

Impacts of Foreign Investment in African Agriculture: evidence from case studies



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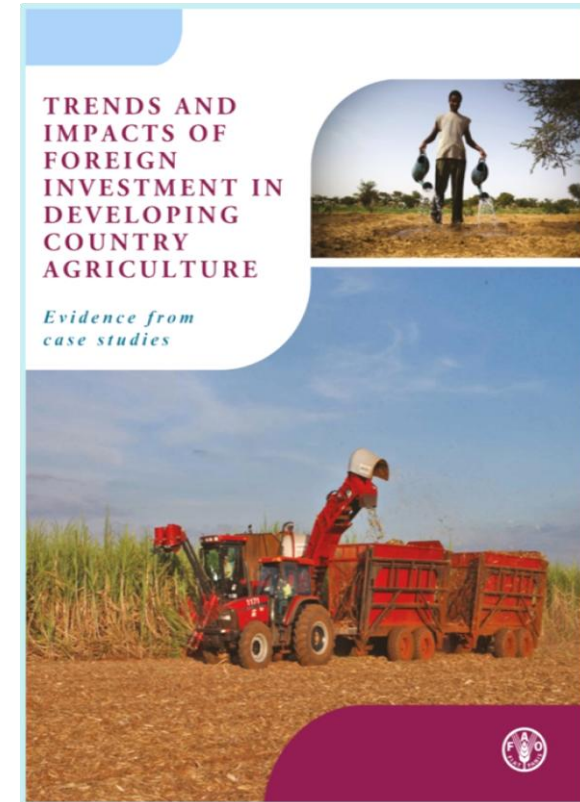
New FAO report on FDI in agriculture

Goals

- Better knowledge of trends, impact on host countries
- Identify good practices, provide guidance

Scope

- Foreign investment in primary production
- Land acquisitions & alternative models



Financial support by Japan



Findings

- ❑ Case studies => **caution in interpretation**
- ❑ **High variability of impact** (see below)
- ❑ **Large-scale land acquisitions**: the **disadvantages** often outweigh the benefits (job creation)

Risks where land rights are unclear & governance is weak:

- For local communities (loss of access to resources & livelihoods, displacement, ...)
- Environmental risks
- Even for investors, acquisition is not likely to be the best business model



Findings

Positive effects of inclusive business models on local economy (when farmers keep control of land and are involved early)

- Job creation, value addition, higher incomes, higher productivity of small farmers
- Building of institutional capital = a key asset for LED

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



Findings

- ❑ **Inclusive models need strong external support** (patient capital & PPP)
- ❑ No ideal business model for all contexts
- ❑ FDI impacts depend on **many other factors**: contract terms, location, social & economic conditions, capacity of local institutions, negotiation process, investor, policy/legal framework...
- ❑ **Domestic laws & institutions governing investment** are key, but often inadequate in Africa (inconsistent, fragmented, no coordination)



Recommendations

- Need for **normalization**: develop common analytical framework for impact assessment. Will help obtain more systematic conclusions.
Use longer time frame, examine various scales.
- **Strengthen policies, laws and regulations** (more consistent & supportive, reduce loopholes, clarify & protect rights).
- **Improve governance** (transparency, accountability, rule of law, participation)



Recommendations

- **Support African governments & institutions** (capacity building, policy advice, ...) **in all policy areas** relevant to agricultural investment

=> VGGT, PRAI field testing & CFS consultation can help
- Strengthen **local organizations**, esp. farmer groups
- **Sensitize investors** to interest of good investment practices



Thank you

For more information and to download the publication:

<http://www.fao.org/economic/est/investments>

