Field Survey of the PRAI with investors and local communities

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Inter-Agency Working Group: FAO, IFAD, UNCTAD and the World Bank
Survey of investors in agriculture and impact on local communities

- Research being conducted on 40-50 agricultural investments across Africa and South East Asia.

- Provision of systematic, normalised, matched (investors-stakeholders) and triangulated evidence for decision-making.

- Assessing:
  - What investors are doing to promote economic, social and environmental gains and sustainability (and consequently degree of consistency with the PRAI)
  - How communities living around the investment perceive and are affected by it

- Key aims:
  - Understand what the main issues are on the ground.
  - Test feasibility of the PRAI and translate principles into actions for investors, governments, donors and international agencies
  - Explore how differences in size, business model, type of investor, local capacities and circumstances etc. can influence the impacts of an agricultural investment. Context matters.
Following the tractor trail…

Increase in the rate of Imports of agricultural machinery into developing and transition economies, 2003-2010
Sample selection

→ Structured, quota-based sample selection, drawing from a larger population of investors.

→ A balanced mix of investors based on a number of salient variables, including the size of investors, coverage of different business models and value chains, inclusion of different types of companies and funds, coverage of key home and host countries (including investors from developed and developing economies) etc. (“Control” or explanatory variables.)

→ So far, 25 investments in Africa, with a further 4 without site visits. Investments located in Cote d’Ivoire, Ethiopia, Ghana, Liberia, Mozambique, South Africa, Tanzania and Zambia.

→ Field testing in South East Asia to commence in November with focus on Cambodia, Indonesia, Laos, and Vietnam.

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Methodology

→ Each visit to an investment project and communities lasts around 3-4 days, divided roughly 50:50 between the investor and other local stakeholders.

→ Detailed, semi-structured questionnaire research instrument for investors. Quantitative data on operations and qualitative information relating to the principles.

→ Open-ended, “critical incidents” research instrument for other stakeholders affected by the investment.

→ Research instruments were field-tested and subsequently refined.

→ Use of advanced statistical and qualitative analysis with software packages.

→ Collection and incorporation of a wealth of material provided by investors and others (concession agreements, impact assessments, consultation processes etc.).
Sample from Africa so far

- Average area owned or leased: **30,000 hectares**, but MEDIAN is only **10,000 hectares** (Range from 1,000ha to 250,000ha)
- Average years in operation: 10. Range from less than 1 to 55 years.
- Roughly 50/50 split of principal market for produce between foreign and domestic customers.
Sample from Africa, so far

Investor characteristics

Other agricultural investments of main investor

Nationality of main foreign investor
- USA
- Singapore
- India
- Switzerland
- South Africa
- Saudi Arabia
- Netherlands
- Luxembourg
- UK
- Malaysia
- Indonesia
- France

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Investor characteristics
- Foreign
- Domestic
- Diaspora
- Yes
- No

Nationality
- "Impact investor"
- stake?
- Gov't stake?

Other agricultural investments of main investor
- Yes - extensive, including in same country
- Yes - not in same country
- None
- Yes - limited in the same country

Sample from Africa, so far
By the end of the Africa field work, there will be over **150** “critical incident” responses, encompassing interviews with a wide range of stakeholders. One CI response often consist of views of multiple number of people (focus groups, several members of a family, etc.), so the number of people spoken with is even larger.
Analytical Techniques

- **Qualitative analysis**: use of Nvivo
  - Systematic, sophisticated analysis through aggregation, dis-aggregation, comparison between investments, comparison between investor comments and critical incidents etc.

- **Quantitative analysis**. Import of data into econometric software in order to analyse key aspects.
  - What determines “success” of investment, in terms of relations with local community, consistency with PRAI principles, control factors and so on.
  - Intention to develop a “scoring system” for adherence to the PRAI, with a view to econometric analysis of relative performance.
Emerging themes [preliminary]

- Outcomes vary significantly between, for instance, countries, commodities, investor types and (apparently) even between projects with the same overall features. **Important to pinpoint key factors explaining outcomes.**

- Positive outcomes:
  - **Local employment** and related entitlements and consequent *rising local incomes*; a positive impact on local and short-term *food security*.
  - **Access to markets**, stability from presence of large buyer, often resulting in *higher prices* for produce.
  - Investors are increasingly adopting more *socially and environmentally responsible ways* of operating.
  - Community development programs or *benefit sharing arrangements* to provide *social infrastructure* (typically schools, medical clinics, improved access to water) are common.
  - Some *technology transfer* has occurred but is limited.
  - *Support provided to outgrowers*, e.g. to meet quality standards

