques or knowledge since joining the scheme. They had learnt how to use new tools since joining the scheme. For instance, some of the smallholders who were interviewed said they learnt how to use the long-armed sickle, locally known as '*koone*' or the '*Malayan harvester*' since joining the smallholder scheme. The long-armed sickle is a farming tool used in harvesting oil palm trees that are over 12 years old (FAO, 1970). Most of these smallholders had knowledge of the use of '*ʂʂʂʂ*' in harvesting the oil palm bunches. '*ʂʂʂʂ*' is the local name for the chisel or the machete which is more appropriate for harvesting trees that were 4-7 years or 7 -12 years old respectively (ibid.).

In addition to the use of new farming tools, the smallholders also acquired some knowledge on Best Management Practices (BMPs) in oil palm cultivation. BMPs are agronomic methods and techniques found to be the most effective and practical means to reduce the gap between actual and site yield potential and minimize the impact of the production system on the environment by using external inputs and production resources efficiently (Donough et al., 2009). An increase in crop yields and a reduction in the cost of maintaining the farm are some of the benefits that a smallholder is likely to accrue from carrying out the BMPs on their farms. Some of the BMPs included crop recovery, canopy management and soil, moisture and nutrient management techniques.

As a result of their association with Norpalm, the smallholders had the opportunity of learning some of these agronomic practices promoted by an NGO, Solidaridad West Africa through its Sustainable West African Palm Oil Programme (SWAPP). For instance, the smallholders were advised to adopt a 10 day harvesting interval in order to reduce the number of 'loose' fruits that drop to the ground. 'Loose' fruits refers to the oil palm fruits that fall from the oil palm bunches. The fruits also yield more oil with high quality when the bunches are harvested on time. A smallholder argued that though the crop recovery method promoted by SWAPP was efficient, the harvesting interval was not feasible for cultivating small acres of land as in the case of the smallholder scheme mainly due to the high harvesting cost involved. He therefore harvests his crops every 3 weeks in order to reduce the cost accrued in harvesting the oil palm bunches. Also, as a moisture and nutrient management practice, the smallholders were encouraged to apply empty oil palm bunches to their farms as mulch to enhance

moisture retention and organic matter in the soil. A smallholder said that although it was a good farm practice, he stopped because it was tedious to manually apply the empty bunches to the farm.

It was observed that the company had a meeting with the smallholders to review the performance of each smallholder. In this meeting, smallholders who had recorded a reduction in yield shared the factors that could have accounted for this reduction whilst those smallholders who had recorded an increased yield shared some of those agronomic practices that could have accounted for their high performance. However, in this meeting only 18 of the 40 smallholders were in attendance. One smallholder complained about the lack of field demonstration of agronomic practices to the smallholders. He said, *'they talk to us on what we are supposed to do on our farms in order to intensify our yields. But they don't go with us to the farm to demonstrate what we are supposed to do'*.

Although not all the terms of the contract between Norpalm and the smallholders have been adhered to, the smallholders are required to maintain their farms according to standards set by the company. An example of such standards is the prohibition of intercropping on the farms because of the monocultural practice of Norpalm. Oil palm is cultivated by Norpalm as a monoculture hence the plantation is not intercropped with other crops. This means that smallholders are not allowed to cultivate food crops per the standards of the company. A smallholder explains why this is a desirable agricultural practice. He said, *sometimes when you apply fertilizer, the food crops compete with the oil palm for the fertilizer in the land. And this prevents the oil palm from growing well.*

Also, the smallholders are required to prepare their farms for harvesting and harvest their crops in accordance with other standards laid down by the management of the company. Of the 15 smallholders who were interviewed, 7 of them claimed they had not learnt anything since joining the smallholder scheme because they already had knowledge from their 'traditional' farm practices. Though 8 of the smallholders who were interviewed admitted to acquiring improved farming techniques or knowledge, some claimed these practices were not favourable to them because of their relatively smaller farm sizes compared to the company's plantations. This confirms the disadvantage of contract farming in literature that states that small-scale farmers may find new technologies unsuitable when they are introduced.

Out of the 11 smallholders who had their personal farms in addition to the smallholder scheme, 5 claimed they were able to transfer knowledge of the agronomic practices they

acquire from the smallholder scheme to their personal farms. Considering the activities that women and men undertake in oil palm cultivation, it can be concluded that there is a gendered division of labour that directly affects their ability to transfer knowledge from the smallholder scheme to their farms. Both genders are engaged in agronomic practices such as weeding, pruning, fertilizer application, collecting 'loose' fruits and carrying harvested oil palm bunches. The women are able to harvest the oil palm bunches during its young stages. The men, however, harvest the oil palm bunches during its young stage and during its matured stages. This shows that men are able to transfer more farming knowledge than their female.

In connection to the analytical framework discussed in chapter 2, the smallholder scheme results in *FDI as trickling down effects* to Norpalm because the company in most cases, records an increase in the quantity of oil palm bunches from the smallholder farms due to the guarantee of supply. Also, the smallholder scheme can be described as *FDI as trickling down effects* to the smallholders because they are able to access land, farm inputs, credits, markets and improved farming techniques or knowledge.

5.5 Motivation of Norpalm for Continuing the Smallholder Scheme

The smallholder scheme has remained in its pilot stage because 4 years into the scheme, Norpalm took over operations. During the fieldwork, some smallholders expressed their fears of the scheme being dissolved at the time Norpalm took over operations. The existence of a signed contract between previously state-owned NOPL and the smallholders however instilled some level of confidence in others. During an interview with one of the smallholders he said, *'Well, I was not scared because we had an agreement. And so I knew that whoever will take over will continue with the agreement.'*

It can therefore be argued that Norpalm's inclusion of smallholders into its production provided a good opportunity for them to access land, farm inputs, credits, market and other agricultural extension services for their farms. However, Norpalm's motivation for continuing the scheme after they took over operations goes beyond a poverty reduction strategy. This is because the scheme is also regarded as a means of giving indigenes in their catchment communities' access and rights to their lands and a way of ensuring operational peace in the area. I argue that the agitations by the chiefs and local people within Norpalm's operational area for the return of their lands make it necessary for Norpalm to pursue the smallholder scheme. As Fold and Whitfield (2012) explain, smallholder schemes do not only serve as means of incorporating small-scale farmers into large-scale agricultural investments but also

as a means of legitimising such investments. This explains Norpalm's motivation of ensuring operational peace in the area.

The 'critical' discourse surrounding large-scale agricultural investment argues that such investments could result in adverse consequences for food security, land tenure and livelihoods (Boamah, 2014). It can be argued that Norpalm's motivation for pursuing the smallholder scheme in order to give indigenes access and right to their land is a way to avoid being labelled as 'land grabbers'. This is reflected in the way the company views the smallholder farms even though the company has been in charge of managing most of the smallholder farms since 2010. The Plantation Manager of Norpalm stated, *'every 2.5 hectare [6 acres] is like a plantation because they have different owners and you need to deal with them very tactfully otherwise you will be encroaching. Even though the land is company land, the farms belong to them so you will need to be very tactful in reaching out to them.'*

The company's motivation for including smallholders into its production exhibits features of a narrative with a beginning, a middle and an end with the intention of telling simplified stories of more complex situations (Roe, 1991). The narrative is that Norpalm's (beginning), smallholder scheme (middle) will give indigenes access and right to their land and ensure operational peace in the area (end). The narrative is a simplified story seeking to downplay the unresolved land ownership in Norpalm's investment and the emerging 'land grabbing discourse' surrounding the recent surge in large-scale agricultural investments. Thus, Norpalm's smallholder scheme serves an intermediary role between the company and the community members within its operational area. In the narrative presented by Norpalm, the smallholders become 'victims' who are likely to lose access to land with the increase in large-scale agricultural investments in the area. For instance, a study conducted by Fold and Gough (2008) showed how smallholders' have lost access to customary land after multinational companies began investing in large-scale agriculture in Ghana. Also, the competing use of land for agricultural, industrial and residential purposes in the Ahanta West and Mpohor districts, attributed to the discovery and production of the oil and gas industry in the Western Region of Ghana, constrains small-scale farmers' access to land. Thus, Norpalm is presented as 'heroes' for providing smallholders with access to land.

