

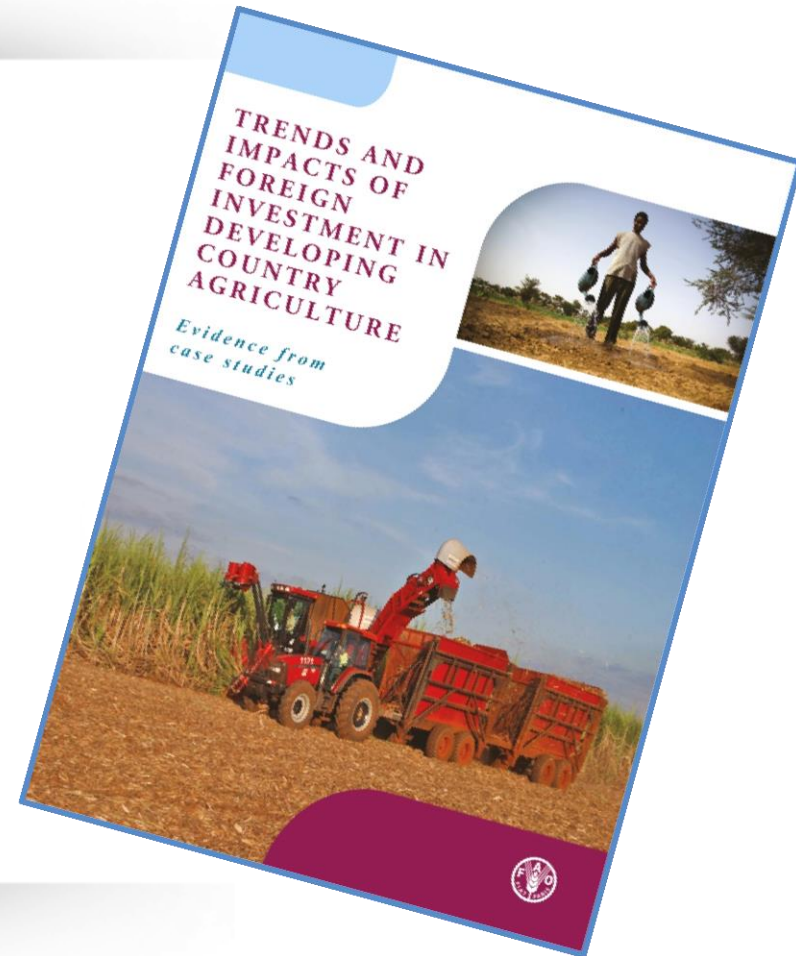
Trends of international investment in developing country agriculture

Investment in developing country agriculture

- In **production**, farmers themselves are the biggest investors
- Investment by MSME's crucial for development of supply chains
- Investments must be stimulated by an enabling policy framework and strategic public expenditure
- Private corporate investment including FDI is also needed

