**FOURTH UNITED NATIONS CONFERENCE**
**ON LEAST DEVELOPED COUNTRIES**
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**Special Event on Responsible Agricultural Investment in LDCs**
Date: 11 May 2011
Time: 8:00-10:00 AM
Venue: Topkapi B Lutfi Kirdar Convention Centre Istanbul, Turkey

## I. Opening Session:

The event was co-chaired by H.E. Mehmet Mehdi Eker, Minister for Agriculture and Rural Affairs of the Republic of Turkey and by Mr Jacques Diouf, FAO Director-General. The speakers were introduced by Ms Sarina Abdysheva, Investment Officer, FAO Sub-regional Office for Central Asia, Ankara, Turkey.

**Statement by H.E. Mehmet Mehdi Eker, Minister for Agriculture and Rural Affairs of the Republic of Turkey.**

The opening statement of the event was given by H.E. Mehmet Mehdi Eker, Minister for Agriculture and Rural Affairs of the Republic of Turkey. In his statement, Mr Eker noted that the number of food insecure people has not been reduced as envisioned in the Millennium Development Goals and in some regions of the world it has even risen. Thus there is clear need to increase agricultural investments, which have been neglected in the past decades. Investment in agriculture has not kept pace with the growing demand of an increasing population. In almost all Least Developed Countries (LDCs) and in many developing countries, agricultural investments are expected from outside sources through foreign direct investments. On the other hand, some countries have tried to ensure their food supply through agricultural investments in some other countries and private investors have recognized agriculture as an emerging investment area. This trend has raised some concerns and ethical questions among the public opinion and increased the attention on the governance of the issue.

Agricultural investments whether commercial or not should address livelihood concerns and so, should be linked to food security and rural livelihoods. They also should be base on sound legal, economic, social, environmental and ethical grounds. According to some estimates, agriculture needs about US$15 billions in additional investments every year. International organizations including FAO, IFAD, WB and other development actors have worked on the various aspects of agricultural investments and have developed voluntary guidelines and principles on this issue. The seven principles for responsible agricultural investments are: 1) respecting land and resource rights; 2) ensuring food security; 3) ensuring transparency, good governance and a proper enabling environment; 4) consultation and participation; 5) responsible agro-enterprise investing; 6) social sustainability; and 7) environmental sustainability. These principles should be translated into legal procedures and administrative framework in those countries where institutional and administrative capacity is weak. The

Minister concluded his statement by noting that Turkey strongly supports the development efforts of LDCs and that Turkey's development assistance amounted to nearly US$1 billion in 2010. Turkey has also contributed over US$10 million to the FAO/SEC Office in Ankara, under the FAO-Turkey Partnership Program and will continue to work together with the international community and international organizations.

**Statement by Mr Jacques Diouf, Director-General, FAO.**

In his statement, Mr Diouf noted that currently 925 million people go hungry in the world, 29 countries face serious food shortages and that the lack of investments in food production has caused a low level of productivity and production in the agricultural sector, which is a primary cause of food insecurity. To meet to growing demand for food, agricultural production will need to increase 70 percent by 2050 globally and by 100 percent in developing countries.

Additional agricultural investments of some US$83 billion annually are needed to deal with the growing food demand. Those investments would be in primary agriculture and food processing and storage systems. In order to achieve the investment levels required to significantly increase food production, private sector investments are needed.

In a detailed account as to what sub-sectors agriculture investments should focus on, Mr Diouf suggested that US$20 billion are needed for vegetable production, US$13 billion for animal production and US$50 billion for downstream support services (e.g. cold chain, storage and rural markets). Private investment has an important role to play in responding to these needs.

Although investment in agriculture in LDCs has risen strongly since 2000, it appears to focus on the mining and manufacturing sectors. Some foreign investors are investing in food production to supply the food market in their home countries. In order to avoid negative effects on host countries, agricultural investment should be made in the framework of fair contract to protect and respect the interest of each partner. It should contribute to the development of the host country, for example. through the transfer of technology.

In order to promote sound agricultural investments, the formulation of projects and contracts should involve all stakeholders. An appropriate political and legislative framework needs to be developed. FAO, the WB, UNCTAD and IFAD have initiated a debate on principles for responsible investments in agriculture. These principles are intended to help governments formulate regulations and projects to support agricultural development, increase food production and improve the livelihoods of the rural population. The elaboration of these principles require consultations with governments, representatives of the private sector, civil society and agricultural producers. FAO has been conducting these consultations and hopes that this event will help advance this process.

