

THIRTIETH REGIONAL CONFERENCE FOR ASIA AND THE PACIFIC

**Gyeongju, Republic of Korea
27 September – 1 October 2010**

Side Event on Responsible Agricultural Investment

CONCEPT NOTE

Background

Since the 1970s, Asia and the Pacific region has achieved the highest economic growth rate in the world and significantly reduced poverty and hunger. However, the region continues to have the largest number of the poor and hungry in the world as the fruit of development has not been shared equitably across and within the countries. In recent years, poverty and hunger reduction have slowed down; and while many countries in the region are likely to achieve the MDG target for poverty, a number of them will fail to meet the World Food Summit target of halving the number of undernourished by 2015.

Part of the reason for the above situation is a general slowdown in public and private investment in agriculture with consequent slowdown in the overall agricultural growth and the rate of growth in productivity. While population growth rate has significantly declined over the years, the absolute number will continue to increase in this most populous region in the world. Furthermore, with income growth, urbanization and the aging population, the food consumption and demand patterns are changing, while maintaining the sustainability of the natural resource base for food production is an enormous challenge in the context of deteriorating land resources and increasing water scarcity. The agricultural system in the region is, therefore, facing difficult challenges and choices. Addressing these will require not only increased investment, but the right kind of investment. The public sector alone cannot meet this need, but it has the responsibility to invest in basic research and development and public infrastructure and provide conducive policies, supportive institutions and a fair and efficient regulatory framework which will encourage private investment. Foreign direct investment has a potentially important contribution to make in financing these investments.

The Asia-Pacific region includes both countries that are major investors abroad and countries that are net recipient of international investments. Some Asian countries have actively invested in the agricultural sector of other countries in the region and beyond. On the other hand, several countries in the region have enjoyed substantial flows of international investment in agriculture and related sectors. Finally, some Asian countries have become both a significant source and destination of foreign direct investment.

If international investment is to play its part in meeting the agricultural investment needs of developing countries, it is essential that it should bring development benefits to the receiving country in terms of technology transfer, employment creation, upstream and downstream linkages. These beneficial flows are not automatic: care must be taken in the formulation of investment contracts and selection of business model. Appropriate legislative and policy frameworks need to be in place. There is an urgent need to monitor the extent, nature and impacts of international investments and to

catalogue best practices in law and policy to better inform both host countries and investors. The scope for forms of investment other than land acquisition – such as contract farming, out-grower schemes and other joint ventures - and which are more likely to yield development benefits to host countries needs to be evaluated and best practices promoted. If foreign direct investment is to play an effective role in the agricultural development of the region, there is a need to reconcile the investment objectives of investors with the investment needs of countries. Investment priorities need to be identified in a comprehensive and coherent investment strategy and efforts made to identify the most effective measures to promote the matching-up of capital to opportunities and needs.

Aiming to build consensus on the principles for responsible agricultural investment

The perceived risks attached to large-scale investments in agriculture by foreign investors (in particular land acquisitions) are such that there have been calls for guiding principles to promote responsible agricultural investment. In the absence of appropriate domestic legislation and equitable investment contracts, internationally agreed principles to which investments should adhere could highlight host country interests but could also be seen as a guide for investors to socially responsible investment. Such an international initiative based on detailed research concerning the nature, extent and impacts of foreign investment and best practices in law and policy could provide a framework to which national regulations, international investment agreements, global corporate social responsibility initiatives and individual investment contracts might refer.

In order to be legitimate and gain broad support, any international action requires widespread consultation with all stakeholders including governments, farmers' organizations, NGOs, the private sector and civil society more generally. Such a consultative process would inevitably be lengthy but without comprehensive consultation it is unlikely that an international initiative could succeed. Experience shows that the very process of developing voluntary codes, guidelines or principles can be beneficial in terms of promoting more responsible investment behaviour.

Recently, FAO, UNCTAD, IFAD and the World Bank have jointly led a reflection on *principles for responsible agricultural investment (RAI) that respect rights, livelihoods and resources*. They have identified the following seven basic principles:

- i) *land and resource rights*: existing rights to land and natural resources are recognized and respected
- ii) *food security and rural development*: investments do not jeopardize food security and rural development, but rather strengthen it
- iii) *transparency, good governance and enabling environment*: processes for accessing land and making associated investments are transparent, monitored, and ensure accountability by all stakeholders
- iv) *consultation and participation*: all those materially affected are consulted and agreements from consultations are recorded and enforced
- v) *economic viability and responsible agro-enterprise investing*: projects are viable economically, respect the rule of law, reflect industry best practice, and result in durable shared value
- vi) *social sustainability*: investments generate desirable social and distributional impacts and do not increase vulnerability

- vii) *environmental sustainability*: environmental impacts are quantified and measures taken to encourage sustainable resource use while minimizing and mitigating negative impacts.

A Side Event on Responsible Agricultural Investment

FAO proposes to hold a side event during the 30th Regional Conference for Asia and the Pacific (APRC).

Objectives of the side event:

- to review and pool knowledge and identify priorities for policy, incentives, best practices for responsible agricultural investment and support to agriculture, issues for further research and the overall investment environment and policy debate
- to solicit the views of participants on the proposed principles for responsible agricultural investment and to explain the relationship between the principles and the Voluntary Guidelines to improve the governance of tenure of land and other natural resources that are being prepared by FAO and its partners.

Outputs:

- Chairperson's Summary of the side event
- The report will be complemented by other FAO related outputs to provide an overview of the state of knowledge concerning recent investments, their impacts and their policy implications as a start for further work in this area.

Proposed participants:

The side event will bring together the various stakeholders that are affected by international investment in agriculture including:

- policy makers and other government representatives,
- leaders of farmer organizations,
- investors, including national and regional financial institutions,
- technical experts,
- service providers,
- academics and researchers
- leaders of civil-society organizations
- and other relevant stakeholders actively interested in the investment in Asian agriculture.

Number of participants: 50-100

Approach:

The side-event will provide a forum to exchange information and review the available knowledge about recent investments, to identify the key issues, and to explore policy and legislation questions.

The FAO experts will present the key benefits and issues raised by international investment in agriculture. They will introduce the principles for responsible investment in agriculture that have been developed by FAO, the World Bank, UNCTAD and IFAD and their possible implications for Asian countries. They will explain how these principles complement the *Voluntary Guidelines to improve the governance of tenure of land and other natural resources* that are being prepared by FAO and its

partners. Participants will share their views and suggestions concerning the proposed principles and their suitability to governments, civil society and private sector operators in the region. They will discuss the possible next steps, including further elaboration of the principles and their implementation.

Date and duration:

The side event will be organized in the afternoon of 1 October 2010, from 13:30 to 15:30 hours, before the concluding session of Conference.