منظمة الأغذية والزراعة للأمم المتحدة | 联合国粮食及农业组织 | Food and Agriculture Organization of the United Nations | Organisation des Nations Unies pour l'alimentation et l'agriculture | Продовольственная и сельскохозяйственная организация Объединенных Наций | Organización de las Naciones Unidas para la Agricultura y la Alimentación

TWENTY-SIXTH REGIONAL CONFERENCE FOR AFRICA
Luanda, Angola, 3-7 May 2010
Side Event – Direct Investment in African Agriculture
Date: Wednesday, 5th May 201
Time: 09.00 – 12.00
Venue: BELLAS Conference Centre, Luanda, Angola
REPORT OF PROCEEDINGS

1. Opening:

The Side Event on Direct Investment in African Agriculture was declared open by the Hon. Vitoria Neto, Secretary of State for Fisheries. The session was chaired by Mr. Benoit Horemans, FAO Sub-regional Coordinator for Central Africa.

Statement by Hon. Vitoria Neto – Secretary of State for Fisheries

In her opening statement, Hon. Vitoria Neto recalled that the World food crisis and the soaring of food prices as well as the world economic and financial downturn had adversely afftected the economies of developing countries, in particular African countries. This has once again highlighted the need for developing the food sector in Africa. To this end she called for more investment in Africa's agriculture. She congratulated the FAO for organizing the Side Event to enable the discussion of the subject. Hon. Vitoria Neto went on to recall that because of low investment and the resultant stagnation of productivity in the agricultural sector, Africa has not been able to overcome the challenge of poverty reduction. In the case of Angola she went on to recall the policies that have been put in place by the Government of Angola (GoA) since 2002, after the country regained peace, to address the numerous challenges facing the country after the long civil war. In this connection she mentioned that the GoA has also deployed specific efforts to attract foreign direct investment, like the construction of silos, irrigation, roads and storage facilities, the establishment of a credit line to promote commercial farming and the introduction of a USD 350 million credit line to support the diversification of the economy and to guarantee food security. She emphasized that the main objective of the Government was to ensure the availability of food through technology transfer and food security by granting loans for the production of better and nutritious food. She concluded by calling for local production to substitute imports.

Statement by Ms Maria Helena Semedo – FAO Assistant Director General for Africa

Ms Semedo's statement was read on her behalf by Mr. Benoit Horemans, FAO Sub-regional Coordinator for Central Africa. In her statement she recalled that investment in African agriculture has historically been only a fraction of what has been invested in Asia-Pacific, Latin America and Caribbean countries. This is one of the causes of Africa's lacklustre record in terms of rural growth since the Green Revolution began. Nevertheless, she said that investments originating from the public and private targeting rural areas hold the promise of raising productivity and the welfare of the people and are consistent with existing strategies for economic development and poverty reduction. Private investment in the agriculture sector, including foreign sources, offers significant potential to complement public resources. She however drew attention to the fact that where rights are not well defined, governance is weak or those affected lack voice, there could be the threats of displacement of local populations, undermining of existing rights, environmental damage and loss of livelihoods or opportunities for land access to the vulnerable resulting in nutritional deprivation, social polarisation and political instability. She went on to explain that it was for that reason that the FAO, IFAD, UNCTAD and the World Bank took the initiative to elaborate the basic principles for a voluntary code of conduct that can guide Member States in policy development, standard setting and regulations promoting investment in their agricultural sector. She therefore invited participants to share their views that would contribute to the development of recommendations for future action and use by African governments, investors, smallholder farmers, development partners and institutions as well as civil society.

2. Presentations of Key Issues in Director Investment in African Agriculture

2.1 Presentation objectives of FAO-Japan Project on investment in agriculture
By Masahiro Miyazako - Project Coordinator, FAO-Japan Trust Fund Project

Mr. Miyazako explained that the aim of the Project was to support "Study on Appropriate Policy Measures to Increase Investments in Agriculture and to Stimulate Food Production". To this end the project would undertake activities which would identify a policy framework for promoting, facilitating and supporting the acceleration of investment by the public and private sectors so as to achieve domestic capital formation for stimulating sustainable food production. The project started in October 2009 for a duration of three years. The expected total budget is USD 2,783,736. This amount is being donated by the Government of Japan.