5.6 Motivation of Smallholders for Joining the Smallholder Scheme.

The smallholders who were interviewed shared their motivation for joining the scheme. Some of the smallholders seized the opportunity of being compensated as indigenes of communities

who had contributed land to the company. Though Norpalm has not acquired additional land to expand its plantations, it has been established that the presence of large-scale agricultural investments contributes to land scarcity within their operational areas as a result of the growing pressure on limited land (Väth and Kirk, 2014). In light of this, the smallholders joined the scheme because it offered them the opportunity to access lands which was relatively scarce and had other competing uses in the study area. A 51 year old smallholder, who managed to own his personal farm 5 years after joining the scheme said, *‘I decided to join because it is very difficult accessing land. They [Norpalm] were going to give us land, seedlings and when you harvest you sell to them. Why did I have to exclude myself from this thing?’* He further added, *‘I think it is very good because in this area, one person cannot get 6 acres of land easily. If you have a family land of that size, there will be so many eyes on you if you are not careful. For my 3 acres of land, which is a family land, the family has asked that I do not replant after I have uprooted the crops.’*

One informant explained that he encouraged his father to join the scheme because he personally was not qualified to join. However, after his father passed on, he has been managing the farm as a result of being named as the next of kin. He said, *‘... well my father was a farmer and this area where I live now used to be his farmland. Gradually the community was expanding and the chief asked that people moved their farms hinterland as they were required to fell the oil palm so that the land will be plotted [for construction]. He informed me of this and I encouraged him to go and sign up for the scheme because I was not qualified. We saw that this expansion will affect us and truly too the community now goes far beyond this area.’* This statement reflects how agricultural land competes with other land uses. Table 5 below shows the acres of farmland, beside the 6 acres of land provided by Norpalm, cultivated by the 15 smallholders who were interviewed.

Table 5: Smallholders' Ownership of Personal Farms

No farmland	Less than 6 acres	Exactly 6 acres	More than 6 acres	Total
4	8	1	2	15

Source: Fieldwork, 2014.

Of the 15 smallholders who were interviewed, 4 of them cultivated no other farm besides the 6 acres of land provided by Norpalm. 8 of them cultivated farmlands less than 6 acres whilst only 2 cultivated farmlands which were more than 6 acres. One person cultivated 6 acres of

land in addition to the smallholder farm that he accessed from the company. Thus the 6 acres of land that was provided by Norpalm provided a useful means by which the smallholders could access land for farming.

For others, they joined the scheme because of the anticipated 'material' benefits in the form of farm inputs and credit (as discussed in section 5.4 above) that they were likely to gain from joining the scheme.

Of the 40 smallholders who were initially included in the smallholder scheme, 8 of them were women. Three (3) of these women, who were informants in this study, explained their reasons for joining the scheme. Two (2) women who had their husband and son managing the farm said they joined the scheme because their husbands were not eligible to join the scheme when it was initiated. Another widow explained how she managed to join the scheme with the assistance of the chief of the community. This confirms arguments made by Nukunya (1972 cited in Agbosu et. al, 2007) that although women in Southern Ghana have rights to acquire land, their ownership of land is often restricted in practice. Likewise, although kinship ties guarantees women the right to access the smallholder scheme, it does not ensure their control over the smallholder farm. This is because the men in the family have authority over the land since they manage the farms on behalf of the women.

5.7 The Organization and Effectiveness of the Smallholders Association

The smallholders are organised in an association with leaders nominated and elected into office by the smallholders themselves. These leaders include the chairman, vice chairman, general secretary and financial secretary who represent the members of the association. The organization of the smallholders in an association has been beneficial to the smallholders in several ways. For instance, besides the written contract which bound the smallholders and the company, it was easier for the company to lead these farmers, who were organised as a group, to access financial assistance from a bank.



Photo 5: Meeting between Norpalm and smallholders.

Nonetheless, all smallholders who were interviewed for this study, the financial secretary and the general secretary included, acknowledged that the association has become ineffective with time. Some smallholders who were interviewed cited the scattered nature of the participating communities in the scheme to be the reason why the association had become ineffective. They face problems in organising regular meetings as a result of this. For instance, during a smallholders meeting which was organised by the company to review the content of contract signed with them, it was observed that the farmers' association had not deliberated about the issues to be discussed prior to the meeting and had to request for a recess so as to make their own deliberations as a group. Thus, the ineffectiveness of the association ultimately affects the collective negotiating power of the smallholders. For instance, although the farmers complained about the price offered by the company for their fruits, they are unable to channel their concerns to the company. One smallholder rightfully said, '*... if we have one voice, we can make things work in our favour but as it is now, everyone appears to be doing his own thing.*' Another smallholder added, '*one thing which is killing us, is we the farmers ourselves. We cannot coordinate ourselves as one body*'

The ineffectiveness of the association on the other hand does not affect the individual negotiation power of the smallholders with the company. Fourteen (14) out of the 15 smallholders who were interviewed said they did not encounter much difficulty communicating the problems they encountered on their farms as individuals to the company. These 14 smallholders claimed they were able to communicate directly with the management

of the company. A '2nd generation' smallholder claimed she was unable to effectively communicate her concerns to the company as she channelled her needs through the leaders of the association. This reflects the ineffectiveness of the association.

5.8 Chapter Conclusion

In this chapter, I have discussed the organization of Norpalm's smallholder scheme. Using the capital and knowledge component of the analytical framework discussed in chapter 2, and relating the smallholder scheme to the concepts of *FDI as trickling down effects* and *FDI as backwash effects*, I have argued that Norpalm's smallholder scheme exemplifies *FDI as trickling down effects*. This is based on my investigations of the outcomes of the smallholder scheme to Norpalm in terms of increased yields in oil palm bunches harvested from the smallholder farms and the outcomes of the smallholder scheme to the smallholders with regards to smallholder's access to land, farm inputs, credit, market and improved farming techniques or knowledge. I also discussed that the company's motivation of providing indigenes access and right to lands and as a poverty reduction strategy addresses the motivation of the smallholders who joined the scheme in order to access land, farm inputs, market and credit and transfer of improved farming techniques or knowledge. Norpalm was also motivated to incorporate smallholders into its production in order to ensure operational peace following the land ownership disagreement in their operational areas. However, as will be demonstrated in the next chapter, the outcomes take another direction when Norpalm's outgrower scheme is considered.

CHAPTER SIX

OUTCOME OF NORPALM'S OUTGROWER SCHEME TO THE COMPANY AND OUTGROWERS

6.1 Introduction

This chapter addresses my third research question: *what are the outcomes of Norpalm's outgrower scheme to the company and the outgrowers?* Thus I continue to draw on the capital and knowledge component of the analytical framework in chapter 2. The chapter looks at Norpalm's motivation for buying oil palm bunches from the outgrowers and the motivation of the outgrowers for selling their oil palm bunches to Norpalm. I argue that Norpalm is motivated by the need to secure supply of oil palm bunches to operate its processing mills to full capacity. This motivation satisfies the outgrowers' quest for a ready market for their oil palm bunches. However, there is no transfer of farm inputs, credit and improved farming techniques or knowledge from Norpalm to the outgrowers and the proportion of oil palm bunches supplied by the outgrowers to Norpalm has reduced. Following these observations, I conclude that Norpalm's outgrower scheme has a limited effect on the development of local farming and as a scheme that results in *FDI as backwash* to both the company and the participating outgrowers.