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Emerging themes [preliminary]

- Negative outcomes:
  - Informal land rights violations occur and are a source of tension.
  - Opacity in the land acquisition process and terms, including incentives and concessions provided etc. Limited consideration of impact on long-term food security.
  - Lack of ex ante consultation with communities in particular about land utilization.
  - Limited employment of local community (particular in managerial or skilled positions) in some cases and inadequate training or programs to make local community more employable.
  - Employment can come with poor working conditions. It may be temporary and of low quality.
  - Lack of grievance and redress mechanisms for local communities to raise issues with investment.
  - Limited attention to how women and disadvantaged groups might be particularly affected by the investment.

- The important thing is to identify the factors, causes and contingencies resulting in positive and negative outcomes – and work to address them.
What are we doing at this time: The PRAI Action Plan

Figure 1. The PRAI Action Plan: Field Testing the Principles and Consultations

- **Track 1 – Field-testing and Operationalisation of the PRAI**
  - Comparison with Relevant Initiatives
  - Country Level Field Testing
  - Database of Existing Research (Meta-analysis)
  - Investor Level Field Testing
  - Country Case Studies
  - Field Testing of PRAI with Host Country Governments and Communities
  - E.g. Existing Policy Practices in Agricultural Investment
  - Field-testing of PRAI with Investors
  - Retrospective Analysis of Agricultural Investment databases (e.g. CDC)

- **Track 2 – Consultation**
  - CFS Consultation
  - Other Consultation Processes

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The Principles: What do the PRAI consist of?

1. Land and natural resource rights of existing land users are respected
2. Investments do not jeopardize food security – rather strengthen it
3. Policy framework ensures transparency & accountability
4. Agreements based on extensive consultations with all potentially affected communities
5. Investors respect human rights and other best practices (e.g. regarding working conditions)
6. Investments generate broad social benefits for all surrounding communities
7. Investments are environmentally sustainable

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Consultation processes:
How have the PRAI been developed?

- 2008-2010 – Growing international concern as pace of deals accelerates and data documenting the detrimental effects of many investments accumulates
- FAO, IFAD, WB, UNCTAD each receive a mandate to work on ensuring that investment in agriculture promotes broad benefits for surrounding communities and is environmentally sustainable. E.g. UN General Assembly asks UNCTAD and other UN agencies to focus their efforts in this area
- Given need for urgent action, decision taken to coordinate efforts and form IAWG, members of which draft and agree to the current (provisional, i.e. “living document”) version of PRAI
- Continuing consultations and operationalisation of PRAI through piloting and field-testing
Scope: What do the PRAI seek to address?

- Large-scale agricultural investments
- PRAI go beyond other initiatives/reports which focus on investments involving only land transfers
- Large-scale agricultural investments may not involve a transfer of land e.g. contract farming operations

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Qualitative analysis techniques:

→ Research instruments imported into Nvivo: a sophisticated software package to facilitate qualitative research.

→ Through use of Nvivo, the data analysis processes involves formalized steps of (1) organising, (2) coding (data reduction), (3) searching, and (4) modelling and interpretation.

→ Allows for systematic analysis through aggregation, disaggregation, comparison between investments, comparison between investor comments and critical incidents and so on.
Nvivo: Qualitative Software

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Nvivo: Qualitative software

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Overview of existing initiatives that can inform discussions on rai principles

1. What different types of initiative exist?
   - Guidelines, principles, certification schemes, indicators
   - These different types can be used together to good effect

2. Who is the target audience/participants?
   - Companies, governments, civil society

3. What kinds of monitoring and compliance mechanisms exist?
   - How can we ensure that rai/PRAI has teeth?
   - Self-reporting, external assessment, certification schemes, human rights mechanisms

4. How effectively do existing initiatives influence corporate and government behaviour?
   - OECD Watch, Eye on EITI

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Overview of existing initiatives that can inform discussions on rai principles

What resources exist that may be able to provide advice for regulating corporate/gov’t behaviour for specific issues?

- E.g. the Extractive Industries Transparency Initiative (EITI) provides useful guidance on promoting transparency
- E.g. Fairtrade provides extensive advice for promoting decent working conditions and benefit sharing arrangements that support local communities

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