He also explained that three outputs were expected from the Project. Output 1 will be a "Handbook" containing policy options for promoting proper agricultural investment from all sources, including international investment (private, ODA), leading to increased domestic capital formation for stimulating sustainable food production and good practices and lessons learned from past experiences of agricultural development and investment. Output 2 will be a database of statistical data on agricultural investment/capital stock, investment flows from different sources including domestic and foreign ones, and data on capital items such as arable land, irrigation, livestock and storage facilities. The second set of the database will be a compilation of legislative and policy framework information regarding agriculture and investment, information on investing enterprises and institutions, international investment agreements as well as good practices in the investment sector. Output 3 will consist of a "Compendium" of analytical papers and results of country case studies carried out for the preparation of the Handbook and Database.

2.2 Presentation of key issues on Direct Investment in African Agriculture
By Suffyan Koroma – Economist, Trade and Markets Division, FAO

In his presentation Mr. Suffyan Koroma flagged the key issues such, lack of data/information on private investments which makes impact assessments limited. To pursue this he informed the participants that the FAO and its partners, IFAD, UNCTAD and the World Bank Group have been carrying out case studies to ascertain the nature and scope of private investments in addressing food security in Africa. Mr. Koroma stated that if FDI were to fill the gap that ODA could not fill, there was the need to reconcile the investment objectives of the investors against the needs of the host country. To that end he called for an evaluation of the impact of the FDI.

In his analysis, he pointed out that whereas for the Investors, their interests are in the area of bio-fuel production and portfolio diversification – financial gain, including in land values and carbon credits, they were not so much concerned about food security. He went on to explain that, on the other hand, many of the host countries need FDI to supplement other investment sources such as domestic and ODA; enhanced asset transfers to achieve developmental goals such as technology transfer, employment creation, infrastructure development; food production and food security; commercialization and large-scale agriculture; diversification and development of value-added production. He went on to outline the negative issues to be addressed such as social rights issues, transparency, governance issues and sovereignty; environmental issues and inappropriate economic model for development. In this context Mr. Koroma shared with the participant the preliminary results of a case study of Investment in Uganda.

Regarding the case study of Uganda, Mr. Koroma explained that although about 124 investments projects have been registered for the agricultural sector, they accounted for only 3.5% of all projects registered between 1992-2008. That depended on how agriculture was defined in Uganda for investment purposes. In most cases, countries adopted the UNCTAD definition, which groups agriculture, forestry and fishing as one category and food and beverages as a different category. However, a key feature of agricultural investment projects was that they tended to increase suddenly at particular points in time and then declined to their normal low level usually in response to some phenomenon. That was also the case in other country case studies where data existed.

Regarding employment creation, he said it was hard to quantify it due to the seasonal nature of most operations. As regards production, significant increase was experienced as rice acreage produced almost doubled in 10 years (60,000 to 119,000 ha). There was similar positive experience in the cases of flower, coffee and fish.

Mr. Koroma pointed out some of the challenges relate to the unpredictability of the food trade policies, e.g. Uganda banned food export during the recent food crisis. This phenomenon has triggered off new efforts by some countries to acquire land in other countries, particularly to assure their populations of food security.

He cited other implications of FDI for Uganda which included partnership for bulk buying and other activities which crowded out the local fishers.

2.3 Presentation of the Principles for Responsible Investment in Agriculture By Pascal Liu - Economist, Trade and Markets Division, FAO

In his presentation, Mr. Pascal Liu, , explained the genesis of the *principles for responsible agricultural investment that respects rights, livelihoods and resources* that have been formulated by FAO, UNCTAD, IFAD and the World Bank. These principles have been developed to address concerns that the interests of local communities are not emphasized in investment contracts and international investment agreements and that domestic laws may not be adequate. Consequently, it was feared that some investment projects may have adverse impacts on small farmers and food security.