6.2 Organization of Independent and Supported Outgrowers at Norpalm

Apart from buying oil palm bunches from the smallholders, Norpalm buys its fruits from approximately 1000 outgrowers in the Western and Central Regions of Ghana. Norpalm also signs a Memorandum of Understanding (MoU) with outgrowers who are willing to partner with them to manage their farms. These farmers are known as the supported outgrowers. The criteria for this agreement however constrain most outgrowers because the prospective supported outgrower should own a farm size between 24.7 acres – 247.1 acres within 20km radius from Norpalm premises. This arrangement could be described as part of the company's effort to overcome the customary land ownership system in Ghana that makes it difficult for the company to access large acres of land to expand its plantations. Also, the palm trees in the farm must be 5 years old or above to make the farmer eligible for the supported outgrower agreement. Whilst the supported outgrowers receive farm inputs and credit from the company, the independent outgrowers do not access farm inputs and credit from the company. These independent outgrowers do not have any contractual agreement with Norpalm and this allows

them to sell their fruits to whichever outlet they chose to. The quality of the oil palm bunches supplied by the independent outgrowers are usually not guaranteed. This is because the outgrowers often cultivate cheaper and low oil yielding variety of oil palm bunches. Also, the quality of oil palm bunches is often compromised as outgrowers do not ensure good farming practices such as fertilizer application because it is highly expensive.

The independent outgrowers who choose to sell their oil palm bunches to Norpalm are not organised as a group. Nonetheless, Norpalm has an Outside Fruits Purchasing (OFP) Unit that is responsible for liaising the company with these independent outgrowers. The unit is also in charge of coordinating the purchase of oil palm bunches as well as extending technology and other services to individual outgrowers. In order to effectively interact with the numerous independent outgrowers, the OFP Unit has 5 stationed agents who act as middlemen between the company and the outgrowers.



Photo 6: Newly constructed outside fruit purchasing offices at Norpalm

Source: Field Assistant, 2014.

The 27 outgrowers who were interviewed, were independent outgrowers who sell their oil palm bunches to Norpalm. Thus, they had the choice to sell their fruits to whichever outlet they choose to, usually triggered by price incentives.

6.3 Outcome and Motivation of Outgrower Scheme for Norpalm

Norpalm’s motivation for buying oil palm bunches is embedded in the customary land ownership in Ghana. Small-scale farmers dominate oil palm production in Ghana because community members possess usufruct title to land in Ghana and this is conducive for small-

scale farming. Cultivating oil palm on a large-scale in Ghana, usually dominated by foreign investors, is restrained because customary land owners are unwilling to lease out land on long term basis (Kasanga and Kotey, 2001). For instance, the 1992 Constitution of Ghana forbids the outright sale of land but allows foreign investors to enter land lease arrangement for a period of 50 years. For this reason, large-scale investors are compelled to buy oil palm bunches from small-scale farmers in order to operate their processing mills to full capacity (Fold, 2008; Vāth and Kirk, 2011).

Norpalm originally bought 65% of oil palm bunches to operate its processing mill from outgrowers but this ratio has declined to 51% by 2014. In 2002, the company embarked on a replanting exercise to replace some of the overgrown oil palm trees which recorded low yields of oil palm bunches. The replanting exercise was a measure to increase the total yield of oil palm bunches from the company's plantation. This implied that demand from the outgrowers was likely to reduce following the increased supply from the company's plantation. In an interview with Norpalm's Plantation Manager, he explained that the company's processing mill was upgraded from an average annual processing of 30,000-40,000 tonnes of oil palm bunches in 2000 to an average annual processing of 80,000 tonnes of oil palm bunches by 2012. The highly equipped processing mill thus has a high capacity to accept oil palm bunches from the company's plantation, smallholders and the outgrowers simultaneously. The low yielding oil palm trees acquired from formerly state-owned NOPL coupled with Ghana's customary land ownership system explain the underlying motivation of Norpalm for buying oil palm bunches from outgrowers. This is to ensure security of supply of oil palm bunches.

Other factors apart from the increased supply of oil palm bunches from the company's plantation, account for the reduction in the supply of oil palm bunches from the outgrowers. The high demand for land for rubber cultivation has led to some oil palm farmers uprooting their oil palm trees to cultivate rubber. An outgrower who reduced the total land area cultivated with oil palm from 156 acres to 69 acres explained, *'I started to cultivate rubber in 1996. That area of my farm was not cultivated so I planted rubber in 1996 and 2001. In 2004, I did not have any means [land] for expansion so I started to replant rubber after I uproot the [low yielding] oil palm because the rubber is fetches more money [profitable] than the oil palm'*. Some outgrowers gave reasons why they were diverting from oil palm cultivation to rubber cultivation. Besides rubber cultivation being more profitable, it is also less labour intensive and requires less maintenance practices. Compared to oil palm outgrowers, rubber outgrowers have access to more farm inputs, credit and improved farming techniques or

knowledge. Rubber outgrowers in the Ahanta West and Mpohor districts belong to Ghana Rubber Estate Outgrower Scheme which has a monopolistic market in the region. Ghana Rubber Estate is funded by international funding organizations such as the Agencie de Développement (AFD) and the International Development Agency (IDA) as well as the Government of Ghana.

The decreasing supply of oil palm bunches from outgrowers could also be attributed to the lack of fertilizer application and the lack of appropriate maintenance practices carried out by the outgrowers.



Photo 7: An oil palm farm planted with rubber

6.4 Outcome of Outgrower Scheme for Outgrowers

The outgrowers are unable to access farm inputs and credit from the company with the same ease as the smallholders. The outgrowers sell their oil palm bunches to the stationed agents unlike the smallholders who sell directly to the company. These agents in turn sell larger quantities of oil palm bunches to the company. The outgrowers are at liberty to sell their fruits to any of the 5 stationed agents of their choice. The agents do not offer assistance to the outgrowers until after some time when they are certain the outgrowers will pay back. The kind of assistance that the outgrowers receive from the agents depends on how long the outgrower has supplied his oil palm bunches to the agent. For instance, the agents begin by assisting outgrowers with farm tools. The level of loyalty that the outgrowers exhibit in paying back will determine whether they will have access to other forms of assistance. The

other forms of assistance include access to fertilizers, labourers, means of transporting oil palm bunches from the farm to the company's processing mill or monetary assistance.

The company provides soap incentives to the outgrowers through the agents. Each outgrower is entitled to 10 bars of washing soap for selling 1 ton of oil palm bunches. One outgrower said, *'They give us soap for free. We don't pay anything for it.'* Another outgrower said, *'I use the soap I receive from them for washing my clothes.'* Whilst the soap incentive was a motivation to some outgrowers to supply their oil palm bunches to Norpalm, it did not inspire others in any way. The wife of an outgrower who assists her husband on his farm expressed her dissatisfaction with the soap incentive. She said, *'at the end of the year, they [Norpalm] can give the farmers [outgrower] something but they don't do anything for us. The soap they give us, 'duck bar soap' [a brand of laundry soap] that they don't use for anything is what they give us. What are we going to use it for? When you use it to wash dishes, it does not clean well. That is what they give us.'*

6.4.1 Oil Palm Cultivation, Change in Farm Size and Food Crop Cultivation

In spite of the fact that some of the oil palm outgrowers were diverting to rubber cultivation, 16 out of the 27 outgrowers who were interviewed had expanded their farm sizes since they started to cultivate oil palm. The technical support and seedlings that outgrowers received from Norpalm during the President Special Initiative on Oil Palm (PSI) is one of the reasons why the outgrowers acquired additional acres of land for oil palm cultivation. For instance an outgrower who used to cultivate 8 acres of land prior to the President Special Initiative on Oil Palm acquired an additional 8 acres of land in 2004 and 28 acres in 2006 after he received seedlings from the initiative. He stated, *it got to a point where the government introduced the PSI and the seedlings were for free. The seedlings are expensive so you cannot buy a lot as an outgrower. But when the government introduced the PSI I realized that I had to acquire more land and take advantage of this and that was when I cultivated the 28 acres.*

Besides increasing the farm size as a result of the introduction of the President Special Initiative on Oil Palm, the outgrowers did not cultivate large acres of land at a time because of the difficulty in accessing farmlands. The outgrowers cultivated pieces of land and expanded the land cultivated with time. Over the years, the outgrowers have developed the practice of cultivating different acres of land as a business strategy. Cultivating different acres of land at different times enables them to harvest fruits every year due to the gestation period of oil palm. Oil palm generally begins to produce fruits 30 months after being planted with

commercial harvest beginning 6 months later. The yields of the oil palm are relatively low at this stage. Yields increase and reaches its peak between 7-18 years and gradually reduces after 18 years till 25 years when the economic life span of the tree is exhausted.

