



Food and Agriculture
Organization of the
United Nations



IFAD

Enabling poor rural people
to overcome poverty



UNITED NATIONS
UNCTAD



THE WORLD BANK
IBRD • IDA

Summary Report

Technical Workshop on Principles Guiding New Investments in Agriculture

30th and 31st January 2015

Dar es Salaam, Serena Hotel

The program *Pilot use of Principles Guiding New Investments in Agriculture* was initiated by the Inter-Agency Working Group (IAWG) in January 2015. The program aims to test principles for responsible agricultural investment with early stage agribusiness operations in partner countries of the New Alliance for Food Security and Nutrition, and infuse responsible principles and practices into these agribusinesses. Practical guidance, tools, processes and procedures will also be generated, as well as recommendations and good practices that can be used at the early stages of future investments.

A series of multi-stakeholder meetings will be held in the participating countries. An initial workshop was held on 30-31 January 2015 in Dar es Salaam, Tanzania. The objectives were to: (i) familiarize participants with the IAWG research program, findings of research on agricultural investment and existing international guidance instruments; (ii) contribute to the establishment of a community of practice with national stakeholders for cooperation on further capacity development activities and informed discussions on agricultural investment.

About 40 people participated in the workshop. Opening remarks were made by Ms Diana Tempelman, FAO Representative Tanzania, and a keynote presentation by Dr Yamungu Kayandabila, Deputy Permanent Secretary, Ministry of Agriculture, Food Security and Cooperatives. Further presentations and discussions involved stakeholders from the Government of Tanzania, the private sector, civil society and international organizations.

Agriculture is the backbone of Tanzania's economy and holds the key to eradication of food insecurity and poverty. Yet, agriculture has not enjoyed the same economic growth rates as other sectors. Promotion of investment that benefits Tanzania's population is therefore an important component of the Government's program to accelerate agricultural transformation, "Kilimo Kwanza" or "Agriculture First".

Abundant natural resources and a growing urban population provide compelling commercial reasons to invest, but challenges remain to ensure both increased volumes and improved quality of agricultural investment.

Many issues identified by workshop participants corresponded with international guidance instruments for responsible agricultural investment such as the *Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (PRAI)* and the *Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI)*. Some issues stood out more than others however, namely governance and an enabling environment, land tenure rights and consultation and participation of local communities, economic inclusion, and choice of business models for large-scale agricultural investment. The question of food security, which is at the core of some international guidance instruments, was also raised by several presenters. Related issues, such as job creation and development of domestic agri-food value chains, were also discussed.

The key issues also mirrored the opportunities, risks and determinants of agricultural investment identified by research carried out by the IAWG.¹ These were:

- *Creation of a stable, enabling environment for agricultural investment.* National regulatory frameworks and government policies are crucial determinants for the volumes and impact of investment. It was argued that more could be done to create an enabling environment for agricultural investment in Tanzania. Fragile institutions, lack of transparency and lack of coordinated and predictable policies made it difficult to invest. Unpredictable changes import duties for rice and sugar were singled out as particularly problematic. It was recommended that price setting policies should be predictable and ensure that prices enable farmers to save, invest and grow marketable surpluses.
- *The role of large-scale corporate investors.* While the domestic private sector – not least smallholder farmers and micro, small and medium agro-enterprises – are key players in Tanzanian agriculture, large-scale corporate investors can play important roles too. Participants pointed out that large-scale agricultural investment can provide financial capital and generate jobs as well as export and tax revenues. It can also help to decrease negative environmental impacts of agriculture while increasing productivity through introduction of sustainable intensification technologies.
- *The role of Public-Private Partnerships.* Public-private partnerships are one way to combine the strengths between different stakeholders. The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) – partnership between the Government of Tanzania, development partners, the private sector and local communities – aims to improve agricultural productivity as well as food security and livelihoods both for the

¹ For example: IFAD & Technoserve. 2011. *Outgrower schemes – enhancing profitability* <http://goo.gl/KsGRSJ>; World Bank. 2012. *Investing in agribusiness: A Retrospective View of a Development Bank's Investments in Agribusiness in Africa and Southeast Asia and the Pacific* <http://goo.gl/JkK1wG>; FAO. 2013. *Trends and impacts of foreign investment in developing country agriculture – Evidence from case studies* <http://goo.gl/wPBcV>; and UNCTAD and the World Bank. 2014. *The Practice of Responsible Investment Principles in Larger-scale Agricultural Investments: Implications for Corporate Performance and Impact on Local Communities* <http://goo.gl/dWHKfZ>

involved local communities and for the nation as a whole through increased productivity and economic growth.

