

IMPACTS OF FOREIGN AGRICULTURAL INVESTMENT IN DEVELOPING COUNTRIES & INTERNATIONAL GUIDANCE INSTRUMENTS



Outline

Foreign investment in agriculture:

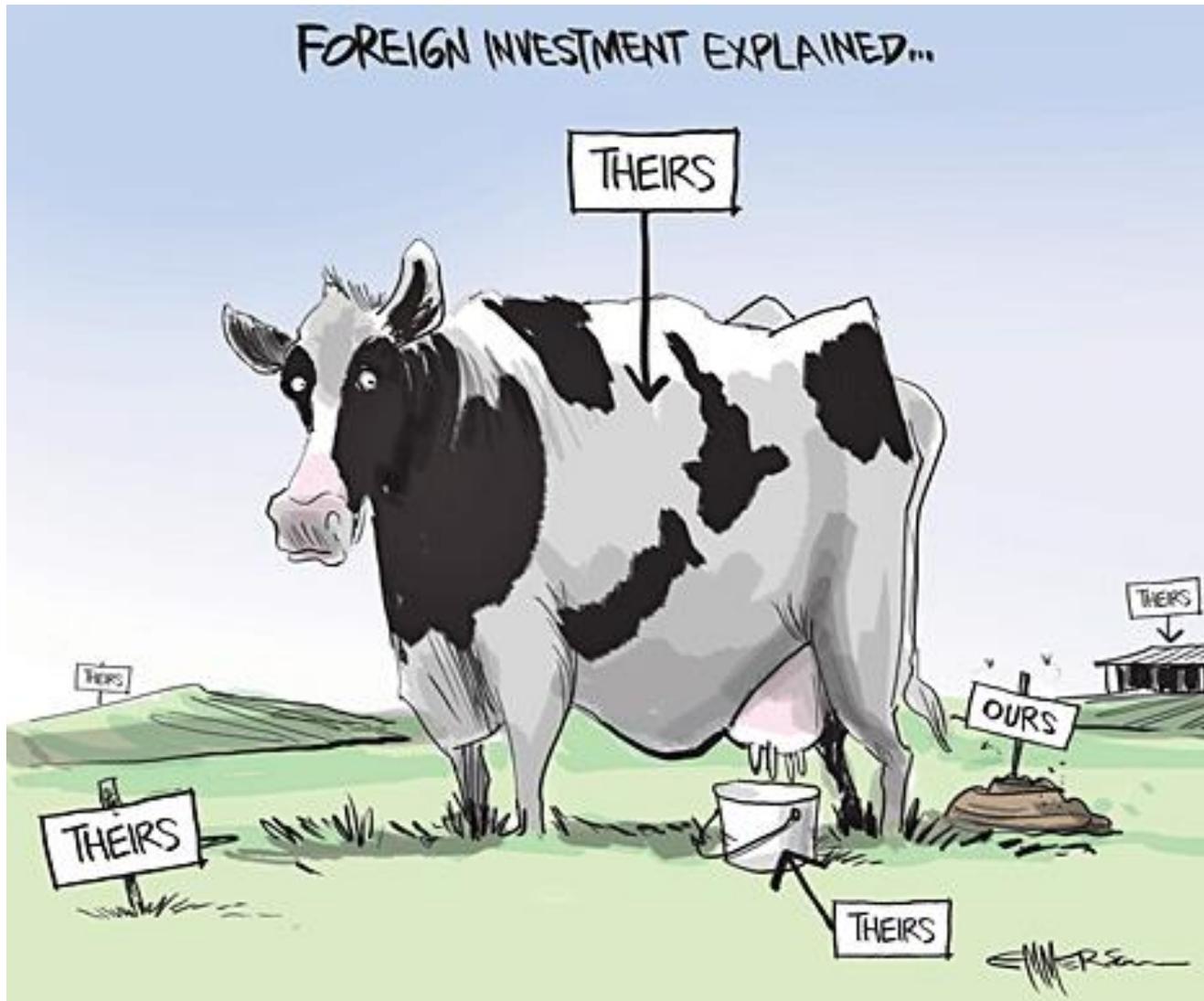
1. Does it **matter** compared to other sources of capital?
2. Does it **stimulate or hinder** local development?
3. How to **maximize its benefits** and reduce risks?
4. What **instruments** are available to make the most of it?
5. How to utilize these instruments?