In order to help governments maximize the benefits of international investment while minimizing the risks, FAO and its partners have proposed 7 principles that contain such elements as, transparency, good governance and accountability; social, environmental and economic sustainability; stakeholder involvement; recognition of domestic food security and rural development concerns. The contents are based on research and best practices in law and policy. The principles and other information relevant to investment in agriculture are available from the Knowledge Exchange Platform[1] that has been developed by FAO, the World Bank, UNCTAD and IFAD.

Mr Liu presented the 7 principles as follows:

Principle 1: **"**Existing rights to land and associated natural resources are recognized and respected" – This involves, inter-alia, the identification of rights holders and the legal recognition of all rights and uses as well as the establishment of independent mechanisms for resolving disputes. This principle is elaborated further in the *Voluntary Guidelines to improve the governance of tenure of land and other natural resources* that FAO has been developing with partner organizations.

Principle 2: "Investments do not jeopardize food security but rather strengthen it" This requires provisions to ensure the continuous access to food, the protection of the livelihoods and incomes of local people, and the development of strategies to reduce potential instability of supply.

Principle 3: "Processes relating to investment are transparent, monitored and ensure accountability by all stakeholders within a proper business, legal and regulatory environment" This requires

[1] http://www.responsibleagroinvestment.org/rai/

transparency of procedures, strengthening of institutional capacity and benchmarking of laws and regulations against globally-accepted best practices.

Principle 4: "All those materially affected are consulted, and agreements from consultations are recorded and enforced". This requires clear procedures for participation of stakeholders, the recording of all agreements and methods for enforcement.

Principle 5: "Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically and result in durable shared value". This requires that investors comply with domestic laws and policies, adopt global best practices for transparency, accountability and corporate social responsibilityfor and strive to generate benefits for local communities and the host country. On the other hand, governments should carefully check the feasibility study to ensure that local stakeholders are likely to benefit from the investment,

Principle 6: "Investments generate desirable social and distributional impacts and do not increase vulnerability" To this end efforts should be made to identify risks and devise strategies to address them so as to protect the interests of vulnerable groups and women. The investment plan should include benefits such as job creation, technology transfer and public goods.

Principle 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". This requires, among others, the formulation of adequate regulations at the relevant levels to address externalities, environmental impact assessments prior to project implementation, compliance with environmental good practices, and the establishment of a reliable environmental monitoring system to address impacts.

Mr. Liu explained further that the principles are completely voluntary and can provide a framework to which national regulations, international investment agreements, global Corporate Social Responsibility (CSR) initiatives and individual investment contracts could refer.

He concluded by explaining that, in order to carry the process forward, FAO and its partner organizations will conduct comprehensive consultations with all stakeholders, including governments, farmers' organizations, NGOs, private sector and civil society so as to build consensus among them in order to translate the said principles into actions for investors, governments, donors and international agencies for implementation at different levels. Based on the results of the consultations, the principles may be used to produce a voluntary international instrument such as guidelines or a code of conduct if there is consensus.

3. Panel Discussion

- **Presentation of Hon. José Maria Veiga – Minister of Agriculture of Cape Verde**

In his intervention, the Minister of Agriculture of Cape Verde, Hon. José Maria Veiga gave an overview of the geographical setting of Cape Verde as a country of 9 islands. 10% of the land area is dedicated to farming. There are two or three rainfalls per year and Cape Verde is prone to cyclical droughts. Farming is fundamental to the economy and the government's policy seeks to ensure that investment can contribute to improving livelihoods. This is done by addressing four questions, namely how much do we need to produce? what are the land, water and appropriate technology available? what are the prospects for market access? and how to ensure social equity, in particular equal access to food security. To achieve this, the government has to assure effective transportation in order to minimize transport costs. Investment must also be balanced against environmental concerns. He also underscored the challenge of access to public and private lands. Policies should address the issue of how the private sector can carry out investment while fully respecting the rules that ensure the welfare of the population. Regarding the priority investment sectors, the Hon. Minister pointed out Horticulture and Tourism. He however, called for increased food production, integration of the population in the market and the value chain in Cape Verde in order to change the present situation whereby most food items are imported from the Republic of South Africa and the Canary Islands.