The comments and recommendations made in this event will be submitted to the Committee on World Food Security which has decided to initiate a broad process of consultation on these principles.

**Statement by Mr Andris Piebalgs, Commissioner in charge of Development, European Commission.**

Mr Piebalgs started his statement by underlining that agriculture is the principal sector in many countries either in terms of employment or in contribution to the GDP. In the case of the European Union, it plays an important social and environmental role. Few countries achieve sustainable economic growth without agricultural growth. This is why agriculture, food security and rural development are at the forefront of the EU's development cooperation efforts. In this regard, the EU strategy focuses on: 1) support to country-led processes; 2) ensure a comprehensive approach to food security; 3) coordinate assistance strategically; 4) support a strong role for multilateral institutions; and 5) sustain a strong commitment of financial resources.

Agricultural investment should come from both government and the private sector. A strong private sector presence is key to modernizing agriculture, increasing productivity and sustaining growth. Public private partnership should be supported in strategic and regional programs. For instance, the EU is currently exploring the potential of "agricultural corridors" in Africa to improve both the production and flow of agricultural products to regional and world markets. The concept of agricultural growth corridors relies on synergies between investors in commercial agriculture, agro-industries and smallholder farmers.

However, there are risks involved and issues that need to be addressed such as respecting existing rights over land and water, competition for land between locally consumed and internationally traded crops, the participation of smallholder farmers and women, as well as the environmental, social and economic sustainability of this model. In this regard, the EU thanks FAO for holding this event, as addressing investments in agriculture in a responsible manner is crucial and so is land governance which needs special attention.

The EU adopted last year a new policy framework for food security which addresses many aspects of food security including access to land and other resources. Regarding the role of the private sector, the EU believes that inclusive growth benefits may be achieved by using alternative business models such as contract farming and outgrower schemes, without risking any change to rights over land. Further, the EU believes that a multilateral approach with a widely agreed framework of principles and best practices should be promoted to improve the quality of investments and avoid competition among countries for foreign direct investment. Such framework would provide protection of local rights to land, secure access to land and other natural resources (particularly for women and indigenous groups) as well as increased protection for investors. Once the proposed principles for responsible agricultural investment and the voluntary guidelines on land tenure are agreed upon by the Committee on World Food Security, these should be used by host countries and investors in the design of investment projects in agriculture

Mr Piebalgs highlighted the relevance of complementing international and national level initiatives with regional strategies for agricultural development that should integrate responsible land governance guidelines. He recommended that LDCs in Africa ensure continued focus on the implementation of the Africa Land Policy framework and guidelines.

He concluded by indicating that agriculture, sustainable investment and food security are and will remain priority areas for the EU.

**Statement by Dr Supachai Panitchpakdi, Secretary-General, UNCTAD**

Dr Panitchpakdi began his statement by underlining that food security is the greatest challenge faced by LDCs currently. If the UN fails to support them they will not overcome that challenge and in this regard, an all out effort is needed as markets alone will not solve this problem. A joint effort by all players is needed. In this respect, he noted that the l'Aquila commitment by the G8 to support agriculture and food security is heartening.

Turning the attention to Africa, he regretted that despite the pledge by African leaders to devote 10 percent of budgetary allocations to agriculture, only few countries have complied with this commitment. Budgetary support not only has not been forthcoming but it has declined over the years.

Thus, reallocation of ODA to agriculture needs to increase and complement the role of the State regarding investment in agriculture, technology development and transfer, marketing, in attracting foreign investments. The State should not offer land for production but rather work along the lines of the green revolution, that is, work on water management, transportation systems, and technology transfer. In this process, local players, governments and the private sector ought to be aware of and participate in this process.

Regarding land purchases to grow food crops, Dr Panitchpakdi pointed at anecdotal evidence showing that not all the land is being used for agriculture. He further indicated that some forms of investment are alarming, in particular land acquisitions of up to 500 000 hectares through 100-year lease contracts. He estimated that over 20 million hectares of land have been acquired through these types of contracts. However, it is not clear how many hectares are devoted to food production. Therefore he suggested that this matter should be discussed in a panel such as this one. A question to be posed to the panel would be: are foreign investments producing the crops needed for consumption?

He noted that institutional investors (equity, real estate companies) make investment decisions seeking financial returns and not to ensure food security. Investments will be relevant depending on the parameters that apply to those investments. As an example, he referred to cases where forests have been levelled for timber production in countries which have not established clearly the land rights of the rural people. In contrast, some traditional investors have been doing the right thing. Those experiences need to be analysed.