Cultivating oil palm is a way of securing access to land considering the customary land ownership system in the country. The outgrowers who were interviewed accessed their farmlands either by freehold, leasehold or sharecropping. In total, 9 farmlands were acquired through leasehold, 19 through freehold and 2 through sharecropping. Farmers who accessed their farmlands through freehold, received them either as gifts or as an inheritance from members of their families. Farmers who obtained farmland through freehold paid an annual rent known as '*ntomadee*' either to the chiefs, family heads or clan heads. 4 of the 9 farmlands which were acquired through leasehold were obtained for specified number of years, mostly 50 years and 99 years. The remaining 5 farmlands were obtained and subjected to renewal after each economic lifespan of the oil palm tree. Thus cultivating oil palm which has an economic lifespan of 25 years provides a form of land security to the outgrowers since land is almost never lost whilst under cultivation (Goldstein and Udry, 2008). One informant explained '*the chiefs cannot take the land when it is cultivated. You will just have to go and renew your lease.*' However, the customary land owners take back uncultivated land. A similar study conducted by Yaro et al. (2013) show that lands that are cleared of palm trees open doors for re-negotiations and such lands may be transferred to other individuals if the current tenant does not accept the new price or is unable to pay.

It is often argued that the upsurge in large-scale agricultural investments that focuses on cash crop cultivation is likely to adversely affect subsistence food cultivation. Generally, the monocultural practice of the company does not restrict the outgrowers. Most of the outgrowers who were interviewed intercrop oil palm with other food crops when the oil palm trees are in their immature stage. Food crops that are intercropped with oil palm are usually for subsistence and surpluses are sold in the market. Other outgrowers allowed other farmers without landholdings to intercrop their oil palm farms with food crops as a weed control measure. The farmers ceased to intercrop the oil palm farms when they are fully matured because the oil palm formed canopies preventing sunlight from reaching the food crops. Other farmers cultivated separate acres of land with food crops and this was mainly for commercial purposes.

6.4.2 Outgrowers' Access to Improved Farming Techniques or Knowledge

Outgrowers who were interviewed claimed that they do not receive any form of formal training from Norpalm. However, some of the outgrowers who were interviewed said they had acquired some improved farming techniques or knowledge as a result of their association with the company. For instance, an outgrower who hired labourers from the company explained that his farm workers have learnt the technique of harvesting the oil palm bunches with the long-armed sickle by working with Norpalm's labourers on his farm. Another outgrower also asserted that he had acquired some knowledge of using farm tools because he was once a seasonal worker in Norpalm's plantations where he received some form of training.

6.5 Motivation of Outgrowers for Selling Oil Palm Bunches to Norpalm

The outgrowers provided reasons for selling their oil palm bunches to Norpalm. Out of the 27 outgrowers who were interviewed, 20 outgrowers had their farms located in the Ahanta West district, 6 outgrowers in the Mpohor district and 1 outgrower had his farms located outside both districts. Outgrower who had their farms located in the Ahanta West district preferred to sell their oil palm bunches to Norpalm because of the proximity of the company's processing mill to their farms. Also, outgrowers in the Ahanta West district preferred to sell to the company because they had some sense of belonging. One outgrower explained the reason for the trend *'it was through us that they [state] established the processing mill [State Farms Corporation]. We wanted the mill to work here when it was established. So we had to feed the mill with our fruits when we harvest them. I used to sell my fruits to them even when it was under the management of the state farms.'* For instance, even though one informant complained about the company not assisting him with inputs he said, *'we are all on the Ahanta land, and we can't give our fruits to someone else to process oil with the exception of this company.'*

Four (4) of the 6 outgrowers with their farms located in the Mpohor district sell their oil palm bunches to Norpalm because of an alternative route that linked their farms and the company. The modern technology used by Norpalm also makes it a more attractive option for the outgrowers. An outgrower who has her farm located in the Mpohor district explained that the use of a computerised weighing scale by Norpalm was her motivation for selling her oil palm bunches to the company. She preferred to sell her oil palm bunches to Norpalm rather than to the medium-scaled processing mills in the Mpohor district which use local mechanical scales.

However, all the 6 outgrowers who had their farms located in the Mpohor district have diverted their oil palm bunches to other processing mills at some point. This could be due the presence of other large and medium-scaled processing mills in the Mpohor district.

Outgrowers who received seedlings from Norpalm during the President Special Initiative on Oil Palm and those who were employees or former employees of the company sold their oil palm bunches to the company out of a sense of loyalty and not because they were obliged to do so. An informant who was formerly a seasonal worker for the company over a period of 13 years and a beneficiary of the President Special Initiative on Oil Palm argued *'I used to work there and I know how the company is [operates]. So if they have brought such a good thing [PSI], I don't have to by-pass them and sell it [oil palm bunches] to a different company.'*

Outgrowers with smaller farm sizes diverted their oil palm bunches from Norpalm depending on the season. An outgrower who intercropped oil palm with other food crops on an acre of land commented, *'during the lean season, I process them [oil palm fruits] myself. At other times too, I send them to the market. This is because I am not able to harvest a lot and it is costly to hire a vehicle. But during the peak season, I supply them to the state farms [Norpalm]'*. Some of the outgrowers who were interviewed sell the 'loose' fruits in the markets or to small-scale oil palm producers. This strategy could explain the effect of large processing mill on other activities in the oil palm industry. (See section 6.7).

In spite of the varied reasons that the outgrowers give as their motivations for selling their oil palm bunches, to Norpalm, the fundamental motivation of the outgrowers is to secure market for their oil palm bunches.

6.6 Organization of Outgrowers and their Negotiation Power

'If you want to deal with several small-scale farmers then put them under an association or a group, a recognised group, and you can deal with an association. The association comes for the fertilizer, the association will ensure that their members do harvesting on time; they bring it [oil palm bunches] to the mill ... That will be the way forward for the small-scale outgrowers; to deal with them as an association....' (Norpalm Plantation Manager, Personal Communication, 2014).

The quote above is a statement by the Plantation Manager of Norpalm who highlighted that the company prefers to sign agreements with outgrowers who belonged to an association or a recognised group. This, he stated was due to the company's past experience with some

disloyal outgrowers who defaulted in selling their oil palm bunches to Norpalm after they accessed farm inputs from the company. It was observed during the fieldwork, the ease with which outgrowers in a recognised group could apply to sign a contract with Norpalm in order to access inputs and other assistance from the company. The Association of Oil Palm Farmers in Tarkwa Samahu, a community outside the company's operational area, held a meeting with officials of the company and had applied to sign an agreement to access inputs and other forms of assistance from Norpalm in order to sell their oil palm bunches to the company. This suggests that outgrowers in an organised association can access farm inputs from the company once they have a signed contract with the company.

According to Salifu and Funk (2011) farmers may organise themselves into an association or the association may be initiated by other government or non-governmental agencies. Norpalm is hesitant in playing the lead role in organising the numerous outgrowers in its operational area into an association. This is to avoid a situation where the outgrowers would perceive the association as a way to control them. Similarly, Salifu et al. (2012) has also argued that Farmer-Based Organizations initiated by participating members are more effective in collectively working towards a goal because they are self-driven as compared to those initiated by individuals or organizations other than the farmers themselves.

