

**CHALLENGES AND OPPORTUNITIES  
OF FOREIGN INVESTMENT IN  
DEVELOPING COUNTRY AGRICULTURE  
FOR SUSTAINABLE DEVELOPMENT**



Food and Agriculture  
Organization of the  
United Nations




# **Challenges and opportunities of foreign investment in developing country agriculture for sustainable development**

by

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## **Agricultural investment and food security**

A majority of the world's poor and food insecure live in rural areas of developing countries and depend on agriculture for a significant share of their livelihood. Agricultural growth can be particularly efficient in combating hunger and lifting these people out of poverty. Investment<sup>1</sup> is a necessary condition for agricultural growth. Regrettably, agricultural investment has remained stagnant or declined in many countries during recent decades, particularly in sub-Saharan Africa and South Asia, where hunger is also most prevalent.

Many countries that have managed to increase agricultural investment are now on the way to reach the Millennium Development Goal of halving the number of hungry people, but much more efforts are needed. With shifting consumption patterns, a growing world population, and erosion of the natural resource base, the future strains on agriculture are potentially overwhelming. Investments are needed to increase and stabilize the supply of affordable and nutritious food, generate jobs, facilitate sustainable use of natural resources and stimulate growth of secondary and tertiary sectors of the economy. FAO estimates that agricultural investment in developing countries needs to increase by at least 50 percent to meet projected increased demand by a world population that is expected to pass 9 billion in 2050. To reach the Zero Hunger target of eradication of hunger in a sustainable manner, even more investment is needed.

## **The centrality of farmers' own investments**

Investment comes in many forms and is carried out by a diverse array of agents, all of whom can have important roles to play. In order for investment to enhance food security and eradicate poverty, the poor must be involved. That is to say, the poor must be enabled and motivated to invest. It is increasingly recognized that farmers themselves – most of them poor small-scale producers – account for the majority of on-farm investment in developing country agriculture. On average, a farmer in a developing country invests as little as US\$ 150 per year, but all farmers in low- and middle-income countries combined invest more than US\$ 170 billion. This is three times more than all other sources of investment combined ([FAO, 2012a](#)).

## **Investment by domestic micro, small and medium enterprises in agricultural value chains**

Lack of adequate input and output markets are well-known disincentives for farmers to make productive investment. Without access to adequate seeds, fertilizers, credits or knowledge it is difficult to invest. Without access to wholesale or retail markets, there is no point in producing marketable surpluses. Much more investments in bottlenecks in the input, processing, storage and retail segments of food systems are needed to enable and encourage on-farm investment. In developing countries, micro, domestic small and medium enterprises (MSME's) dominate the input and downstream segments of agricultural supply chains.

Most of the population growth in coming decades will occur in urban areas of developing countries, and account for a significant share of increasing demand of agricultural products. Domestic MSME's will play a key role in the development of domestic and intraregional value chains needed to ensure that urban consumers get access to affordable food, and that the

<sup>1</sup> Investment can be defined as a change in the stock of existing capital. Accumulation of capital is necessary for economic growth. Capital comes in many forms: financial capital, productive capital, fixed capital, working capital, as well as human capital, social capital and natural capital. These different forms of capital can overlap and complement but not easily replace each other.

money spent by them is cycled back to rural areas, generating rural jobs and added value to agriculture. In this regard, the modernization of potato and rice value chains, connecting poor rural producers with urban consumers in Bangladesh, China and India are interesting. Farmers with both small and large plots involved in these value chains are commercializing and taking advantage of improved input markets and information technology. Substantial private investment in modernization of the processing, storage and retail segments are also benefitting both farmers and consumers. These transformative developments have been encouraged by public policies and public investment in for example research and development, seed distribution and infrastructure ([ADB & IFPRI, 2012](#)).

## **Enabling environments and public investment<sup>2</sup>**

Creating possibilities for small-scale producers and MSME's to save and invest is at the core of enabling environments for sustainable and inclusive agricultural growth. There is no one size fits all model to make this happen though. Small-scale producers and other agents along value chains are very diverse. Conditions also vary considerably within and between regions and countries. The most marginalized small-scale producers, including women, carry out a significant share of the work in the agricultural sector, but are below the poverty line and therefore unable to save and invest. The relatively better-off small-scale producers are more able to make long-term productive investment and produce a significant quantity of marketable surpluses. Naturally, the needs of these groups vary. As rural economies diversify and grow, different measures can assist some small-scale producers to expand and become successful commercial producers while others may require support to exit agriculture and find decent off-farm job opportunities. At a general level, complementary public investment in public goods including roads, electricity, communication technologies, and rural financial and social services can be crucial for such developments. Both donors and developing country governments may therefore consider fulfilling their pledges to increase expenditure on agriculture and rural development related activities and tailor these to specific needs of different local contexts.