What do we know about **impacts** of agricultural foreign agro-investment in developing countries?

- **Caution in interpretation of data**
- **But a growing body of empirical evidence**
- **High variability of impacts**
- **High variability of determinants including business model, aims of investors, the level of organization of farmers and legal and institutional frameworks**



Rising concerns over large-scale land acquisitions



Not only in developing countries...

Source: NZHerald.co.nz

Large-scale land acquisitions

=> DISADVANTAGES OFTEN OUTWEIGH BENEFITS

Benefits such as job creation below expectations

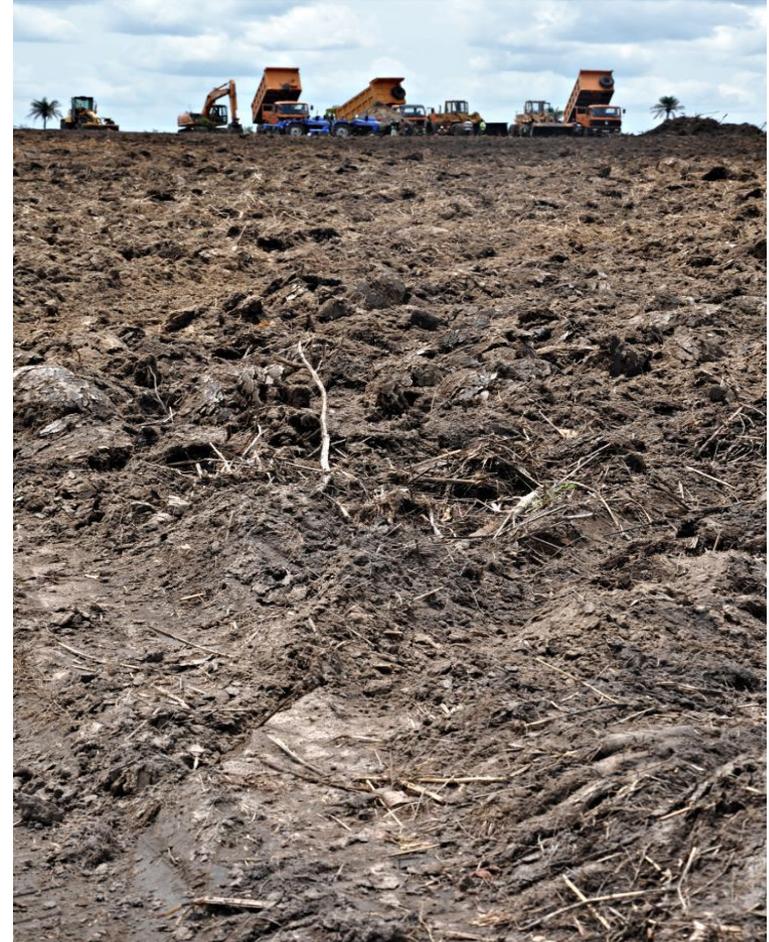
Risks for local community where land rights are unclear & governance is weak:

- reduced access to natural resources
- negative impacts on rural livelihoods
- displacement of local smallholders
- no or inadequate compensation

→ social fragmentation, civil conflict

Environmental risks

High transaction costs & local opposition



→ even for investors LSLA is unlikely to be the best business model

Inclusive business models

Positive impacts when farmers control land & are involved as partner

- Job creation, higher productivity, value addition, higher incomes
- Building of institutional capital
- Secure supply to investors without risks and costs of acquiring land

But effects will take time to emerge due to high transaction costs, asymmetry investor/local farmers, learning needs...