One mechanism outlined by Coulter et al. (1999) in reducing the rate at which farmers divert their produce to other competing buyers and the risk of defaulting the terms of the contract is by lending farm inputs to small-scale farmers in a group. Similarly, Norpalm proposes supporting outgrower groups as a way of reducing the number of defaulting farmers. Though the non-existence of outgrower groups was stated by Norpalm as a reason for not supporting outgrowers, another explanation can be inferred from Norpalm's request to buy from an organised group of outgrowers. It can be argued that buying oil palm bunches from outgrowers belonging to an organised group eventually increases profitability and simultaneously reduces the transaction costs to the company (Coulter et al., 1999; Salifu et al., 2012). Agribusiness's transaction cost can be reduced significantly by buying aggregated products of similar quality from a group of farmers than buying from many small-scale farmers selling small quantities of oil palm bunches (Shiferaw et al., 2011). This explains why Norpalm does not buy oil palm bunches directly from the numerous outgrowers but from stationed agents. The stationed agents act as middlemen between Norpalm and outgrowers.

Norpalm's argument for not assisting the outgrowers exhibits features of a narrative. Roe (1991: 288) argues that narratives may also appear in the form of an argument characterised by a premise and a conclusion. Thus, the argument presented by Norpalm is that the company cannot sign a contract with the outgrowers because they do not belong to an organised group (premise), therefore the company does not support them with farm inputs (conclusion). In this narrative, Norpalm emerges the 'heroes' who would have assisted the outgrowers if they were organised as a group. The outgrowers are portrayed as 'villains' who cannot organise themselves as a group. The outgrowers also become 'victims' who are unable to access farm inputs, credits and improved farming techniques or knowledge from Norpalm. It can be argued that Norpalm's reason for not buying from individual outgrowers is a narrative constructed by the company to justify reasons why the company does not support the outgrowers with farm inputs.

The outgrowers on the other hand, claimed not to have formed a group to sign a contract with Norpalm because they have not received any promise of assistance from the company. They gave reasons why they are unable to organise themselves into a group. An outgrower who started to plant the oil palm during the time of the President Special Initiative on Oil Palm explained *'we can only form an effective group when something [assistance] is about to come. For now, for what reason should we form the group? ... It is only when we hear of something [assistance] that we will form the group.'* Another outgrower compared oil palm cultivation and rubber cultivation in the districts to explain why the outgrowers could not form an association. Whilst Ghana Rubber Estate Limited (GREL) enjoys monopoly in processing rubber, Norpalm competes with other large, medium and small-scale processing outlets in the districts for oil palm bunches. This makes it difficult to form an association of oil palm outgrowers since they can make the personal decision to sell to any outlet they want.

The argument by the outgrowers about the outgrower scheme also takes the form of a narrative with a premise and a conclusion. The argument presented by the outgrowers is that they have not received any promise of assistance from Norpalm (premise) therefore they have not formed a group to sign a contract with Norpalm (conclusion). In the narrative presented by the outgrowers, Norpalm becomes the 'villains' for not giving the outgrowers any assurance of assistance. The outgrowers emerge as the 'victims' who have not received any assurance of assistance from Norpalm. The outgrowers are also presented as the 'heroes' who would have formed a group to sign the contract if they had received any assurance from Norpalm.

The absence of this contract however makes it possible for the outgrowers to explore other market options. Though the outgrowers were motivated to sell their oil palm bunches to Norpalm as a way of securing ready market for their farm produce, they have the option of diverting their produce to other outlets depending on who offers higher prices. For instance, since Norpalm pays according to the world market prices, the company offers higher prices for the oil palm bunches during the peak season. However, during the lean season, it is more profitable to sell oil palm bunches to local processing mills or to the market as the high demand for oil palm leads to an increase in the prices of the fruits. It can be concluded that, the narrative presented by the outgrowers is an attempt to simplify the advantages that the outgrowers enjoy from not signing a contract with Norpalm.

Regardless of the advantages that the outgrowers have over the smallholders in terms of market access, from the view of the outgrowers, the outgrower scheme has not been entirely beneficial because they are unable to access support in the form of farm inputs, credit and improved farming techniques or knowledge from Norpalm as is done for outgrowers in other oil palm agribusinesses such as Ghana Oil Palm Development Company Limited (GOPDC)³. Outgrowers in GOPDC's outgrower scheme access farm inputs, credits and improved farming techniques or knowledge from the company whilst the outgrowers provide land.

Although, Norpalm's outgrower scheme incorporates outgrowers into its production by buying oil palm bunches from them, the scheme can be described as *FDI as backwash effects* to the company and the outgrowers. This is mainly because of the inability of the outgrowers to access farm inputs, credits and other assistance from the company. Also, the outgrower scheme leads to *FDI as backwash effects* to Norpalm because of the decline in total yield of oil palm bunches from the outgrowers.

6.7 Linkages between Norpalm and the Oil Palm Industries

Though Norpalm does not interact directly with other actors in the oil palm industry, their activities produce indirect effects to these actors. The actors include small-scale oil palm processors, oil palm fruit sellers and palm oil sellers. Outgrowers who cultivated smaller acres of land divert their fruits from the large processing mill to small-scale oil palm processors and oil palm fruit sellers during the lean season. This is because the high demand for oil palm

³ GOPDC is the biggest oil palm producers in Ghana, divested to Belgian investor, Société d'Investissement pour l'Agriculture Tropicale (SIAT) in 1995.

bunches during the lean season results in an increase in prices of the oil palm bunches. The price offered by Norpalm for the oil palm bunches during the lean season is usually lower since Norpalm pays according to the world market prices. In addition to this, the sale of 'loose' fruits to other outlets apart from the large-scale companies such as Norpalm ensures the regular supply of the fruits to small-scale oil palm processing mills producers. Also, though Norpalm and the small-scale oil palm processors compete for the same oil palm bunches, the small-scale oil palm processing industry cannot be destroyed. This is mainly because Norpalm is unable to produce the locally consumed palm oil, '*zomi*', used in most Ghanaian dishes. The regular demand for '*zomi*' therefore ensures the sustainability of the small-scale oil palm processing industry since '*zomi*' does not meet the quality demand for industrial purposes.

An owner of a small-scale oil palm processing mill complained about the low quantity and poor quality of oil produced due to the lack of adequate equipment. However, his outlet served as a good source of oil for local consumption since the locally consumed '*zomi*' produced does not meet the standard and demands for industrial use. The improved technology that Norpalm possesses enables it to process palm kernel. This improved technology has had a positive impact on the industry in the area. The small-scale oil palm processing mill that was observed for the study has also has acquired equipment for extracting palm kernel oil as a result of this.

Also, unlike the large-scale oil palm producing companies that employ mainly men in processing the oil, women constituted majority of employees in the small-scale processing mills. The women are engaged in the non-mechanical activities such as cooking the oil palm fruits and the separation of palm kernel.



Photo 8: Small-scale oil palm processing mill



Photo 9: Selling 'loose' fruits in the market

6.9 Chapter Conclusion

In this chapter, I have discussed Norpalm's organization of the numerous outgrowers from whom it buys oil palm bunches. Norpalm is motivated to buy oil palm bunches from the outgrowers in order to meet the milling capacity of their processing mills. The outgrowers, on the other hand are motivated to sell their oil palm bunches to Norpalm because they receive ready market for their produce. I have used the capital and knowledge component of the analytical framework discussed in chapter 2 and related the outgrower scheme to the concepts of *FDI as trickling down effects* and *FDI as backwash effects* to illustrate that Norpalm's outgrower scheme results in *FDI as backwash effects*. This argument is based on the reduced oil palm bunches that Norpalm receives from the outgrowers whilst the outgrowers do not benefit in terms of transfer of farm inputs, credit and improved farming techniques or knowledge. Norpalm however provides a market option for the outgrowers. In the next chapter, I discuss the local conditions that explain the differences in the outcome of Norpalm's smallholder and outgrower schemes.

