

Focali Brief: 2012:03

Promotion of beneficial agriculture investments and discouragement of land grabbing

This brief discusses how international initiatives such as the Principles for Responsible Agricultural Investment (RAI) could discourage harmful and encourage beneficial investments in agriculture. It discusses the need to increase equitable and sustainable agro-investments while avoiding the controversial phenomenon of “land grabbing”.

APPROXIMATELY 925 million people suffer from chronic hunger. This is partly a result of neglect of the agricultural sectors of developing countries during the last three decades. With shifting consumption patterns and a world population expected to pass nine billion by the middle of the century, the future strains on agriculture are potentially overwhelming. Agriculture is also a major source of greenhouse gas emissions and accounts for a major share of the degradation and depletion of land, water and biodiversity at the global level. However, through concerted efforts to increase sustainable and equitable investments, agriculture has the potential to deliver sufficient food and other essential goods and services while simultaneously mitigating the impacts of climate change.

Need for increased agriculture investments

Approximately 500 million poor smallholder households account for the bulk of developing country agriculture investment, mainly in their own fixed assets and human capital. Despite unfavourable political and economic conditions, they also produce up to 80 percent of the food consumed in developing countries. Increased public expenditure and Official Development Assistance (ODA) are needed both to reinforce smallholder agriculture and to stimulate a diversification of rural economies (CFS, 2011). But smallholders, governments and ODA alone cannot fill the

About this brief

Focali provides knowledge to Swedish ministries, government agencies and other relevant actors for effective forest management to achieve climate-poverty targets. All Focali publications can be found at: www.focali.se



Photo: Jesper Karlsson

The Land Matrix database:

- The Land Matrix, which is a partnership aiming to create an online public database on land deals, has collected information on deals involving 58 million hectares that are considered to be verified and crosschecked.
- Information on large-scale land deals is uncertain, but the current pace and scope is unprecedented.
- Between 2000-2010, up to 203 million hectares of land were involved in reported deals. (Land Matrix: <http://landportal.info/landmatrix>)

need for agricultural investment and additional private investments including Foreign Direct Investment (FDI) are necessary. Such investments have the potential to generate the additional income opportunities, technologies and infrastructure that are needed to transform agrarian economies. However, the share of FDI going into the agriculture sectors of developing countries is very small. An increased commercial interest in developing country agriculture triggered by the food price crisis of 2007-2008, demand for biofuels, initiation of carbon markets and the financial crisis prompting investors to diversify their portfolios has therefore been embraced unconditionally by many developing country governments.

Large-scale land acquisitions

All commercial agriculture investments are not equally desirable, and speculative or extractive ventures often do more harm than good. The much debated “land grab” trend

is illustrative in this regard. Concessions and long-term leases of large tracts of land in resource abundant countries with fragile institutions and weak land rights pose severe risks to rural populations. Negative impacts associated with this trend include concentration of control over land and other productive resources, forced and uncompensated displacement of smallholders and overexploitation of natural resources and ecosystem services (Anseeuw et al., 2011; FAO 2011a, b & c). Commercial investors are mainly interested in well-watered and fertile land close to transportation routes. Land without water is of little value for agriculture, so control over water is a key driver in the ongoing land rush. (A forthcoming Focali brief will more closely handle water in relation to large-scale agricultural investments for biofuel).

Protests against unjust land deals are often met with harsh repercussions (Global Witness, 2012). The transnational character and unprecedented scope and pace of this trend are beyond the control of

The proposed Principles for Responsible Agricultural Investment (RAI):

1. Existing rights to land and associated natural resources are recognized and respected.
 2. Investments do not jeopardize food security but rather strengthen it.
 3. Processes relating to investment are transparent, monitored and ensure accountability by all stakeholders within a proper business, legal and regulatory environment.
 4. All those materially affected are consulted, and agreements from consultations are recorded and enforced.
 5. Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically and result in durable shared value.
 6. Investments generate desirable social and distributional impacts and do not increase vulnerability.
 7. Environmental impacts are quantified and measures taken to encourage sustainable resource use, while minimizing the risk and magnitude of negative impacts and mitigating them.
- (Knowledge Exchange Platform for RAI)

Potential of voluntary principles

The RAI Principles will not be mandatory, but a set of recommendations for governments and private investors. Some actors have questioned the efficiency of voluntary principles in the face of an unprecedented land rush and calls have been made for a mandatory international moratorium on large-scale land acquisitions (Dakar Appeal Against Land Grabbing 2011). A few governments have issued limits on land acquisitions by foreigners while being less strict on deals involving nationals. In many developing countries land deals have been embraced unconditionally.

Given disparities of interests of various stakeholders it would be difficult to reach a legally binding agreement at the international level in the short or medium term. However, while they are no substitute to national law or public action, experience shows that broadly accepted non-binding international principles and frameworks such as the Voluntary Guidelines on the Right to Food (FAO, 2005) have influenced policy makers and investors and provided useful tools for CSOs and social movements.

individual governments. Thus there have been widespread calls for international regulation.

ments, negotiation of business contracts and corporate social responsibility initiatives.

The Principles for Responsible Agriculture Investments

The UN's Food and Agriculture Organization (FAO), the World Bank, the International Fund for Agriculture Development (IFAD) and UN's Conference for Trade and Development (UNCTAD) have jointly proposed a set of principles for responsible agricultural investments (RAI) that respect rights, livelihoods and resources (see box above). Such principles draw attention to the interests and rights of rural populations, help governments to develop laws and policies and can be used as a reference for impact assess-

A participatory process

In order to be legitimate and obtain broad-based support, principles of this kind must be extensively discussed with governments, of recipient and source countries of investments, farmers' organizations, affected populations, the private sector and Civil Society Organisations (CSOs) (Hallam, 2011; FAO, 2011a). The Committee on World Food Security (CFS) is currently evaluating responsible agriculture investments in general and will commence a yearlong consultation process in October 2012 (CFS, 2012) intended to further elaborate and elicit broad endorsement for such principles.