Public institutions and policies that affect quality and quantity of investments must be strengthened in many developing countries. For small-scale producers, policies and institutions governing land and natural resource tenure and property rights are particularly important. Land and labour are the main factors of production for small-scale agricultural producers. Yet, many of them are excluded from control over access to land. Inadequately protected land rights are a major threat to many marginalized rural people's ability to fulfill their right to food. It is also a disincentive for long-term investment. People who lack clear and predictable rights over the land they use cannot easily access credit. Moreover, they are often not inclined to make long-term investment in for example perennial crops or land improvements, as they may not reap the benefits from such investment if they are displaced.

Small-scale producers can be particularly vulnerable to dispossession of land when competition for this finite resource increases. Strengthened tenure and property rights and other policies that tip the balance in favour of small-scale producers therefore become increasingly urgent when corporate private investors enter the land arena.

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<sup>2</sup> This section draws on [FAO, 2012a](#); [FAO, 2013b](#); & [IIED & Oxfam, 2013](#)

## Foreign agricultural investment

The volume of foreign direct investment (FDI) is much smaller than that of domestic investment in developing country agriculture. The share of inward FDI to developing countries going to the agri-food sector is very low, and mostly directed to downstream activities in medium income countries ([FAO, 2013a](#); FAO, unpublished). However, several interrelated factors<sup>3</sup> led to a significant increase in FDI in primary agriculture in some of the least developed countries during the latter half of the 2000's. This increase is relatively small in strictly financial terms, but involves the transfer of control over significant tracts of land and other agricultural productive resources.

FDI in primary agriculture can have a transformative impact on local and national levels. Considering the massive needs of investment in agriculture and limited financial resources of the domestic private sector and public budgets, increased inward FDI in primary agriculture can be positive. Agro-FDI can generate decent jobs and non-wage incomes, infrastructure, development of domestic value chains and access to global markets and lead to uptake of new technologies or business models. All investments are not equally desirable however. It is increasingly recognized that if they are left unchecked some forms of agricultural investments – notably large-scale investment in land – can entail significant risks.

## Foreign agricultural investment and food security

There is still a lack of systematic evidence on the food security impacts of agricultural FDI. An increase in market seeking FDI – both in production and in bottlenecks of supply chains – could bring benefits such as increased productivity and production of food for local consumption and links between poor small-scale producers and poor urban consumers. Given the rapid growing urban populations in the developing world, there is clearly a business case for such investment.

Thus far, foreign investment in primary agriculture in developing countries is often resource-seeking and export-oriented. Such investment may have positive impacts on for example export revenues, production and productivity and employment generation. Introduction of new technologies may also spillover to small-scale producers and increase their ability to produce surpluses for domestic markets.

Conversely, enclave projects with few linkages to the surrounding rural economy and investments that shift labour from traditional livelihood activities to production of non-edible or export crops may also pose significant risks to food security and livelihoods. Potential competing uses of productive resources must therefore be identified prior to approval of any large-scale projects. Priority must be given to food security concerns. Investments must also be in line with development strategies of host countries and development visions of affected communities ([FAO, 2013a](#); [FAO, IFAD, UNCTAD & World Bank, 2010](#)).

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<sup>3</sup> These include food security concerns of some cash rich net food importing countries following the food price crisis of 2007-2008, bioenergy policies of some OECD countries that provided incentives for large-scale liquid biofuel projects, and the financial crisis prompting investors to diversify their portfolios and use land as a hedge against inflation. On the supply side, deregulation and liberalization of agricultural markets, cheap land lease fees, tax exemptions and land abundance also played a role (Cf. [FAO, 2013b](#)).

