

Food and Agriculture Organization of the United Nations

Side event on Exploring the Future of Foreign Investments in Agriculture in the Near East

Held during the 30th FAO Regional Conference for the Near East (NERC)
Khartoum, Sudan, 5 December 2010

Report

The side event was convened by FAO in conjunction with the 30th FAO NERC hosted by the Government of Sudan in Khartoum. It was jointly organized by the Trade and Markets Division (EST) and the Regional Office for the Near East (RNE) of FAO. Participation was high, with some 70 persons attending, most of whom were delegates to the Conference (government representatives including some high level officials). Some observers from NGOs and private companies were also present. The agenda and concept note are provided in annex of this report.

Objectives

The meeting's objectives were:

- to review knowledge and identify priorities for policy, incentives and best practices for responsible agricultural investment;
- to solicit the views of participants on the proposed principles for responsible agricultural investment that are being developed by FAO and its partners.

Summary of presentations and discussions

The side event started at 15.00 on 5 December and was chaired by Mr David Hallam, Director, EST. It was opened by Dr Saad AlOtaibi, FAO Assistant Director-General and Regional Representative for the Near East, followed by a presentation on international investment in Sudan made by Mr. Abdafi F. Ali, Federal Commissioner at the Ministry of Investment of Sudan. Mr Pascal Liu, Economist, EST, then made a presentation on the key issues raised by international investment in agriculture and the *principles for responsible agricultural investment that respects rights, livelihoods and resources* (RAI principles). He informed the participants that FAO and partner organizations have conducted consultations with stakeholders so as to build international consensus on the RAI principles. The objective is to collect the views of stakeholders and discuss how to translate the principles into actions for investors, governments, donors and international agencies for implementation at different levels.

Following the presentations, the Chairman opened a discussion with the following examples of questions raised by FDI:

- Can FDI fill the gap in helping to meet the investment needs?
- How to ensure that risks are minimized and benefits are maximized?
- There seems to be political support for principles for responsible investment in general, but can these be made operational?

The Chairman invited experts and participants to share their views on these issues and the RAI principles. An expert from a consulting company noted that foreign direct investment in agricultural production need not be in conflict with the food security objectives of the host country. He argued that FDI was an effective instrument to support business development whereas overseas development

assistance has not proved very effective in this regard. He recognized that there is ample scope for improving the benefits of FDI projects to the host country, notably because host government tend to lack understanding of how investment models work and there is a lack of impact monitoring. He called for improving the quality of backward and forward linkages with investment projects. The manager of a local agricultural investment company emphasized the need for FDI to increase food production and meet the needs of local populations. He urged member countries in the region to increase funding for research in order to raise agricultural productivity.

An expert from an intergovernmental organization underscored the need for adopting a country-specific approach to FDI in agriculture, as the social and economic context differs across countries and so do the issues raised by FDI. He mentioned situations where customary and statutory rights may be in conflict, as in the case where the government decides to sell collective land that it formally owns but that has been traditionally used by farmers. Also, he noted that FDI projects tend to be capital intensive, which may result in low job creation or even the destruction of local jobs, especially when workers come from abroad.

Following the comments from the invited experts, many delegates took the floor to express their views on this topic. They underscored the importance of FDI in contributing to meeting the investment needs of the agricultural sector of developing countries. They noted the importance of an appropriate institutional framework for maximizing the benefits and minimizing the risks attached to such investments for all stakeholders. They recognized the importance of the RAI principles in providing guidance in this respect, and further recommended strengthening the capacity of governments in managing effectively FDI in order to reap its benefits.

It was mentioned that many problems that have arisen from FDI projects are related to the management of the project rather than FDI per se. A participant from an NGO stressed that the concept of food sovereignty is essential. The host government should be involved in FDI projects as a full partner. There is a need for strengthening the capacity of government for managing FDI. This includes ensuring consistency between the objectives of the different levels of government within a country.

Also, it was recommended to involve the local community in the investment project to make local stakeholders full development partners. A delegate from a Gulf country stated that it is understandable that local people resist the FDI project if they feel that they do not benefit from it. He advised that only the private sector should invest abroad, as governmental investments may be met by resistance in the host country. All stakeholders have a responsibility to ensure that the investment project is designed and implemented in an appropriate and effective manner. Therefore it is essential to reconcile the different perspectives of the investor, the host government and the local community.

Participants further recognized the country-specific nature of the impacts of FDI due to differences in social, economic, legislative and institutional conditions, including different land tenure systems. Consequently, policies should take these differences into account and be adequate to the national context. Some participants recommended that the further elaboration of the RAI principles into a more operational tool should be done at the national level. Several delegates highlighted the specific sensitivity of large-scale investment in land due to the economic, social, political, cultural and religious dimensions of land. Any guidance on investment in land should take these local dimensions into account.