=> strong external support (PPP & patient capital) is needed



What instruments can help?

A variety of guidance instruments :

1. Private

1. Corporate level
2. Industry level (Equator pples, EITI), investor groups (Farmland pples,...)

2. Public

1. National level (e.g. US, Germany, ...)
2. International
 1. Agency level (e.g. IFC Performance std)
 2. Inter-agency level (e.g. PRAI)
 3. Intergovernmental initiatives (e.g. AU Land Policy Framework & Guidelines,...)

3. International multi-stakeholder

VGGT, CFS RAI, ...

CFS principles for responsible investment in agriculture and food systems (CFS-RAI)

- Endorsed by CFS in 2014 => **global ownership and legitimacy**
- Broad scope: “all types of investment in agricultural value chains and food systems “
 - “[...] include foreign and domestic, public and private, small, medium and large scale investments.”
 - potential users: “all stakeholders that are involved in, benefit from, or are affected by agricultural investments[...].”
- Build on existing instruments including VGGT, Voluntary Guidelines on the Right to Food & PRAI

CFS principles for responsible investment in agriculture and food systems (2)

10 principles

Voluntary

Key goal = food security & smallholders

Core elements:

- food security
- tenure rights
- transparency and accountability, consultation and participation, rule of law
- social and environmental sustainability
- gender equality, empowerment of women and youth
- cultural heritage

CFS principles for responsible investment in agriculture and food systems (3)

Insist on consultation and participation

- Sharing information (inclusive, equitable, accessible, and transparent)
- Engaging with all affected persons
- Effective and meaningful consultation with indigenous peoples
- Mediation, grievance and dispute resolution mechanisms
- Taking steps to respect human rights and legitimate tenure rights

➤ Participation makes investment success more likely!

CFS principles for responsible investment in agriculture and food systems (4)

FAO's Umbrella Programme to translate the RAI

Principles into action:

- workshops with govts, companies and CSOs at FAO

HQ to:

- further discuss next steps
- identify capacity needs for implementing RAI
- finalize Umbrella Programme by Sept. 2016

OECD-FAO Guidance for responsible agricultural supply chains

- ❑ Voluntary **practical** guidance **for investors**
- ❑ **Synthesis of existing standards** of RBC to help investors identify risks and avoid infringing such standards
 - => **not a new standard** but a practical tool to **help implement existing ones, including CFS RAI principles**
- ❑ **Due diligence** to support investors in preventing and mitigating adverse impacts
- ❑ A **model policy** is proposed as a template for enterprises

OECD-FAO Guidance for responsible agricultural supply chains

- ❑ Emphasizes **how investors can work with governments and civil society** to conduct business responsibly
- ❑ Process guided by multi-stakeholder advisory group
- ❑ Endorsed by FAO and OECD
- ❑ Builds largely on CFS RAI and can support its adoption by companies
- ❑ Pilot project to field test the Guidance in preparation

Conclusions on guidance instruments for responsible agricultural investment

- ❑ There is a wide range of instruments available to companies, governments, trade unions and employers
- ❑ These instruments do not compete but rather complement each other
- ❑ The choice of the right instruments depends on the user's needs, context, location, sub-sector, etc.
- ❑ **Guidance instruments can help, but are insufficient alone**

Next steps: how to make these tools operational?

- Field testing in developing countries
- Develop more operational/specific recommendations
- Develop synergy
- Build partnerships with all stakeholders



What else is needed?

Improve **governance**?

- Transparency, Accountability, Rule of law, Participation

Strengthen **policies**, laws, regulations & **institutions**?

- more consistent & supportive
- reduce loopholes
- clarify & protect rights, including land tenure

Strengthen **local organizations**, esp. farmer groups?

Sensitize **investors** to benefits of responsible behaviour?



Thank you!

For more information:

www.fao.org/economic/est/issues/investment

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