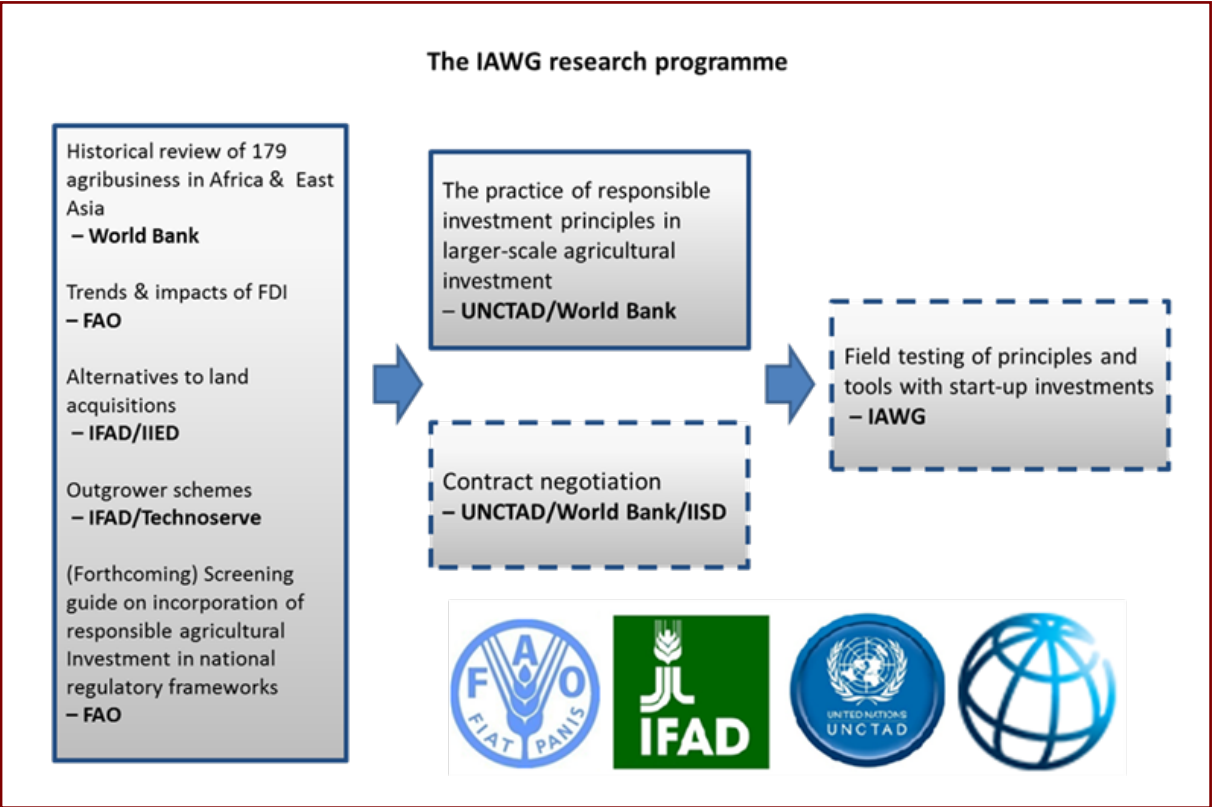


## Governance, knowledge and international guidance

The need of more investment in developing country agriculture became increasingly apparent during the aftermath of the food price crisis of 2007-2008. During the same period, the potentially negative impacts of large-scale land acquisitions – often referred to as “land grabs” – became a serious cause of concern. The quality of governance at the national and local levels is an important determinant of the volumes and outcomes of investment. Unfortunately, least developed countries which are most in need of increased investments are often characterized by inconsistent laws and policies and are low institutional capacity. Decisions on investment – whether by governments, companies or local communities – must also be based on sound empirical evidence. Calls were therefore made for international regulation and guidance on how to encourage investment while avoiding risks.

By that time, the empirical knowledge of agricultural investment, particularly international agricultural investment, was limited however. The Inter-Agency Working Group (IAWG), consisting of FAO, IFAD, UNCTAD and the World Bank, therefore embarked on a research program that has substantially contributed to a growing body of empirical knowledge. This knowledge can inform and strengthen decision making processes and contribute to global dialogues.

The IAWG members have produced reports on themes such as trends and impacts of agro-FDI, a historical review of agribusiness investment, alternatives to large-scale land acquisitions, and the practice of responsible investment principles for larger-scale agricultural investments ([FAO, 2013a](#); World Bank, 2012; IFAD/IIED, 2011; World Bank & UNCTAD, 2014). The next step of the IAWG research programme, illustrated in the graphic below, will be to field test principles



and tools for responsible investments with start-up agribusiness investments in a number of sub-Saharan African countries.