Participants agreed on the importance of sharing lessons and good practices across countries. It was suggested that a Regional Forum might be created to continue the discussion of all aspects of FDI in agriculture, including information sharing and building a repository of best practices, regulations and legislation. The forum would also provide input to the ongoing elaboration of the RAI principles. Some participants suggested that the forum should have a broader scope and discuss all types of investment in agriculture, whether domestic or foreign, public or private. Together with governments, private companies and civil society organizations should be invited to participate actively.

ANNEXES

Annex I

THIRTIETH FAO REGIONAL CONFERENCE FOR THE NEAR EAST (NERC-30)

Karthoum, Sudan

Side Event on “Exploring the Future of Foreign Investment in Agriculture”

PROGRAMME

Sunday 5 December 2010

15.00 -17.00hrs

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| 15.00-15:10 | Welcome and introduction of the objectives of the side-event
Dr. Saad AlOtaibi, FAO Assistant Director-General for the Near East |
| 15.10: 15:20 | International investments in agriculture in Sudan
Mr Abdafi F. Ali, Federal Commissioner at the Ministry of Investment, Sudan |
| 15.20-15:35 | Key issues in direct investment in agriculture and the principles for responsible international investment in agriculture
Pascal Liu, Economist, FAO |
| 15:35-16:45 | Plenary discussion <ul style="list-style-type: none">• Chair: David Hallam, Director of Trade and Markets Division, FAO• Neil Spooner, Maxwell Stamp Middle East• Al Zobair Hamza, Al Rajhi International for Investment• Mohamed Abdel Gader, IFAD |
| 16:45 | Conclusions – issues and recommendations on the principles and their operationalization, priorities for further research, policy conclusions
David Hallam |
| 17.00 | Close |

Annex II

THIRTIETH FAO REGIONAL CONFERENCE FOR THE NEAR EAST (NERC-30)

Karthoum, Sudan

Side Event on “Exploring the Future of Foreign Investment in Agriculture”

Sunday 5th December 2010, 15.00 -17.00hrs

CONCEPT NOTE

Background

Increased public and private investment in agriculture is key to alleviating food insecurity and poverty in the Near East region. For many countries in the region, increasing food production to reduce the number of hungry people will be a challenge in view of the severe scarcity of water and land resources. These constraints will make it even more necessary to raise agricultural productivity. Significant investment in the agricultural sector will be needed in order to achieve this goal. Foreign direct investment has a potentially important contribution to make in financing these investments.

The Near East region includes both countries that are major investors abroad and countries that are net recipient of international investments. Some countries that are rich in capital but poorer in agricultural resources have actively invested in the agricultural sector of other countries that have better endowments in land and water.

An increasing amount of private and public funds are being directed toward agriculture in the Near East region in recent years, coming from many parts of the world, but primarily from within the region itself. How these funds will be used and to what extent they will help in addressing the diverse food security concerns of the region remains to be seen, but it is certain that well-targeted and properly timed policies are needed to ensure that these funds contribute to broad-based development and improved food security within the resource constraints of the region. The region has witnessed large flows of investment in the past, particularly in the late 1970s but with mixed results. Past experiences need to be evaluated in order to inform the present investment projects and policies.

This side event is organized to explore the development potential of these investments, by reviewing past experiences, understanding current investment flows and identifying future issues, actions and policy needs. If foreign 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. Efforts should be made to identify the most effective measures to promote the matching-up of capital to opportunities and needs while ensuring an acceptable rate of return to investors

Building 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 international principles 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 guidance 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.

More information on the RAI principles is available from: www.responsibleagroinvestment.org

A Side Event on “Exploring the Future of Foreign Investment in Agriculture”

FAO proposes to hold a side event during the 30th Regional Conference for the Near East (NERC).

Objectives of the side event:

- to explore potential opportunities and constraints for foreign investment in agriculture in the region in order to identify priorities for action, including legal and policy frameworks;
- to review and pool knowledge and identify priorities for policy, incentives, best practices for more effective 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.

Output:

- Chairman’s summary reflecting key issues debated and conclusions reached

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 agriculture.

Number of participants: about 40-50

Approach:

The side-event will provide a forum to exchange information and review the available knowledge about past and recent investments, to identify the key issues and to explore future actions, policy and legislation questions with a view of promoting effective investments in the future. Annex I shows a tentative programme for the event. The FAO experts will present the key benefits and issues raised by international investment in agriculture. Then, a panel of experts will lead the discussion. The experts will be invited to present experience of past investments and examples of recent investment projects case studies on in the agricultural sector of various countries in the Near East region. Their findings will be discussed with participants. Participants will share their views and discuss the possible next steps to ensure development benefits from these investments and further steps to promote investments that contribute to development and food security.

Date and duration:

The side event will be organized in the afternoon of 5 December 2010, from 15:00 – 17:00 hours.

Organizers:

- RNE: logistical and organizational aspects (invitations, conference facility and secretariat, protocol assistance in selection of experts and inputs on concept note, agenda and content regarding regional issues.
- EST: technical contents, programme, presentations and selection of speakers, meeting facilitation.