- **Presentation by Mr Joaquim Duarte – Director of Studies and Planning, Ministry of Agriculture, Angola**

In his presentation Mr. Duarte outlined the recent experience of the Republic of Angola regarding investment and agricultural development. He explained that apart from the natural resources of diamond and oil, Angola has a huge land area (35 million hectares of arable land) and that only 4 million are currently being farmed. He gave an overview of the hardships of the civil war from which Angola has emerged and the efforts being undertaken by the government to resettle the displaced populations and other measures being undertaken to consolidate peace. These include the provision of seeds, tools and animals for 4 million people to get settled and become socially integrated.

In addressing institutional reforms he spoke of the Customs and Public Finance Sector Modernization and private incentives being provided to attract foreign direct investment. He explained that there are various types of incentives and tax-breaks aimed at attracting investment into the coastal, and non-coastal (Interior) parts of the country. The government also provides a "one – stop shop" Investment Centre. In giving an overview of the Government Programme he stated that there were three pillars, namely, Pillar 1 – Farming, Pillar 2 – Reorganization of the Agriculture System – provision of lands for association and cooperatives and Pillar 3 – Public and Private Investment. The Government pursues a policy of economic diversification and hence in the agriculture sector, it seeks to guarantee food security and to ensure poverty reduction in the rural areas. Regarding the allocation of the governmental budget to the agricultural sector he informed the meeting that more than USD 1 billion have been channeled to support water resources use and management, natural resource conservation and producer support. On agriculture sector growth he mentioned that private investment was encouraged through the creation of a National Development Fund which was sourced from a 5% tax on petroleum sales and 3% from the sale of diamonds. These were used to provide loans to small and medium as well as large scale businesses in particular for agriculture mechanization and livestock production. He went on to outline the procedure that it applied for the administration of FDI in Angola. He concluded with the projected public investments for the construction of roads through joint ventures and agro-industry as well as the administration of land use for the production of soy, maize, sugar cane and cereals.

- **Presentation by Mr. Ram Bhavnani – Director of Policy, Planning, Monitoring and Evaluation, Ministry of Agriculture, Ghana**

In his opening remarks Mr. Bhavnani gave a brief history of 53 years of investment promotion and policy in Ghana. He explained that currently the government is attracting investment from various countries such as Qatar and South Korea. Some of the measures being put in place by the Government of Ghana (GoG) include leasing of state-owned farms. He went on to talk of the investment process and the roles of the Ghana Investment Council and of the Government. These include the registration of investment, and provision of infrastructure (feeder roads) and electricity. The government has also created the Export Development Investment Fund (EDIF) and is currently considering the creation of an Agricultural Development Fund. He drew attention to Ghana's experience regarding the use of incentives to attract FDI and noted that even though they looked attractive the said incentives were not delivering the expected investment into the country.

Regarding access to land he talked of the challenge posed by multiple ownership of the land and noted that investors worry about possible expropriation of the land by the government in the future. On medium and long term lending he said that interest rates were rather prohibitive. He recommended that governments should carry out an evaluation of the impact of the incentives that they accord to FDI in order to determine what were the priorities of the investors and what they really wanted. This would enable the establishment of guidelines. For example, currently investors are not entitled to credit from the local banks and they are obliged to provide their own working capital.