Along with increased research on agricultural investment, a number of initiatives to set up international standards have emerged. In early 2010, the IAWG proposed a set of *Principles for Responsible Agricultural Investment that Respect Rights, Livelihoods and Resources* (PRAI) ([FAO, IFAD, UNCTAD & World Bank, 2010](#)). While these Principles were formulated as a response to the perceived risks of transnational large-scale land acquisitions, they may apply to various forms of investment in primary agriculture. The PRAI was presented as a contribution to an “ongoing global dialogue” and as a “living document” to be further refined, elaborated and operationalized in light of the evidence. The FAO *Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security* (VGGT’s) ([FAO 2012b](#)) were endorsed by the Committee on World Food Security (CFS) in 2012. The IAWG is also actively involved in the CFS process to develop *Principles for Responsible Investment in Agriculture and Food Systems* (CFS-RAI). Meanwhile, the OECD and FAO are jointly developing practical guidance on how companies can avoid infringing internationally recognized principles and standards for responsible business conduct in agricultural supply chains. In Africa the Land Policy Initiative, initiated by African heads of state, is also developing guiding principles for large-scale land based investment. Efforts to avoid duplication and create synergies between the various initiatives are needed.

Many of these standards draw attention to fundamental rights and livelihoods of rural populations and the need for socially and environmentally sustainable agricultural investments. They are voluntary and they are not meant to replace but rather strengthen and inform national legislation, social and environmental responsibility strategies of companies and public action. Given the voluntary nature and lack of enforcement mechanisms in case of non-compliance, their usefulness has been questioned. However, due to the disparities of interests of various stakeholders it would be virtually impossible to reach agreement on binding agreements on agricultural investment at the international level. Experience also shows that non-binding international frameworks can influence decisions on investment. This requires that their development and application are participatory and perceived as legitimate by all concerned stakeholder groups. To be implementable and have desired impact, they must also build on lessons learned and good practices identified through continuous and robust research and field testing.

## Large-scale land acquisitions

The phenomenon of large-scale land acquisitions – often referred to as “land grabbing” – in developing countries is the most debated manifestation of the trend towards increased investment in primary agriculture.<sup>4</sup>

The social, environmental and economic risks of large-scale land acquisitions are well documented ([Anseeuw et al. 2012](#); [FAO, 2013a](#)). It is arguably the type of investment model that is least likely to bring substantial benefits to local communities. For populations in rural areas with high underemployment rates, jobs are often seen as the foremost potential benefits

<sup>4</sup> FAO’s publication *Trends and impacts of foreign investment in developing country agriculture – Evidence from case studies* gives an overview of drivers, trends and impacts of foreign large-scale land acquisitions and alternative business models ([FAO, 2013a](#)). Many of the arguments put forth in this brief are derived from that publication.

of an agribusiness project. Employment on a plantation can be an attractive alternative to subsistence oriented agriculture if conditions are acceptable. Large-scale plantations can create decent job opportunities in remote places with high unemployment rates and reliance on subsistence agriculture. However, unfortunately there are also many cases of poorly paid and unsafe jobs ([FAO, 2013a](#); [World Bank & UNCTAD, 2014](#)).

The medium and long-term net-impact on livelihood opportunities must also be considered. A new investment project can create a large number of temporary jobs in its early stages. However, these jobs may disappear as production becomes more capital intensive. Jobs created by new plantation projects may also be of lower quality than livelihoods generated by previous modes of production on the same unit area ([FAO, 2013a](#)). The size and mode of production also matters. There is generally an inverted relationship between the size of a plantation and livelihoods generated per hectare. Smaller plantations or projects that engage small-scale producers as outgrowers generally provide more livelihood opportunities per unit area ([World Bank & UNCTAD, 2014](#)). This is important, considering the high unemployment rates in many rural areas.

### **Inclusive business models**

All large-scale land acquisitions cannot be categorized as “land grabs” per se and there may be a place for some large-scale plantations in the context of a country’s development strategy. Yet, considering the risks, corporate private investors and host and source country governments should also seriously consider other types of investment models that do not involve large-scale transfer of tenure rights (Cf. [FAO 2012b](#), paragraph 12.6; [FAO, 2013a](#)). Hybrid models in which a relatively small nucleus estate expands through outgrower arrangements with surrounding smallholders rather than land acquisition can also work well ([World Bank, 2013](#)).