- *Consultation and participation.* A lack of widespread consultation, involving all segments of affected communities, prior to and during implementation of an investment can cause misunderstandings that escalate into conflicts between the investor and communities. Genuine dialogue is crucial for financially, socially and environmentally successful investments and in the interest of all involved parties. Many participants thought that business models that involve smallholder farmers and rural communities were desirable. Outgrower schemes were seen as especially suitable for Tanzania given its many and dispersed smallholders. The gender and equity implications of any type of investment were mentioned as crucial for broad-based inclusion.
- *Land tenure rights.* Secure land tenure rights are a precondition for smallholders to save and invest, to engage in business with corporate sector actors on good terms and to avoid dispossession. Likewise, the level of tenure security is an important determinant for decisions by private investors.
- *The link between environmental issues and economic and social sustainability.* For example, safeguards to ensure that an investment's water withdrawal does not negatively affect the water table at the local level, adaptation to climate change impacts, and the use of sustainable intensification technologies were mentioned.

Discussion of these and other issues reflected the emerging international consensus on what, broadly speaking, constitutes responsible agricultural investment. There remains, however, a need to turn voluntary international guidance instruments and principles into practical guidance that can be applied in a national context or at the level of individual investment projects.

Voluntary principles for responsible agricultural investment can help the Government to develop policies and strategies related to agricultural investment, or to review and reform regulatory frameworks. Given the financial, reputational and political risks of irresponsible investment, private enterprises are also increasingly interested in international guidance for the development of responsible investment strategies. In a setting where regulatory frameworks are not optimal, compliance with principles for responsible agricultural investment can increase the likelihood of social acceptance and support of private investment operations. Principles can also provide useful benchmarks to civil society actors in their advocacy work and for promotion of better implementation of existing laws.

One way to operationalize principles is also to generate empirical evidence and practical guidance on what works and what does not work in terms of socially, environmentally and financially responsible investment, both at national and project levels. To this end, IAWG's research program on early stage investments will be useful, especially considering that many

of the challenges facing larger-scale agricultural investment occur early in the project cycle. This program will generate tools, processes, instruments, processes and procedures which can be used in the early phases of future investments; as well recommendations, cases, examples and best practices which can be drawn upon.

Another suggestion is to intensify discussions in Tanzania on what constitutes responsible investment in agriculture. Experience shows that national discussions, involving key actors such as government, investors, civil society, farmers' groups and other value chain agents, can help a country's agricultural sector to perform above expectations. The IAWG would be pleased to contribute to continued discussions on responsible agricultural investment in Tanzania and work with all concerned stakeholders to find ways forward.

List of Participants

| Organization | Name |
|--|-------------------------|
| ANSAF (Agriculture Non-State Actors Forum) | Audax Rukonge |
| ANSAF (Agriculture Non-State Actors Forum) | William George Juma |
| BRELA (Business Registrations and Licensing Agency) | Rehema Kitambi |
| CUTS-ARC (Consumer Unity & Trust Society -Africa Resource Centre, Nairobi) | Clement Onyango |
| EcoEnergy | Per Carstedt |
| EcoEnergy | Ray Naluyaga |
| eMJee Consult Tanzania Ltd | Joy Butscher |
| FAO | Diana Tempelman |
| FAO | Lisa Brahms |
| FAO | Jesper Karlsson |
| GIZ / Competitive African Rice Initiative (CARI) | Jürgen Koch |
| Hakiardhi | Joseph Chiombola |
| IFAD | Francisco Javier Pichon |
| IFAD | Fabrizio Felloni |
| IFAD | Brian Baldwin |
| KPL | Carter Coleman |
| MAFC (Ministry of Agriculture, Food Security and Cooperatives) | Perpetua M. Hingi |