CHAPTER SEVEN

LOCAL CONDITIONS IN NORPALM'S SMALLHOLDER AND OUTGROWER SCHEMES

7.1 Introduction

In this chapter, I illustrate the complex relationship between FDI and development by discussing the local conditions that interact with Norpalm's smallholder and outgrower schemes. Thus, I discuss the reasons for the differences in the outcomes produced by the schemes.

7.2 Local Conditions in Norpalm's Smallholder and Outgrower Schemes

The outcome of Norpalm's smallholder and outgrower schemes exhibit features of the two major differing narratives that have emerged to explain the complex relationship between FDI and development, namely development and dependency. The post-structural approach to development, makes it necessary to discuss the spatial context of these outcomes. This is because the broad categorisation of FDI as development and dependency obscures the different economic policies, ecological conditions and political and social systems between and within countries that interact with FDI to account for differentiated outcomes. For instance, the local condition of a booming oil palm industry in Ecuador made it difficult for *Palnorec*, Norpalm AS's investment, to compete with the locals. Norpalm AS therefore had to introduce the Norwegian separator technology in order to survive the competition in the industry. Fløysand et al. (2005) emphasize that FDI can help alleviate poverty in developing regions depending on the form of capital invested and how this capital interacts with local conditions. In this study, I argue that the predominantly customary land ownership system in Ghana and the level of farmer-based organization explain why Norpalm's smallholder scheme produces *FDI as trickling down effects* to Norpalm and the smallholders whilst the outgrower scheme results in *FDI as backwash effects* to Norpalm and the outgrowers.

7.2.1 Customary Land Ownership

The first local condition that interacts with Norpalm's smallholder and outgrower schemes is the customary land ownership system practised in Ghana. Apart from the claim that smallholder schemes are established as a way of incorporating small-scale farmers into a more globalised production, it can be concluded from the discussions in the preceding chapters that

the customary land ownership system in Ghana influences Norpalm's motivation for including smallholder and outgrowers into its production. As Goldstein and Udry (2008) argue, different actors use their power in terms of natural and financial resources, access to information, or control over other actors to realise their goals. In the same way, the motivation of Norpalm, the smallholders and outgrowers provides an explanation for the outcome of the schemes to them. Smallholders are included in Norpalm's production as a way of legitimising large-scale agricultural investments often seen as means by which small-scale farmers are dispossessed of land. The motivation of Norpalm for including the smallholder scheme into its production; that is, to avoid being labelled 'land grabbers' and to downplay the land ownership disagreements in its operational area; makes it necessary for Norpalm to provide smallholders with land. This meets well with the motivation of the smallholders to access land from the scheme. This explains why the smallholders' are able to access land from the smallholder scheme.

The customary land ownership in Ghana constrains foreign investors because the land owners are reluctant to lease out land on long term basis (Kasanga and Kotey, 2011). For this reason, Norpalm resorts to outgrowers in order to secure the supply of oil palm bunches to meet the capacity of their processing mills. Thus, the motivation of the outgrowers to secure market for their oil palm bunches based on higher price incentives satisfies Norpalm's motivation to secure supply of oil palm bunches. This explains the reason why the relationship between Norpalm and the outgrowers does not go beyond the sale and purchase of oil palm bunches.

7.2.2 Farmer-Based Organization

In a study conducted by V  th and Kirk (2011) and V  th (2012), it was established that farmers who had contractual agreement with contracting companies such as Norpalm were the greatest beneficiaries because they profit from long-term economic integration compared to farmers who had no contract with such companies. Thus, the smallholders were able to access farm inputs, credit and improved farming techniques or knowledge (discussed in chapter 5) because they had contractual agreement with Norpalm whilst the outgrowers were unable to access these (discussed in chapter 6) because they did not have any contractual agreement with Norpalm. However, Norpalm's smallholders accessed these supports such as credit and improved farming techniques or knowledge not only because they had a written contract with Norpalm but also because they organised themselves as a group.

In this study, the level of farmer-based organization is another local condition that was identified to interact with Norpalm's smallholder scheme and outgrower schemes. Farmer-based organizations are necessary in an attempt to fill the void created by the state's withdrawal from small-scale farmers support (World Bank, 2007). For this reason farmer groups were established with the goal of enhancing small-scale farmers' bargaining power in the market and access to farm inputs and credits (Salifu et al., 2012). In addition, small-scale farmers working in a group gain access to high value markets since many buyers prefer to work with producer groups as compared to individual farmers because the groups are relatively able to supply consistent quality products (Vorley et al., 2007).

Likewise, the smallholders were able to access farm inputs and credit from Norpalm because they organised themselves as a group. It can be argued that the smallholders organised themselves as a group because they had a common goal to sell their oil palm bunches to Norpalm as required by the contract. The outgrowers, on the other hand could not experience the same outcome because of the absence of an organised group of outgrowers. It is probable that the outgrowers could have signed a contract with Norpalm to access inputs, credit, improved farming techniques or knowledge and in return supply their oil palm bunches to the company if they were organised as a group. This is due to the ease with which outgrowers who were organised as a group, outside Norpalm's operational area applied to access farm inputs in order to sell their oil palm bunches to the company. Salifu et al. (2012) state that the social and economic benefits that small-scale farmers are likely to derive from organising themselves serves as a motivation why they form groups. Thus the outgrowers have little incentive to form a group to sign a contract with Norpalm because the presence of a contract restricts the outgrowers from exploring other market options. As discussed in section 6.6 the outgrowers divert their oil palm bunches from Norpalm to local processing mills or to the market during the lean seasons because of the higher prices offered for the oil bunches. Following this discussion, I argue that the outgrowers are unable to form a group because they are not committed to selling their oil palm bunches to a specific outlet rather whichever offers them higher prices.

In increasing small-scale farmers bargaining power in the market, Norpalm's smallholders who are organised as a group are able to sell their oil palm bunches directly to Norpalm without the interference of middlemen (Shiferaw et al., 2011). The absence of an outgrower group however adversely affects the bargaining power of the outgrowers. The outgrowers are unable to sell their small quantities of oil palm bunches directly to Norpalm. Hence they sell

small quantities of oil palm bunches to stationed agents who in turn sell larger quantities of oil palm bunches to Norpalm. Following these arguments, Norpalm's outgrower scheme supports arguments made by Kirsten and Sartorius (2002) that although it is profitable for firms to buy from larger groups in terms of a reduction in transaction cost, it tends to exclude the numerous small-scale farmers who do not operate as a group hence exhibiting *FDI as backwash effects* to the outgrowers.

7.6 Chapter conclusion

In this chapter, I have argued that the differences in the outcome of Norpalm's smallholder and outgrower schemes is as a result of how the investment interacts with the predominantly customary land ownership system in Ghana and the level of farmer-based organizations. The smallholders are able to access land from Norpalm because it addresses the motivation of the smallholders to access land and Norpalm's motivation to avoid being called 'land grabbers' and a way of addressing the land ownership agreements. The motivation of the outgrowers to secure market for their oil palm bunches based on higher price incentives satisfies Norpalm's motivation to secure supply of oil palm bunches. This explains the outcomes of the schemes to them. The smallholders who are organised as a group are able to access farm inputs, credits, improved farming techniques or knowledge and able to sell their oil palm bunches directly to Norpalm. Also, Norpalm mostly records an increase in the quantity of oil palm bunches they receive from the smallholders due to the guaranteed supply of oil palm bunches. The presence of the smallholder group is also beneficial to Norpalm because it offers the company the opportunity to buy an aggregate of oil palm bunches and reduce its transaction cost. In this chapter, I have argued that the absence of the contract and the organised group restrict the outgrowers from access farm inputs, credit and improved farming techniques or knowledge from Norpalm but affords them the opportunity to explore other market options. Consequently Norpalm experiences a reduction in the quantity of oil palm bunches from the outgrowers. The absence of the outgrower group is likely to increase the transaction cost to Norpalm and this explains why Norpalm has stationed agents who buy the oil palm bunches from the numerous outgrowers.