While recognizing that FAO, UNCTAD, IFAD and the WB have worked on the principles for responsible agricultural investments, Dr Panitchpakdi raised the questions of their official endorsement and implementation. The principles provide useful guidance and it is important to raise awareness in LDCs. Regarding land contracts, he noted that sometimes agreements are signed without the governments being fully aware of the implications of those contracts. Therefore, UN agencies need to advise governments so that they can make informed choices.

He concluded by suggesting the establishment of a technology fund to support technology transfer and development in LDCs. Technology transfer and agriculture would be a priority area for the fund.

**Statement by Mr Jean Marie Ehouzou, Minister for Foreign Affairs, Benin**

Mr Jean Marie Ehouzou began by acknowledging that the agricultural sector in LDCs faces major obstacles, in particular:

- the fact that smallholders do not attract investments due to their low productivity and competitiveness level

- the fact that agricultural producers are not organized at industry and sub-sector levels

Thus, smallholders should be a priority and consequently, investments should focus on the revitalization of the sector with emphasis on smallholder farmers.

Low technical capacity and efficiency of government support services pose an additional challenge. Most agronomists and other agricultural specialists operate from their offices instead of working with farmers at field level. Because of this, governmental institutions lack the appropriate capacity to respond to the needs of small farmers and agricultural producers.

In addition, changes in weather patterns have resulted in increased vulnerabilities (to floods and land degradation) and food production has been significantly affected.

Mr Ehouzou expressed his hope that this conference will help design a programme for the development of Africa, but he added that the challenge is to implement it.

Regarding access to land, Mr Ehouzou emphasized the need to address land reform, as land is being used in a way that does not contribute to agriculture and food production. Discouraged farmers sell their land to city residents who cultivate it ineffectively or use it for leisure, thus disrupting agricultural production and the potential of the agricultural sector in Africa.

However, LDCs have a strong potential for growth. It is necessary to change mentalities and provide farmers with technical support. On the issue of investments, he referred to a project in Benin, Sangai, a program of integrated agriculture by which unemployed urban youth are trained in agricultural production and attracted to rural areas. This project is being implemented under a South-South cooperation program.

He concluded by recalling that nutrition is a fundamental problem. Undernourished people are not active economic agents and democracy without food security is unstable. He called for bold solutions to modernize agriculture.

## II. Thematic Session

**Presentation by Mr Pascal Liu, Economist, Trade and Markets Division, FAO.**

Mr Pascal Liu made a presentation on the key issues raised by international investment in agriculture and the principles for responsible agricultural investment. Foreign investment in agriculture has the potential to bring significant benefits, including transfer of technology, employment creation and local economic multiplier effects. These can contribute to poverty alleviation, increased food production and hence the availability of food, diversification and value-addition. Furthermore, foreign investment may entail the development of infrastructure that provides benefits beyond the individual large-scale investment. These opportunities, however, are mirrored by significant risks, such as potential infringement of access to land and other natural resources, negative impacts on smallholders, environmental degradation, equity issues in benefit distribution related to lack of transparency and governance, and the use of inappropriate economic models, all of which may threaten food security. Particular concerns have been expressed as to the risks posed to smallholders by investment involving large-scale transfer of land use in contexts where governance is weak and rights are ill defined. Opaque negotiations and lack of prior-informed consent procedures may favour strong stakeholders and exclude vulnerable groups such as women. There is increasing evidence from case studies that large-scale land acquisitions in developing countries to create "mega-farms" are a form of investment which is the least likely to generate benefits to the host country and the local community in terms of agricultural development. Other business models that include smallholders such as contract farming, outgrower schemes and joint-ventures with farmer organizations are viewed as more conducive to sustainable economic development.

Mr Liu indicated that in order to help host countries maximize the benefits of agricultural investment projects while minimizing their risks, FAO, the World Bank, UNCTAD, and IFAD have jointly developed draft "*Principles for responsible agricultural investment that respects rights, livelihoods and resources (RAI)*" [1]. These principles are based on research and best practices in law and policy and are completely voluntary. They are intended to help governments develop laws and regulations, assist companies in corporate social responsibility initiatives such as drafting internal codes of conduct, serve as a screening mechanism to assess projects and provide an objective reference for international agreements. The principles have been designed for investment in agriculture and may prove particularly useful as regards land/water-intensive agro-investments. He highlighted the key elements that the principles contain as follows: transparency, good governance and accountability; social, environmental and economic sustainability; participation and stakeholder involvement; recognition of domestic food security and rural development concerns. The principles build upon existing international commitments[2].