He also informed the participants about current policies of the GoG which encourage "Block Farming", the use of buffer stocks to mop up the excess food production; speeding up the registration of lands and the establishment of "land banks". This would encourage local investors to lease their land as equity in any joint venture. He concluded by recommending that:

- Dedicated fund should be established for Agriculture to promote Agriculture Value Chain approach to investment;
- Maximize development impact;
- Provide data base for land resources and quality;
- Identify agriculture belt support;
- Promote "committed" investors;
- Promote large-scale investment;
- Follow up and support developers; and
- Investment should not only be commercial but development oriented as well.

- **Presentation by Mr. Diobo Diene –Technical Advisor in the Cabinet of the Minister in Senegal**

In his introductory remarks Mr. Diene requested FAO to examine Senegal as one of the case studies. He informed the participants that his country had adopted an Investment Orientation Law which establishes farming professions and a framework for consultations with all stakeholders. Senegal also passed a Decree establishing social welfare protection and land ownership arrangements which recognized customary ownership of land. Consequently, local authorities could attract local investment and there is an established system of inheritance. The Decree allows for anyone to sell off his/her investment and quit farming if one chose to. Currently there is a law reform process underway. The government hopes to diversify the economy through a reform of the market regulations and to establish a Guarantee Fund which would stabilize prices and ensures food security and production for export. He mentioned that the Government of Senegal (GoS) has already a Code of Conduct which guarantees food security for small farm holders.

The government also has put in place a Youth Farming Scheme – pursuing a "back to the land" campaign – to attract investors to establish contract farming on the land. It has signed an agreement with Spain to supply their supermarkets with watermelon. Mr. Diene expressed interest in the work of the FAO in respect of a voluntary code of conduct on responsible investment". He expressed the hope that Senegal could make a meaningful contribution to the consultation process on thematic issues such as regulatory aspects and laws and establishment of agricultural insurance which they have put in place to cater for food security and ensure compliance with international standards.

- **Presentation by Mr. Tony Weisz – representative of AGRO MUNDO**

In his presentation entitled "Agribusiness in Angola from the Perspective of the Private Sector", Mr. Weisz gave background information on the economy of the Republic of Angola – 35 million hectares of arable land out of which only 10% is under cultivation. Some 60% of the country's population operates in the agricultural sector and there are 2 million small holders. He went on to state that until 1975 Angola was self sufficient in and was also an exporter of coffee (Robusta), maize, sugar cane, cotton, jute, sisal, bananas, wood and rice. During the war, the land was left fallow for 30 years. Currently the Angolan government is putting in place various strategies to diversify the economy and for the development of Agribusiness in the various sub-sectors of agriculture (cattle breeding, forestry, fisheries) in order to eliminate famine, become self-sufficient, create jobs and exports the surplus. He stated that since April 2010 Angola has a Legal Framework in place to promote private investment. It has adopted a Land and Environmental Law. Land is available to be leased from the government on project basis or to be purchased from private stakeholders although he stated that there was no market yet. Water is available and the government is developing various areas for irrigation.

Regarding Financing, Mr. Weiz informed that the Banco de Desenvolvimento de Angola (BDA) has announced the creation of a credit line of USD 350 million that will be available for the agriculture sector. Financing is available from other Angolan private banks and through Public and Private Investment the government provides guarantees for international funding. Another investment source is the Agencia Nacional de Investmento Privado (ANIP). Any private foreign investment of over USD

200,000 has to be presented to ANIP for approval and it will determine whether the investment would be eligible for tax incentives or not.

He went on to state that the major agricultural projects under development included various government initiatives to increase agricultural production from 1.1 million tons to 15 million tons by 2013. The investments are to the tune of USD 2 billion over 4 years already announced plus a new credit line of USD 35 million. The projects are the following: Aldeia Nova/Waco Kungo (integrated milk and poultry production), BIOCOM (bio-ethanol), GESTERRA/Pungo Andongo and Sedia (maize), QUIMINHA (integrated poultry), PRO CANA (sugar) projects and SUMBE (cotton project). The construction of technical boarding schools for the agriculture sector are also under way.