CHAPTER EIGHT

CONCLUSION

8.1 Introduction

The purpose of my study was to examine the outcomes of Norpalm's smallholder and outgrower schemes and the local conditions that account for these outcomes. The conclusions from the study follow the research questions and the findings and therefore address the following:

1. What are the enabling factors for Norpalm's investment in the oil palm industry in Ghana?
2. What are the outcomes of Norpalm's smallholder scheme to the company and the smallholders?
3. What are the outcomes of Norpalm's outgrower scheme to the company and the outgrowers?
4. Which local conditions account for the outcomes produced by the schemes?

8.2 Enabling Factors for Norpalm's Investment in the Oil Palm Industry in Ghana

Factors inherent to the Ghanaian economy were not the only factors that attracted Norpalm to invest in the oil palm industry in Ghana. Other factors played a role. The adoption of SAPs in the form of privatization made Ghana's oil palm industry attractive to Norpalm. The modern oil palm processing technology that Norpalm possessed and the company's pursuit of maximizing the oil palm processing technology as well as increasing their market power provided enabling factors for Norpalm's investment in the oil palm industry to take place.

However, the failure of the Government of Ghana to pay fair and adequate compensation for all lands acquired for the plantation from the chiefs has led to a delay in the transfer of land title to Norpalm. This has resulted in the 13 chiefs agitating for the returns of the lands on which Norpalm is operating. Another reason for the delay in the transfer of land title could be that other stakeholders, namely Ghana Lands Commission and the 13 chiefs, were not involved in the divestiture process. Nonetheless, efforts have been made to resurvey and demarcate the portions of land belonging to each of the 13 communities in order to

compensate the communities accordingly. It is only after this process that the land title indicating the transfer of land from the government to Norpalm can be issued. Also, a Stakeholder Committee has been put in place for the collaboration of Norpalm, Divestiture Implementation Committee, Ghana Lands Commission and the 13 chiefs.

8.3 Outcomes of Norpalm's Smallholder Scheme

Norpalm incorporated small-scale farmers into their production by pursuing the smallholder scheme initiated by formerly state-owned NOPL. Norpalm assisted the smallholders with 6 acres of land each, farm inputs in the form of oil palm seedlings, farm tools, herbicides, insecticides, fertilizers and transport to convey harvested oil palm bunches from their farms to Norpalm's processing mills. The smallholders received ready market for their oil palm bunches as per the contract signed with Norpalm. The smallholders also accessed improved farming techniques or knowledge from the scheme of which some claimed to be able to transfer to their personal farms. In addition to these, the smallholders were able to access credit from banks using the contract with Norpalm as collateral. These outcomes are in line with the motivation of the smallholders to join the scheme. Thus, the positive outcome of Norpalm's smallholder scheme to the smallholders is described as *FDI as trickling down effects*. Norpalm has also recorded an increase in the total yield of oil palm bunches harvested from the smallholder due to the guaranteed supply of oil palm bunches. This outcome to Norpalm is described as *FDI as trickling down effects*. In general, Norpalm's smallholder scheme reflects a situation of *FDI as trickling down effects* because the scheme is advantageous to both the company and the smallholders.

8.4 Outcomes of Norpalm's Outgrower Scheme

After Norpalm, took over operations from NOPL, the company undertook a replanting programme that was aimed at replacing all low yielding overgrown oil palm trees in the plantation. The company also gradually upgraded its processing mill. In order to use the processing mill to maximum capacity, Norpalm originally bought 65% of its oil palm bunches from outgrowers. The outgrowers were unable to access farm inputs, credits and improved farming techniques or knowledge from Norpalm because of the non-existence of contractual agreements with them. The result of this is that some outgrowers were diverting from oil palm cultivation to rubber cultivation in order to access farm inputs and high prices offered by Ghana Rubber Estate Limited for their rubber latex. Also, the lack of fertilizer application and lack of appropriate maintenance practices carried out by the outgrowers. Consequently, the

supply of oil palm bunches Norpalm received from the outgrowers had reduced to 51% by 2014. The outcome of the outgrower scheme to Norpalm and the outgrowers exemplifies *FDI as backwash effects*.

8.5 Local Conditions that Interact with Norpalm's Smallholder and Outgrower Schemes

The narratives of development within FDI and development discourse broadly categorize the outcome of FDI as a stimulator of or an impediment to development. These narratives however, are constructed without any recognition of the spatial context and other specificities of an investment. In other words, the narratives fail to identify the local conditions that interact with an investment.

In this study, the local conditions that were identified to interact with Norpalm's smallholder and outgrower schemes to generate *FDI as trickling effects* and *FDI as backwash effects* include the predominantly customary land ownership system in Ghana and the level of farmer-based organizations. The motivation of the smallholders to access land and Norpalm to avoid being labelled 'land grabbers' and downplaying the land ownership disagreements in its operational area explain why the smallholders were able to access farmlands from the scheme. However, the motivation of the outgrowers to secure market for their oil palm bunches based on higher price incentives satisfies Norpalm's motivation to secure supply of oil palm bunches. Thus Norpalm is motivated to secure supply of oil palm bunches from the outgrowers because they customary land ownership constrains them from cultivating additional acres of land for long term basis. This explains the reason why the relationship between Norpalm and the outgrowers is the sale and purchase of oil palm bunches.

The ability of the smallholders to organize themselves as a group has also facilitated their ability to access farm inputs, credits, improved farming techniques or knowledge. The ability of the smallholder to organized themselves as a group is beneficial to Norpalm in terms of access to aggregated quantities of oil palm bunches leading to a reduction in transaction cost to the company. On the contrary, the outgrowers are not organized as a group and thus are unable to sign a contract with Norpalm to access farm inputs, credits and improved farming techniques or knowledge from the company. This has in resulted in Norpalm experiencing a reduction in the oil palm bunches received from the outgrowers. Also, the absence of the group of outgrowers to sign a contract is likely to increase the transaction cost to Norpalm and explains why the company buys the oil palm bunches from stationed agents instead of the numerous outgrowers.

8.6 Chapter Conclusion

In this study I have demonstrated that several factors besides those present in the host country are factors that firms consider before investing. In Norpalm's investment, Ghana's Structural Adjustment Programme; Norpalm's possession of modern technology for oil palm processing; and the need for Norpalm to maximize this technology and increase their market share were the main factors that were conducive for Norpalm's investment in the oil palm industry in Ghana. I have also highlighted the need to examine the local conditions that account for the outcome of FDI. By examining how the customary land ownership in Ghana and farmer-based organizations interact with Norpalm's smallholder and outgrower scheme, I have demonstrated that the outcome of FDI should be re-examined by looking closely at the kind of investment and how it interacts with local conditions in the environment where the investment takes place. Thus my study supports arguments by Giarratana et al. (2003); Lall and Narula (2004); te Velde (2003); Jakobsen et al. (2005); Fløysand et al, (2005) about the outcome of FDI.

The differentiated outcome of Norpalm's smallholder and outgrower schemes also emphasizes the need to define clearly the actors involved in an investment, 'who says what' about the outcome of an investment and their rationale for this. Thus, my study supports Fløysand et al., (2005) who argue that defining FDI should surpass the economic capital invested. They argue that FDI should be defined as 'a complex cluster of interrelated 'pool' of actors, economic capital and knowledge' (ibid.).

The study found that oil palm outgrower farmers in the Ahanta West and Mpohor districts were diverting to rubber cultivation. Though Ghana Rubber Estate Limited (GREL) is a monopolistic rubber producing company in the area, it has a nucleus estate model and was established by foreign investors through an acquisition like Norpalm. Thus, a new research niche would be to examine the outcomes of GREL's outgrower schemes and the local conditions that account for the outcomes of GREL's outgrower scheme.