[1] More information on these principles is available from: www.responsibleagroinvestment.org
[2] These include the draft FAO Voluntary Guidelines on Governance of Land Tenure and other Natural Resources, the Equator Principles, the OECD Guidelines for Multinational Enterprises and the UN Principles for Responsible Investment (PRI).

He informed the participants that FAO and its partner organizations have conducted consultations with stakeholders so as to build consensus in order to translate the principles into actions for investors, governments, donors and international agencies for implementation at different levels. FAO and its partners intend to test the principles in pilot developing countries. In addition, in October 2010 the Committee on World Food Security decided to start a comprehensive process of consultation. He concluded by informing participants on the Knowledge Platform on Investments[3] that offers a wealth of information on responsible agriculture investment.

**Comments by Ms Soraya Rodríguez, Secretary of State for International Cooperation, Spain**

In her intervention, Ms Rodríguez underlined that food security is a priority for Spain and consequently, it has a cooperation programme with FAO on this matter. She noted that food security and the agricultural sector should be linked and considered beyond the commercial dimension, that is, it should be considered in light of the security of the population, the protection of the environment and combating climate change. In this respect, current policies should not compromise the future.

In addition, accountability and transparency of stakeholders are relevant and thus, policies should reflect those principles. Agricultural investments in LDCs should include those principles. Further, Ms Rodriguez pointed that small farmers represent a significant segment of the population and therefore they should be fully involved in the process. The whole population should benefit from agricultural investment.

She concluded her remarks by recalling that at the 3rd European Forum on Rural Development hosted by Spain in April 2011 there was consensus on the relevance of ensuring equal access to land, water, bio diversity, natural resources, in particular, to improve access to resources by the rural poor. Last but not least, women play a key role but this is often forgotten. Promoting gender equality is an important factor of rural development.

**Comments by Ms Elisabeth Atangana, President, Central African Farmers Organization and Pan African Farmer Organization**

Speaking on behalf of African farmers, Ms Atangana explained that she herself has been a farmer for over 30 years, and that she was recently elected president of the Pan African Farmer Organization. For over 30 years farmers have organized themselves at country and continental level and their platform has been to get together to reach their goals.

Ms Atangana expressed her satisfaction to see that after long years of structural adjustment agriculture is back on the agenda. Agricultural investment is necessary and urgent, but it is

[3] www.responsibleagroinvestment.org

equally important to take into consideration the concerns of small farmers and the poor. Their main concerns are to ensure food security, access to sustainable employment of men and women, preserve bio diversity and the environment.

Regarding agricultural investments, she noted that the efforts of small farmers to organize should receive support so that they can be effective partners in responsible agricultural investments. With better organization they can gain fair access to regional markets, add value to agricultural production, negotiate with governments and have the capacity to negotiate partnerships and adopt standards. In this respect, training would enhance the negotiating capacity of farmers and their organizations.

Concerning development projects, institutional participation (government institutions) is not enough. Smallholder farmers ought to be involved in the design, implementation and monitoring of investments projects. Thus they need to be prepared to do this. Investment projects ought to protect the right to food security of small farmers and women, and enforce their right to access resources.

The need to ensure transparency in agricultural investments was also highlighted by Ms Atangana. She noted that investment in training and empowering women have a greater impact on rural families. She also pointed that workers in the agricultural sector support the Maputo commitment of allocating 10 percent of the national budget to agriculture and the rural sector. Their organization will join the private sector and NGOs to move forward as they are aware that there is a mutual responsibility to improve rural livelihoods and reduce vulnerabilities. Donors should support efforts by LDCs to develop their agricultural sector.

She concluded by thanking FAO, the Government of Turkey and the European Union for the opportunity to participate in this event and in the conference at large.

## III. Conclusion by the Chair

In his conclusion the co-Chair, Mr Eker, noted that there is a clear recognition of the need for investments in agriculture, but these raise various legal, ethical, social and environmental concerns that need to be addressed properly. In this regard, the proposed principles for responsible agricultural investment are one step forward. He asked FAO and partner agencies to prepare suggestions on how the principles could be implemented taking into account the local specificity of LDCs. On their part, member states have the responsibility to analyze those principles and how they may be implemented, as each country has its own situation, problems and conditions.