Though no blueprint exists for “win-win” models, projects that combine the strengths of the investor with those of the small-scale producers are shown to have good chances of success ([FAO, 2013a](#)). In this regard, the fact that small-scale agricultural producers and domestic MSME’s account for the bulk of investment in developing countries should be considered. Agro-FDI can complement and stimulate domestic private investments, but never replace them.

Large-scale mono-cropping models have often been associated with environmental damage, including soil degradation, water pollution, loss of biodiversity and deforestation. Business models that engage small-scale producers can be more conducive to a necessary shift towards agricultural systems that produce more while putting less pressure on productive resources and regenerate ecosystem services such as CO2 sequestration and genetic biodiversity ([FAO, 2011](#)).

Many challenges occur at an early stage of an investment project. If new and innovative ventures succeed, they can have transformative impact on surrounding communities. However, it is prudent to expand in stages, obtain relatively small parcels of land initially, and only seek to expand when the initial financial, managerial, tenure, community and governance risks have been addressed in an adequate manner ([World Bank & UNCTAD, 2014](#)). A case could be also made for turnover investment in already existing agricultural projects, or so called “brownfield investment”. In many cases, projects that operated below capacity have become both more profitable and more economically and socially viable by additional investment from new sources. The new investors can inject new capital and knowhow into a project while benefitting from sunk capital and lessons learned from previous mistakes ([World Bank, 2012](#)).

## The business case for responsible investment in agriculture

There are many examples of business models that involve local communities, including the most vulnerable groups, and take environmental impacts into account. The difficulty lies in scaling-up and replicating such models. Lack of sufficient engagement by the corporate private sector and lack of political will can be big challenges to overcome. Political economy factors and vested interests may facilitate speculative and exploitative business conduct.

Given projected increases in demand for land derived products and services, current low land lease fees in many developing countries and diminishing supply of land, there is a significant potential of high returns on large-scale investment in or speculation on developing country agriculture. Yet, it is important to remember that historically the financial failure rate of large-scale agricultural projects in developing countries has been high. Failures can often be attributed to negligent business conduct. Many times, risks could have been discovered prior to or at an early stage of implementation ([World Bank, 2012](#)). Early movers in the ongoing land rush have often also found that merely holding a contract for a large parcel of land is no guarantee of a profitable operation. Dysfunctional tenure systems, neglect of rights and overlapping claims for land have repeatedly led to conflicts, legal disputes, delays or halts in implementation and reputational damage. These so called tenure risks can in turn impose incalculable costs on investors ([The Munden Project, 2013](#)).

Agriculture and food systems are at the highest risk from so called “sustainability mega-forces” such as poverty, hunger, population growth, climate change, competition for scarce natural resources, and environmental degradation. Yet, many corporate private investors involved in agribusiness are currently ill-equipped to respond to these challenges. Many of them are making little progress in reducing their ecological footprint and exposure to environmental cost ([EcoAgriculture Partners, 2013](#)).

However, forward-looking governments and private sector actors realize the potential economic benefits of socially and environmentally sustainable ventures. Some corporate private investors have shown a genuine interest in going beyond minimal legal requirements and aim to creating shared value for all stakeholders. Risk prevention and mitigation as well as value chain efficiency – or insurance of stable and long-term supply of agricultural raw materials – are important drivers towards more responsible business conduct. Compliance with various international standards also becomes increasingly important for investors who seek access to high value markets or funding and support from financial institutions. This gives scope for forward-looking developing country governments to be selective about which investment they want ([World Bank & UNCTAD, 2014](#)).

During recent years, many governments have also set limits on transfer of land, revised processes for assessing project proposals, and engaged local communities and individuals in participatory land use planning.<sup>5</sup> In Laos, efforts to develop local land use plans and formal agreements on uses of land that recognize various tenure rights have been made ([Wehrmann,](#)

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<sup>5</sup> While many countries have issued laws and policies giving priority to rights and livelihoods of rural populations, the implementation often lags behind. Laws and policies should also be tailored to local or national contexts to be effective. As an example, increased criticism against foreign large-scale land acquisitions may prompt a government to issue moratorium on foreign land-ownership. However, in some countries, a high incidence of relatively small land acquisitions that only involve domestic agents are more problematic in terms of land consolidation and limitation of access to land for smallholders (Cf. Jayne et al. 2014).

[2011](#)). Realizing the risks associated with a dramatic increase in demand for farmland, the government of Mozambique issued a moratorium on land transfers during a period in which land considered to be available for investment was identified in a local land use planning scheme, and the process by which projects were approved were revised ([FAO, IFAD, UNCTAD & World Bank, 2010](#)).