Also, the discovery and production of oil and gas in the Western Region has led to high demand for land by foreign investors along the Takoradi- Agona Nkwanta main road in the Ahanta West and Mpohor districts. It would be interesting to investigate the transition in land use, its effect on agriculture and outcome for local development.

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APPENDICES

Appendix 1: Semi - structured Interview Guide for Small-scale Farmers

The purpose of this interview is to collect data for the topic **“FDI, Local Conditions and Development Narratives: The Case of Norpalm Ghana Limited and Small-scale Farmers in the Oil Palm Industry in Ghana”**. This exercise is a requirement for the partial fulfilment for the award of Master of Philosophy (Mphil) in Development Geography at the University of Bergen. All information provided will be treated with much confidentiality and will be used for academic purposes only.

Section A: Background Information

1. Age
2. Gender
3. Marital status
4. Educational background
5. Place of residence
6. Ethnicity
7. Household status

Section B: Farming Systems

“Material” Issues Before Joining the Smallholder or Outgrower Schemes

8. Farm size
9. Source of land (own land, share cropping, leasing arrangements)
10. Equipment
11. Crops
12. Duration of growing oil palm and other crops (if any)
13. Production/Total ton of FFB grown

“Material” Issues After Joining the Smallholder or Outgrower Schemes

14. Farm size
15. Source of land (own land, share cropping, leasing arrangements)
16. Equipment
17. Crops
18. Duration of growing oil palm and other crops (if any)

19. Production/Total ton of FFB grown

Section C: Production

Network Before and After the Smallholder or Outgrower Scheme

20. From multi- to mono/subsistence – to cash crop/open market to contract, etc.

21. Intercropping before and under the smallholder or outgrower schemes. State crops

22. Are you aware of contract issues with Norpalm?

23. Type of contract with Norpalm (verbal, written or both)

24. What are the terms of the contract with Norpalm?

25. How has the terms of the contract been fulfilled? In terms of

a. Quantity of oil palm bunches supplied to Norpalm.

b. Duration of supplying Norpalm with oil palm bunches

c. Price per ton of oil palm bunches offered by Norpalm against other market prices

○ Who determines this price? Are you consulted during price negotiations?

26. Other outlet for farm produce

a. Do you prefer selling to parties other than Norpalm or a combination of these?
And why?

27. Other sources of livelihoods.

Section D: Motivation and Knowledge issues since joining the smallholder or the outgrower schemes

28. Reasons for joining Norpalm's smallholder or outgrower schemes

29. How has the scheme influenced in terms of:

a. knowledge transfer

b. types and sources of planting materials and equipments

c. management practices

d. access to technology

e. spill over effects

Other Issues of Joining the Schemes/What Should be changed

30. What are the major challenges that you face as a smallholder or an outgrower?

- Access to land

- Other outlets for produce / other livelihood sources?
 - Flexibility of growing other crops or farming management practices
31. Other challenges as a smallholder or an outgrower
 32. Other changes to farming system and management practices since joining the smallholder or outgrower scheme
 33. Other opportunities since joining the smallholder or outgrower scheme.
 34. Are you aware of any leader of the smallholder or outgrower scheme?
 - a. If yes, what role do they play in negotiating and dealing with some of the challenges that you face?
 - b. If no, how do you or which channel do you use in negotiating and dealing with some of the challenges that you face?
 35. Any suggestion on ways to make this scheme more beneficial?

Appendices 2- 6: Semi - structured Interview Guide for Stakeholders

The purpose of this interview is to collect data for the topic **“FDI, Local Conditions and Development Narratives: The Case of Norpalm Ghana Limited and Small-scale Farmers in the Oil Palm Industry in Ghana”**. This exercise is a requirement for the partial fulfilment for the award of Master of Philosophy (Mphil) in Development Geography at the University of Bergen. All information provided will be treated with much confidentiality and will be used for academic purposes only.

Appendix 2: Semi - structured Interview Guide for General Manager and Resource Manager of Norpalm

Background Information

1. Position in the company
2. Duration of holding position

Motivation for the FDI

3. What motivated the purchase of former state-owned National Oil Palm Limited (NOPL)?
4. How was the tendering process to acquire state-owned NOPL done? and what were some of the challenges during this period?

5. Which actors were involved in the transfer of ownership and what roles did they play in this process?
6. What characterize the land acquisition process?
 - a. Did some groups or individuals lose any asset during the land acquisition process?
 - b. Were the affected individuals compensated?
 - c. What kind of compensation?
 - d. Who decided the compensation packages? etc
7. Has the total land area cultivated expanded or reduced compared to what was acquired from National Oil Palm Limited?
8. What factors accounted for this expansion or reduction?
9. If there has been any expansion, from whom was this additional land acquired?
 - a. Individual landowners, family land, government land, etc.
10. If there has been any reduction, to whom did you lost the land to?
 - a. Individual landowners, family land, government land, etc.

Appendix 3: Semi - structured Interview Guide for Chiefs and Key informants

1. Position in the Community
2. Duration of holding position
3. Landholding system in the community

“Material” Issues

1. What was the land acquisition process with the government when National Oil Palm Plantation was in operation? When was this?
2. Were you involved in the transfer of ownership from the state to the private investor? And what role did you play?
3. Do you see any development potential in the project? Why?
4. In your view, has there been any changes in the lives of oil palm farmers in the community since Norpalm took over production?
5. What are some of the contributions of Norpalm to oil palm farmers in the community?
6. What are some of the challenges the existence of this company poses to the community?

Transfer of knowledge issues

7. In your view, has there been any knowledge transfer from Norpalm to oil palm farmers in the community
 - a. If yes, what are some these knowledge?

Appendix 4: Semi - structured Interview Guide for Plantation Manager of Norpalm

1. What was Norpalm's motivation for pursuing the smallholder scheme and buying oil palm bunches from outgrowers?
2. What are the terms of the contract the company signs with smallholders and outgrowers?
3. Have the terms of the contract/agreement been fulfilled by both the smallholder and outgrowers?
4. What are the advantages of the smallholder and outgrower scheme to Norpalm?
 - a. In terms of transfer of local knowledge to the company
 - b. Other Input-relation/output relations
 - c. Employment of locals/recruitment of personnel
 - d. Purchases of services and goods from local firms?
 - e. Sales involving locals, etc.
5. What are some of the challenges that the smallholder and outgrower scheme pose to the firm?
 - a. In terms of diversion of inputs by farmers
 - b. Quality of produce
6. Which other actors apart from the participating small-scale farmers benefit from the schemes?
7. What is the relation between Norpalm and other individuals or small-scale producers or other large scale companies in the oil palm industry?

Appendix 5: Semi - structured Interview guide for Lands Commission

1. Position in the Organisation
2. Duration of holding position
3. What was the land acquisition process by the government for the operation of NOPL?
4. Were the affected parties (those who lost their land) compensated?
5. What role did Lands Commission during the transfer of ownership to private investors?

6. What was the process of transfer of ownership of NOPL to private investors?
7. Which other actors were involved in the transfer of ownership of NOPL to private investors?

Appendix 6: Semi - structured Interview guide for Divestiture Implementation Committee

1. Could you give a background to Ghana's divestiture programme?
2. What was the reason for the divestiture of NOPL to private investors?
3. What was the process or mode of transfer of ownership of NOPL to private investors?
4. Which other actors were involved in the transfer of ownership?
 - a. Were the customary land owners, lands commission and community members involved?
 - i. If yes, what role did these actors play?
 - ii. If no, why were these actors not involved or consulted?
5. What were some of the expectation of the government from private investors?
6. Have these expectations been met?
7. What factors resulted in the delay of the processing of land titles and renewal of all leases? And have expired lease been renewed?