

CFS 39 Side Event

**Presentation of current research on the impacts of investment and the Principles
for Responsible Agricultural Investment on developing country agriculture**



by the Inter-Agency Working Group (IAWG)



18 October 2012, 12.30 – 14.00

Lebanon Room (D 209), FAO headquarters

Background

Substantial increases in agricultural investments in developing countries are needed to combat poverty and realize food security and nutrition goals. Agricultural investment is the most important and most effective strategy for poverty reduction in rural areas, where the majority of the world's poorest people live. Investing in agriculture reduces poverty and hunger through multiple pathways. However, low investment in the agricultural sector, and to smallholders in particular, of most developing countries over the past 30 years has resulted in low productivity and stagnant production. The recent food crisis has exposed these weaknesses, as agricultural production was slow to respond to rising prices. Yet, the agricultural sector faces a considerable challenge over the next four decades. World agriculture must feed a projected population of 9 billion people by 2050, some 2.5 billion more than today, and most of the growth in population will occur in countries where hunger and natural resource degradation are already rife. Crop and livestock production systems must become more intensive to meet growing demand but they must also become more sustainable. Additional investments of at least \$83 billion annually are needed in agriculture to meet targets for reducing poverty and the numbers of malnourished. Doing so in a sustainable manner that preserves natural resources and is conducive to long-term development will require even more funds.

The renewed interest in increasing investment in primary agricultural production in developing countries is therefore a positive development and has been reflected in the statements of the G8 and G20. Agricultural investments by domestic and foreign investors can generate a wide range of benefits such as higher productivity, increased food availability, employment creation, poverty reduction, technology transfer and access to capital and markets. However, these benefits cannot be expected to arise automatically. They will depend to a large extent on a wide range of factors including the investment contract, the type of business model, the linkages with smallholders, and the institutional framework in place in the host country. Further, various organizations have raised concerns on the possible adverse impacts on host countries of some new forms of foreign investment, in particular large-scale land acquisitions. These transactions raise particularly complex economic, social, political and environmental issues.

Although there has been much debate about the potential benefits and risks of agricultural investment, there is no systematic evidence on the actual impacts on the host country. In particular, there is a lack of detailed information and data. In order to acquire an in-depth understanding of potential benefits, risks, constraints and costs, FAO, IFAD, UNCTAD and the World Bank (the Inter-Agency Working Group-IAWG) have carried out extensive field testing and research on trends, determinants and impacts of foreign and domestic investments in agriculture. This has been initiated under the Action Plan developed by the IAWG in response to the 'twin track' approach of supporting both the operationalization and piloting of the *Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources* (PRAI) as well as supporting the overall consultation processes. The field testing and research will contribute to the identification of good practices and investment policies that are conducive to sustainable agricultural development.

Objectives

The objectives of the Side Event are:

- To present empirical evidence from several streams of ongoing field testing and research on responsible agricultural investment in developing countries. More specifically the IAWG will present case studies on foreign direct investment (FDI) and alternative business models in agriculture, a historical review of agribusiness projects and a synthesis (meta-analysis) of the IAWG's research on agricultural investments. It will also share preliminary results of the ongoing field testing of the Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (PRAI) in selected developing countries.
- To discuss the implications for policy formulation and possible recommendations for foreign and domestic investors, governments, donors and international agencies.
- To provide inputs into the inclusive CFS consultation process to ensure broad ownership of principles for responsible agriculture investment that enhance food security and nutrition (rai) that the CFS plans to initiate after its 39th Session.

Panelists

- Brian Baldwin, Senior Operations Management Adviser at IFAD
- Grahame Dixie, Agribusiness Unit Team Leader at the World Bank
- David Hallam, Director of the Trade and Market Division at FAO
- Pascal Liu, International Agricultural Investment Team Leader at FAO
- Hafiz Mirza, Chief, Investment Issues Research at UNCTAD

Date and venue

The side event will be held in the Lebanon Room (D 209) at FAO's Headquarters in Rome from 12.30 to 14.00 on 18 October 2012. It will be held in English only (due to limited budget).

Contact persons

Pascal Liu
Team Leader, International Investment in Agriculture
Trade and Markets Division, Food and Agriculture Organization of the United Nations
Tel: 00 39 06 570 55957; Fax: 00 39 06 570 54495; Email: pascal.liu@liu.org

Jesper Karlsson
Consultant, International Investment in Agriculture
Trade and Markets Division, FAO
Tel: 00 39 06 570 55338; Email: ericjesper.karlsson@fao.org

Preliminary agenda

Presentation of current research on the impacts of investment and the Principles for Responsible Agricultural Investment on developing country agriculture

Thursday 18 October, 12.30-14.00, Lebanon Room (D 209)

- 12.30-12.40 **Introductory remarks**
Brian Baldwin, Senior Operations Management Adviser, IFAD
- 12.40-12.50 **Case studies on the trends and impacts of FDI in developing country agriculture and alternative business models by FAO¹**
Pascal Liu, International Agricultural Investment Team Leader, Trade and Market Division, FAO
- 12.50-13.00 **A historical review of 179 agribusiness investments in developing countries**
Grahame Dixie, Agribusiness Unit Team Leader, World Bank
- 13.00-13.10 **Field testing of the PRAI in selected developing countries with communities and companies**
Hafiz Mirza, Chief, Investment Issues Research, UNCTAD
- 13.10-14.00 **Open discussion session: the Way Forward**
Chaired by David Hallam, Director, Trade and Markets Division, FAO
- 14.00 **End of side event**

¹ This presentation will be based on a forthcoming FAO publication available at <http://www.fao.org/economic/est/issues/investments/en/>