## **Steps to minimize risks and ensure mutual benefits of FDI in agriculture**

Given the scarce financial resources of many governments and high social, environmental and financial cost of failing, exploitative and speculative investments, the best option for governments is to screen out non-viable investment proposals before they are approved. Robust pre-feasibility studies – including demands on disclosure of financial viability and earlier performance of investors – are good initial steps in the investment review. In cases where investors wish to acquire land they should be required to clearly specify the intended use. If the land is not used for its planned purpose within a given amount of time it could revert to its original owner. Investors may also be required to deposit a certain percentage of the lease or purchase price or the value of the investment when making a bid. These simple measures can increase the likelihood of financially viable investment proposals (Deininger 2011).

Following a successful initial screening, a number of steps should be taken to increase the likelihood of creation of mutual benefits and minimization of risks of large-scale investment projects. These include *inter alia* Environmental and Social Impacts Assessments (ESIA's) resulting in management plans, clearly spelled out terms for benefit sharing and sustainability should in business contracts and regulatory frameworks as well as continuous monitoring and evaluation and enforceable sanctions for non-compliance.

These measures should build on a rights based approach. A number of core ethical principles should be considered. First, stakeholders directly concerned by a proposed a large-scale investment project should have a fair chance to voice their concerns. Drawing on human rights principles such as the right to self-determination, it can also be argued that directly affected communities and individuals have the right to contribute to the approval or rejection process and design and implementation of the project (Cf. the UN Charter and the International Covenant on Civil and Political Rights). Before considering any large-scale ventures in a specific geographical area, legitimate tenure rights of affected communities and individuals should also have been identified, and means to protect these rights should have been established ([FAO 2012b](#); [FAO, IFAD, UNCTAD & World Bank, 2010](#)).

Gender and equity issues must also be underscored. Impacts of investment are differentiated along gender, ethnical, class and other lines. Women are often responsible for the cultivation of food crops while men are more often employed as plantation workers and engaged as outgrowers. Women, who are often responsible for household food security, might therefore lose if local food crop cultivation is displaced by commercial ventures. Relatively larger farmers with proximity to water and infrastructure are also more likely to be engaged as out growers than smaller farmers in remote areas. In the best cases, increased cash incomes in rural economies can also lead to development of decent off-farm livelihood opportunities for marginalized groups and individuals as increased cash-flows trigger demand for different

goods and services. To ensure broadly shared benefits, gender and equity implications of investments must be addressed thoroughly by both investors and policy makers. (Cf. [FAO, 2012c](#); [FAO, IFAD, UNCTAD & World Bank, 2010](#)).

Given agriculture's dependence on natural resources and ecosystems, and its significant potentially positive and negative environmental impacts, meaningful environmental impact assessments before approval and reliable environmental management systems during the lifespan of a large-scale investment are an absolute necessity (Cf. [FAO, IFAD, UNCTAD & World Bank, 2010](#)).

Robust due diligence procedures of this nature should be based on different scientific disciplines and methodologies and use both quantitative and qualitative evidence in a transparent manner. These procedures are inevitably lengthy and expensive for large-scale projects, but both necessary from a human rights perspective and a cost-effective way to avoid or minimize the aforementioned risks.

It is important to ensure that responsible investors with limited resources are not discouraged. It could therefore in some circumstances make sense to put lower demands on projects with potentially lower risks or higher potential developmental impacts – such as smaller projects or pure processing or storage activities, and projects that actively seek to involve marginalized population groups.<sup>6</sup>

A variation of this concept is currently explored in the *Sierra Leone Guidelines for Sustainable Agricultural and Bioenergy Investment*, developed by the Sierra Leonean government and FAO in a consultative nationwide process. The guidelines include a rating system, based on how investments address social, environmental and economic risks and opportunities. The rating system weighs points by the size of the investment with the intention to make it easier for relatively smaller enterprises to reach higher rating (Government of Sierra Leone, 2013).

Another option to lower the burden of investors without neglecting social and environmental considerations is to pool resources and apply economies of scale in due diligence procedures. As an example, a generic impact assessment and a resulting management plan in a specific geographic area with particular agro-ecologic and socio-economic conditions can be carried out in order to identify general risks and opportunities and the type of projects that may be suitable in that area. Potential investors could then devise complementary and project specific assessments and management plans without starting from scratch (Cf. Mgungundlovu District Municipality, 2013). Another benefit of this type of “landscape approach” is that it encourages companies, local governments and inhabitants look at risks and opportunities beyond the project level to support food production, livelihoods, sustainable natural resource use and conservation of ecosystems in an integrated manner ([EcoAgriculture Partners, 2013](#)).