Voluntary guidelines for tenure governance

The proposed RAI Principles will be consistent with and complement various international commitments, notably the Voluntary Guidelines on Responsible Governance of Tenure of Land, Fisheries and Forests (VGLTs) (FAO, 2012). Land and associated natural resources are the direct source of subsistence and livelihoods for a majority of the world's poor, but they are often excluded from control over access to land. Secure land tenure rights for vulnerable population groups, including women, pastoralists and indigenous people, are often considered to be a precondition for pro-poor



Preparation of land for sugarcane cultivation in Bombali district in Northern Sierra Leone Photo: Jesper Karlsson

impacts of commercial agro-investments (FAO, IFAD, UNCTAD and the World Bank, 2010). The VGLTs are based on human rights principles including the right to food, right to shelter and right of self-determination. They are a result of extensive research and consultations under the CFS. They are broadly supported by governments, private sector and civil society actors and were endorsed by CFS member states in May 2012.

Agro-investments and human rights

States have a responsibility to ensure that agro-investments comply with human rights as defined in e.g. the 1948 Universal Declaration of Human Rights and the 1966 International Covenant on Economic, Social and Cultural Rights. The UN's Special Rapporteur on the Right to Food and various CSOs and international agencies has provided useful guidance (FAO, 2011c). The capacity of developing country governments to monitor compliance with human rights obligations is often limited and it can be easy for investors to cut corners. Regrettably, the protection of investors is also often prioritized over human rights in e.g. international investment law and bilateral investment treaties (Cotula, 2011). However, given the increased focus on "land grabbing" from social movements, media and academia, and an increased occurrence of conflicts at the local level, a genuine commitment by investors to adhere to human rights principles can facilitate mutual trust with local populations and protect an investor's image (FAO, 2011a).

Looking for alternatives

The elaboration of the RAI Principles is informed by empirical research carried out by the organizations themselves and others.

Indicative evidence of a growing body of research suggests that large-scale land acquisitions are associated with considerable risks and unlikely to provide significant benefits for poor rural populations (Anseeuw et al., 2012; FAO, 2011b). In fact it is difficult to find any observed large-scale land acquisition project that would comply with RAI or the VGLT's. Business models in which smallholders keep or strengthen their control over productive resources are recommended by many leading experts as more conducive to development than large-scale land acquisitions (Anseeuw et al. 2012; FAO, 2011b; cf. Cotula & Leonard, 2010; Cotula & Vermeulen, 2010) The VGLTs specify that states should: "...consider promoting a range of production and investment models that do not result in the large-scale transfer of tenure rights to investors, and should encourage partnerships with local tenure right holders" (FAO, 2012, paragraph 12.6).

Public-private-people cooperation

Historically, many commercial agriculture projects that failed both economically and socially have been based on flawed concepts and should have been rejected prior to approval. In Sub-Saharan Africa, large-scale farms have never succeeded economically without substantial preferential policies, subsidies and supporting investment (World Bank, 2009). Hybrid models in which nucleus estates engage with small-scale producers and their organizations are probably a more viable alternative here. Large-scale plantations have often failed in Asia as well but out-grower schemes have generally been financially viable (FAO, 2011b).

Today, participatory approaches to identification of areas suitable for investments, negotiations of business contracts and

monitoring and evaluation of projects are often considered key to ensuring both the economic viability and social and environmental sustainability of commercial activities in the agricultural sector. The principle of Free, Prior and Informed Consent (FPIC) provides direction in this regard.

Nevertheless, secretively negotiated large-scale land deals in countries with fragile public institutions and weak land rights have been a dominating trend during recent years. In many cases such ventures are made possible by tax breaks and misuse of expropriation laws by host governments, and sometimes by funding from international development finance institutions. Given the severe risks and few observed benefits for affected populations, there are reasons to question the rationale behind such support. Instead, a constructive role for governments, development actors and private institutional investors could be to encourage proven business models and to support pilot-testing and up-scaling of innovative participatory models.

Efforts to strengthen and democratize public institutions and protect land rights are also needed to discourage crude asset-stripping ventures and attract investors with a long-term perspective. Disempowered and dispossessed majorities can easily be treated as super-abundant labour reserves. Strengthening of representative CSOs and farmers' associations is an important way to increase the bargaining power of rural populations including the most marginalized. Strong cooperatives and farmers' associations can also attract responsible investors by reducing transaction costs and acting as reliable intermediaries for delivery of agricultural products to investors and knowledge, inputs or credits to farmers.

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Conclusions

- The consultations led by the World Food Security (CFS) may result in a set of broadly supported principles for responsible agriculture investments, with significant influence on policy making, legislation and investment behaviour.
- In order to be practical and meaningful for policy makers and private investors, context specific guidelines based on field testing and development of quantifiable indicators for implementation and monitoring of such principles should be developed.
- The identification and protection of a wide array of land and natural resource rights is critical to ensure that commercial investments do not displace local populations.
- Profits are the number one priority of any commercial agro-investor, but farsighted investors also realize that responsible behavior can ensure predictable returns to investment and reduce damaged reputation and conflicts.
- Given that large-scale land acquisition is a model of choice for many actors, there is a need to highlight that large-scale plantation agriculture has often failed economically and that more inclusive business models can be efficient in meeting long-term investor objectives and be more conducive to the interests and rights of affected populations.
- Genuine involvement of rural people, including the most vulnerable, is a basic requirement for sustainable and equitable investments.

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Sugarcane cultivation in Bombali district in Northern Sierra Leone Photo: Jesper Karlsson

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