Regarding to access to market, Mr. Weisz stated that 20 to 30% of the domestic trade takes place through formal markets (supermarkets and convenience shops), whereas the remaining 70 to 80% uses informal markets. Except for Forestry and Fisheries products, agricultural exports are currently non-existent. He indicated that there was need for adequate infrastructure to be put in place such as silos, deepwater ports and roads while recognizing that much has been done in this respect. In conclusion he indicated that Angola had a bright future in the agribusiness sector which would be environmentally friendly.

4. Plenary Discussion

Mr. Mafa Chipeta, FAO Sub-regional Coordinator for Eastern Africa was given the floor to provide information on the upcoming workshop on Private Sector Agriculture Investment in Eastern Africa to be held by the FAO in Addis Ababa from 13 to 14 May 2010. The objective of the workshop is to highlight the enormous market opportunities and potential that exist in the Eastern Africa region. In particular he pointed out that every year, over USD 1 billion is spent by East African countries on grain imports alone and non-African suppliers have been exploiting this market for decades. He noted that not only were the profits of those business opportunities going abroad but also that they created jobs outside Africa while Africans needed those jobs on the continent. In this regard he said the Workshop would table a number of searching questions which are addressed to both the private sector and governments in the Eastern Africa region.

During the exchange of views that ensued some comments were made on the Uganda case study. It was pointed out that rice became popular in Uganda because of the high political support put behind, in particular to promote NERICA Rice – a campaign led by the Vice President of the country. Regarding the palm oil project, the view was expressed that it was beneficial and the negative view reported by the case study needed to be further examined. A participant drew attention to the fact that during the presentations he did not hear about what assistance local banks would give to people to become real farmers. Regarding a possible voluntary code of conduct for responsible investment, a delegate stated that it should rather be called "Guidance for Principles" since their delegation did not think that it would be desirable for the initiative to be prescriptive for all. It should not be a "dogma" but rather guidelines that countries can adapt to their domestic laws. Support was expressed to the collaboration between the public and the private sector for investment in the agricultural sector in Angola which provides a framework that includes the "identification of bread basket with Investment Plans". The mechanism put in place for agricultural insurance in Senegal was also very much welcome and the guarantee that is provided for small farm holders by the Equity Bank was also appreciated.

There was a proposal that the FAO should arrange for the presentation on the Principles for Responsible Investment in Agriculture to be made at the African Union policy organs in order to give it a wider audience. Secondly, studies should be conducted to know whether or not investors were responding to incentives as expected or not, and, if not, efforts should be made to identify the reasons. Other participants sought to know whether the FAO project "A Study on Appropriate Policy Measures to Increase Investments in Agriculture and to Stimulate Food Production" could be replicated at the national level too. Others also recommended that the FAO should study possible measures to prevent land speculation in African countries. In response to some of the questions raised on the FAO-Japan trust fund project, the Project Coordinator, Mr. Masahiro Miyazako, informed participants that the outputs of the Project would be shared with all Member States and would also be posted on the internet.

5. Conclusions

In his concluding remarks, Mr. Horemans called for support to be provided by the local banks to smallholder farmers and for a change of paradigm so that banks can lend more to them. He further stated that FAO was conducting case studies with funding from the Japanese Government and that each sub-Regional Office had an Investment Officer assigned to work on issues related to Investment in Agriculture. He invited Member States to continue to participate in the ongoing consultations on the principles for responsible investment through the dedicated website[2]. He welcomed all the presentations made and pointed out that, in order for investment to occur, Member States should address land rights and land use issues in their countries and plan to put in place legislations which protect the small-scale farmer. He reminded Member States of their Maputo commitment to allocate 10% of their national budgets to investment in agriculture and called for special dedicated funds to be created for agricultural insurance policy as in the case of the Public-Private Partnership (PPP) of Senegal. Lastly, he urged Member States to continue monitoring developments and assist FAO to create the required network for support to responsible investment in agriculture.

On this note he invited all Member States to remain in contact with FAO.

[2] http://www.responsibleagroinvestment.org/rai/