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<sup>6</sup> Regardless of which approach to impact assessment are chosen, the requirements and respective roles of government, investors, local communities and other stakeholders should be clearly specified. According to World Bank and UNCTAD 2014, impact assessments provided by host countries as a kind of investment incentive can produce too optimistic results. Impact assessments may be more efficient when paid for and carried out by Investors themselves or specialized and independent third parties. Meanwhile, the regulating and enforcing role of government is crucial.

## Support local organizations and public private cooperation

Due to the inherent risks and long gestation periods of agricultural investment, benefits take time to emerge. During initial stages, investment projects may therefore be dependent on strong public support and patient capital from investors willing to forgo immediate financial returns in anticipation of higher financial, social and/or environmental returns in the long term. Patient capital often comes from the public sector (including from governments, development finance institutions and sovereign wealth funds), or the non-profit sector. However, the private for-profit sector also increasingly provides patient capital (including from so called “impact investors” and “social investors”), and joint projects between public and private sector actors are now more common as well ([FAO, 2014](#); [FAO, 2013a](#)).

Governments and development cooperation partners can also take a number of specific measures to increase the involvement of local communities and individuals in decisions over foreign agricultural investment. As one example, an agency designated to defend the interests and develop the capacity of the rural poor, such an “Agrarian Ombudsman”, may be established. Multistakeholder platforms at the national level may also be set up to facilitate inclusive discussions on agricultural investment.

To address power asymmetries and unequal access to resources and information between and within stakeholder groups inclusive and representative local organizations, especially farmer groups, should be supported. Local organizations can articulate the interests and strengthen the bargaining power of the rural poor. They can also lower the transaction costs of engaging with smallholder farmers, and make inclusive business models a financially viable option for outside investors.

## Conclusions

Inclusive agricultural investment is among the most efficient ways to combat poverty and hunger. Public investments by governments and donors as well as national and international policies, regulations and incentives should encourage small-scale producers and domestic MSME’s along the value chain to save and invest.

In aggregate, foreign agricultural investment in the agri-food sector of developing countries plays a much smaller role than domestic private investment. Nevertheless, increases of foreign investments in agricultural value chains can contribute to generation of decent jobs, development of domestic value chains and infrastructure, provide access to global markets and stimulate uptake of new technologies or business models.

There is a wide variety of impacts of investment in agriculture. If left unchecked some forms of investment with significant socio-economic, food security and environmental risks may occur. Decent jobs and outgrower opportunities are among the most attractive potential impacts of agribusiness investments for local populations. Meanwhile, problems related to land tenure are among the most important causes of grievances from local populations and delays in project implementation. There is often a significant correlation between local socio-economic impacts, macro-impacts on host countries and environmental impacts and financial and operational viability of investment projects. Hence, responsible business conduct is clearly in the long-term economic interest of corporate investors.

While good governance at the national and local levels is crucial for positive outcomes and reduction of risks, many countries have inconsistent laws and policies and low institutional capacity. International guidance to help governments develop an enabling environment and businesses to design responsible investment strategies has been requested.

A number of initiatives to identify good practices and develop and apply voluntary standards are ongoing. International standards cannot substitute for national laws and regulations or public action, but experience shows that broadly accepted non-binding standards can have a positive influence on decisions on investment.

No blueprint exists for “win-win” models, but projects that combine the strengths of outside investors with those of small-scale producers, and involve local communities and land-users as active business partners at an early stage, are shown to have good chances of success. Conversely, large-scale land acquisitions in a context of fragile institutions and poorly protected land rights have a high failure rate and are less likely to produce substantial local socio-economic benefits.

Sensitive political economy factors, vested interests and contrasting perspectives on development should not be ignored. Yet, there is a growing consensus that not only more investments but also more responsible investments in agriculture are essential for food security and sustainable development. Responsible investments are also in the long-term security interests of governments and economic interests of private corporate investors. Through critical dialogue supported by a growing body of empirical evidence, common ground can be identified. Discouragement of extractive and speculative ventures and stimulation and up-scaling of mutually beneficial investments requires joint effort by all stakeholders.

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