



## **Special Event**

**on**

### **Responsible Agricultural Investment in LDC**

#### **4<sup>th</sup> United Nations Conference on the Least Developed Countries (LDC-IV)**

**11 May 2011, 8.00-10.00**

**Topkapi B**

**Lutfi Kirdar Convention Centre**

**Istanbul, Turkey**

#### **Concept Note**

##### ***Background***

###### *The need for investment in agriculture*

It is estimated that about 248 million persons suffer from undernourishment in LDCs. For these countries, increasing food production to ensure sustainable access to food and nutrition will be a challenge as they prepare for a new decade long programme of action. The low level of investment in agriculture over decades has meant continuing low productivity and stagnant production in many LDCs and this has been identified as an important underlying cause of the recent food crisis and extreme market volatilities and the difficulties these countries are encountering with coping mechanisms.

Additional investments to complement public sources are desperately needed for LDCs to meet targets for reducing poverty and the numbers of malnourished. LDCs' capacity to fill that gap is limited and the share of official development assistance (ODA) going to agriculture has trended downwards over the years. Foreign direct investment (FDI) therefore has a potentially important contribution to make in financing agricultural investments in LDCs. It is an important source of investment financing that is complementary with public investment-focused ODA, but needs to take place in a context that ensures consistency with national food and nutrition security objectives.

##### ***Benefits and risks***

Given that most agricultural activities are inherently in the private sector, direct foreign investment flows are an important source of transfer of know-how as well as financing. However, it is important that international investment should bring development benefits to

the receiving country in terms of technology transfer, employment creation, upstream and downstream linkages. These beneficial flows are not automatic: care must be taken in the formulation of investment contracts and selection of business models. Appropriate legislative and policy frameworks need to be in place. Case studies have shown that in the absence of appropriate policies, laws and institutions, international investment may entail risks for the host country and the local communities. These may include, in extreme cases, the expropriation of farmers from the land they have been using, the loss of livelihoods and the depletion of natural resources. The much-publicised “land grab” involving the purchase or leasing of agricultural land in LDCs for food production is just one form of investment and one which arguably is least likely to deliver significant developmental benefits to the host country.

The scope for forms of investment other than land acquisition – such as contract farming, out-grower schemes and other joint ventures - which are more likely to yield development benefits to host countries needs to be evaluated and best practices promoted. If foreign direct investment is to play an effective role in filling the investment gap facing LDC agriculture, there is a need to reconcile the investment objectives of investors with the investment needs of host countries. Investment priorities need to be identified in a comprehensive and coherent investment strategy and efforts made to identify the most effective measures to promote the matching-up of capital to opportunities and needs.

### ***Building consensus on international principles for responsible agricultural investment***

The perceived risks attached to large-scale land acquisitions by foreign investors are such that there have been calls for international principles to regulate them. In the absence of strong domestic legislation and equitable investment contracts, such principles could highlight host country interests, but could also be seen as a guide for investors to socially responsible investment. Voluntary principles based on detailed research concerning the nature, extent and impacts of foreign investment and best practices in law and policy could provide a framework to which national regulations, international investment agreements, global corporate social responsibility initiatives and individual investment contracts might refer.

In order to be legitimate and gain broad support, the development of voluntary principles requires widespread consultation with all stakeholders including LDC governments, farmers’ organizations, NGOs, the private sector and civil society more generally. Such a consultative process would inevitably be lengthy but without comprehensive consultation it is unlikely that workable principles could be achieved. Experience shows that the very process of developing principles or guidelines can be beneficial in terms of promoting more responsible investment behaviour.

Recently, FAO, IFAD, UNCTAD and the World Bank have jointly led a reflection on voluntary *principles for responsible international investment in agriculture*<sup>1</sup> that respect rights, livelihoods and resources. They have identified the following seven basic principles:

- i) *land and resource rights*: existing rights to land and natural resources are recognized and respected
- ii) *food security and rural development*: investments do not jeopardize food security and rural development, but rather strengthen it
- iii) *transparency, good governance and enabling environment*: processes for accessing land and making associated investments are transparent, monitored, and ensure accountability by all stakeholders
- iv) *consultation and participation*: all those materially affected are consulted and agreements from consultations are recorded and enforced
- v) *economic viability and responsible agro-enterprise investing*: projects are viable economically, respect the rule of law, reflect industry best practice, and result in durable shared value
- vi) *social sustainability*: investments generate desirable social and distributional impacts and do not increase vulnerability
- vii) *environmental sustainability*: environmental impacts are quantified and measures taken to encourage sustainable resource use while minimizing and mitigating negative impacts.

### ***Objectives of the side event***

FAO proposes to hold a side event on responsible agricultural investment during the LDC IV Conference, 9-13 May, 2011 in Istanbul, Turkey. The objectives of the event are:

- to solicit the views of participants on the proposed principles for responsible agricultural investment (RAI principles) and to explain the relationship between the principles and the *Voluntary Guidelines to improve the governance of tenure of land and other natural resources* that are being prepared by FAO and its partners.
- to review and pool knowledge and identify priorities for policy, incentives, best practices for responsible agricultural investment and support to agriculture, and issues for further research.

### ***Outputs***

---

<sup>1</sup> More information on these principles is available from: [www.responsibleagroinvestment.org](http://www.responsibleagroinvestment.org)

The main output will be a report documenting the debate and recommendations made by participants, in particular for the elaboration and implementation of the RAI principles

### ***Proposed participants***

The side event will bring together LDC policy makers and other government representatives, leaders of farmer organizations, investors, including national and regional financial institutions, technical experts, service providers, academics and researchers, leaders of civil-society organizations, and other relevant stakeholders actively interested in investment in agriculture.

### ***Approach***

The event will provide a forum for discussing responsible agricultural investment and the proposed RAI principles. It will start with an overview of the benefits, risks and issues raised by international investment in agriculture. The FAO experts will then introduce the RAI principles and their possible implications for LDCs. They will explain how these principles were developed building on existing international commitments and research. The presentation will be followed by an open discussion with the public. Participants will share their views and suggestions on the principles and their suitability to LDC governments, civil society and private sector operators.