| | |
|---|------------------------|
| MAFC (Ministry of Agriculture, Food Security and Cooperatives) | Revelian Ngaiza |
| MAFC (Ministry of Agriculture, Food Security and Cooperatives) | Yamungu Kayandabila |
| MAFC (Ministry of Agriculture, Food Security and Cooperatives) | Dorothy Rashid |
| Ministry of Labour and Employment | Geofrey Mashafi |
| Ministry of Trade | Paul Undolle |
| Ministry of Trade | Denis Mzamilu |
| NBC Bank | Lukemelo Kaduma |
| Prime Minister's Office Regional administration and Local Governments | Mukara Mugini |
| Prime Ministers Office | Pascal Vyagusa |
| Rice Council of Tanzania | Julius Wambura |
| SAGCOT Centre | Geoffrey Kirenga |
| SID | Edmund Matotay |
| SIDO | Kalumuna Benedicto |
| Sugar Board of Tanzania | Violeth Mwanisawa |
| TAN AIM | Petro Komba |
| TFC | Peter Mpenda |
| TGNP | Abdullah Othman |
| TGNP Mtandao | Prof Marjorie Mbilinyi |
| TIC (Tanzania Investment Centre) | Martin Masalu |

| | |
|------------|-----------------|
| UNCTAD | William Speller |
| World Bank | Grahame Dixie |
| World Bank | Duncan Pringle |
| World Bank | Oliver Braedt |

Program

DAY 1 – Friday, 30th January 2015

| TIME | ACTIVITY | RESPONSIBLE PERSON / ORGANIZATION |
|---------------|--|--|
| 08:00 – 08:30 | Arrival & Registration | All |
| 08:30 – 08:45 | Opening remarks | Ms Diana Tempelman, FAO Representative Tanzania |
| 08:45 – 09:15 | Introduction of all participants , whom will have an opportunity to introduce themselves and discuss what they wish to learn from the workshop | Mr Brian Baldwin, Senior Operations Management Adviser, IFAD |
| 09:15 – 09:30 | Keynote Presentation | Ministry of Agriculture, Food Security and Cooperatives |
| 10:00 – 11:00 | <p>Findings of research on agricultural investment <i>Discussion opens (5 min) followed by interactive discussions</i></p> <ul style="list-style-type: none"> • Historical review of agribusinesses (World Bank) • Trends and impacts of FDI (FAO) • The practice of responsible investment principles with larger-scale agribusinesses (UNCTAD/World Bank) | Mr Grahame Dixie, World Bank Mr Jesper Karlsson, FAO Mr Will Speller, UNCTAD |
| 11:00 – 11:15 | Health break | All |

| | | |
|----------------------|---|---|
| 11:15 – 11:45 | Existing international guidance instruments <i>Short presentation of PRAI, CFS-RAI and other international guidance instruments followed by interactive discussions</i> | Mr Jesper Karlsson, FAO Mr Brian Baldwin, IFAD |
| 11:45 – 13:00 | Presentations by the private sector, civil society and technical government officials interactive discussions | Mr Carter Coleman, Chairman KPL Mr Per Carstedt, CEO EcoEnergy Mr Francisco Javier Pichon, IFAD |
| 13:00 – 14:00 | Lunch Break | All |
| 14:00 – 15:00 | Introduction to the IAWG program <i>Pilot use of Principles Guiding New Investments in Agriculture</i> | Mr Will Speller, UNCTAD Mr Grahame Dixie, World Bank |
| 15:00 – 15:15 | Explanation of role-play A realistic scenario is presented for participants, who will join groups other than “their own”. (E.g. an investor can be a NGO representative, village chief or a Government minister.) | Moderator |
| 15:15 – 16:00 | Individual teams meets to discuss strategy Light refreshments will be served | IAWG members |
| 16:00 – 17:30 | First inter-group negotiations | IAWG members |
| 17:30 – 18:30 | Cocktails with networking and continuation of role-play | All |
| | | |

DAY 2 – Saturday, 31st January 2015

| TIME | ACTIVITY | RESPONSIBLE PERSON / ORGANIZATION |
|----------------------|--|--|
| 08:00 – 08:30 | Arrival & Registration | All |
| 08:30 – 09:00 | Individual teams meet to reconsider strategy in light of previous day's negotiations and discussions | IAWG members |
| 09:00– 10:15 | Final negotiations | Moderator |
| 10:15 – 11:00 | Individual teams prepare debrief notes | All |
| 11:00 – 11:15 | Health break | All |
| 11:15 – 13:00 | <ul style="list-style-type: none">• Debrief with interactive discussions• Q&A session• Presentation of further program related activities• Final remarks by key stakeholders of conclusions and recommendations | Moderator |
| 13:00 – 14:00 | Lunch | All |
| | | |