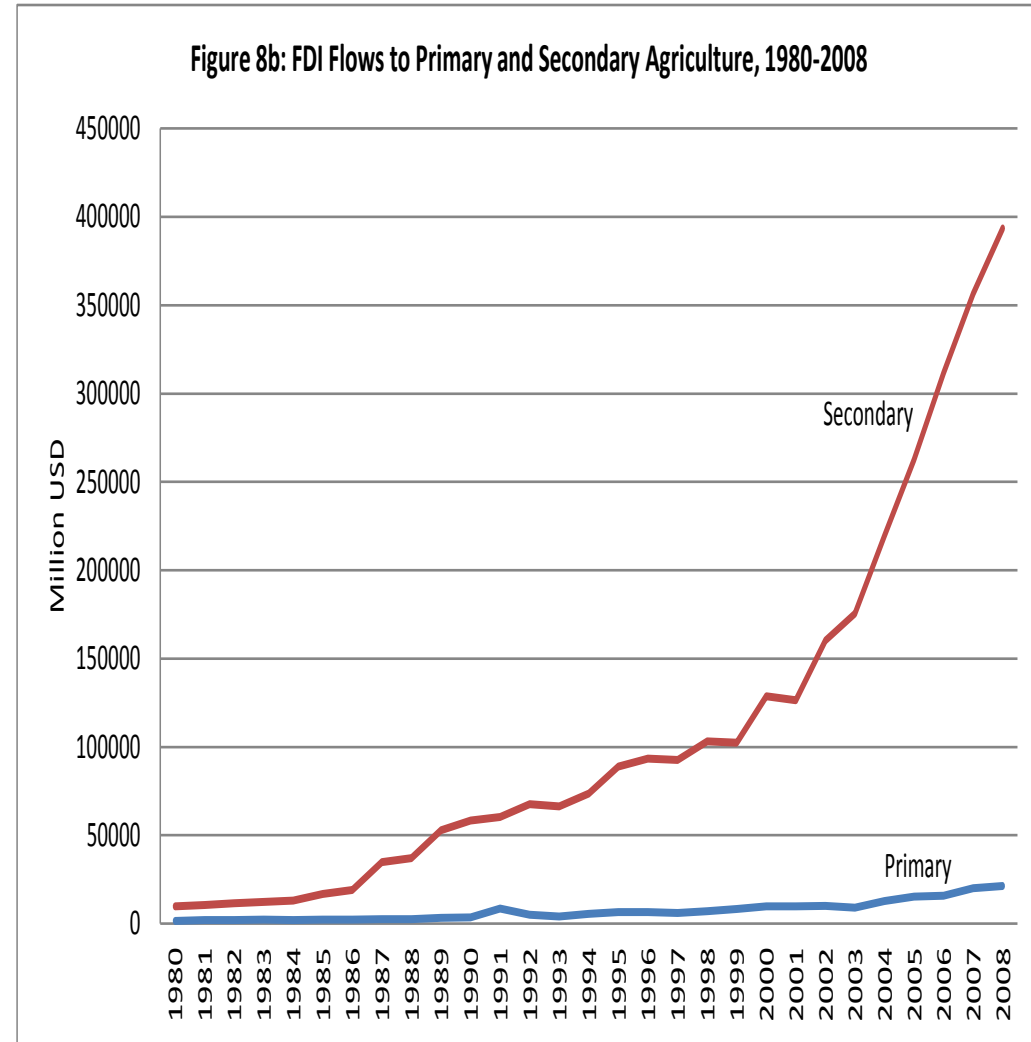


What do we know about trends & impacts of foreign investment in developing country agriculture?



Trends

- Substantial increase in the 00's, especially after the food price crisis
- Still less than 5% of total FDI
- 90% to downstream activities
- Little diversification in EAC compared to ASEAN or the global average
- Less interest as international food and energy prices plummet?
- **Fundamentals are in favour of agriculture!**



Impacts

- **High variability of impacts**
- **High variability of determinants**
- **Social, environmental and financial risks**



Positive impacts when farmers control land & are involved as partners

- Generation of jobs and livelihood opportunities
 - Higher productivity
 - Value addition
- But regardless of business model, positive impacts will take time to emerge

Be patient



Recommendations

Improve governance

- Transparency, Accountability, Rule of law, Participation

Strengthen policies, laws, regulations & institutions

- more consistent & supportive
- reduce loopholes
- clarify & protect rights, including land tenure

Strengthen local organizations, esp. farmer groups

Sensitize investors to benefits of responsible behaviour



What international tools to maximize the benefits of agro-FDI and reduce its risks?

- A variety of private and public instruments
- Important tools on land tenure :
 - AU Land Policy Framework & Guidelines
 - Voluntary guidelines on governance of tenure (CFS)
- Intergovernmental initiatives on agricultural investment:
 - PRAI
 - CFS RAI principles
 - OECD-FAO practical guidance for RBC

Principles for Responsible Agricultural Investment that respect rights, livelihoods & resources (PRAI)

- Proposed by FAO, IFAD, UNCTAD & World Bank in 2010
- A response to the challenges of large-scale land acquisitions and the need for increased agricultural investment
- **Voluntary**
- Can help governments develop laws & negotiate agreements
- May be used as “**checklist**” when assessing projects
- A “**living document**” to be updated with the results of ongoing research and field-testing
- Endorsed by the G20



CFS principles for responsible agricultural investment (CFS-RAI)

- An inclusive consultation process to develop **principles for responsible agricultural investment in the context of food security and nutrition**
- Broad scope: “all types of investment in agricultural value chains and food systems “
 - “[...] include foreign and domestic, public and private, small, medium and large scale investments.”
 - potential users: “all stakeholders that are involved in, benefit from, or are affected by agricultural investments[...].”
- Build on existing instruments including VGGT, the Voluntary Guidelines on the Right to Food and PRAI (incl. field testing results)
- Started in 2012, final negotiations in May 2014 in Rome

OECD-FAO Guidance on responsible business conduct (RBC) along agricultural supply chains

Objectives:

- Develop practical guidance for investors by 2015
- **Synthesize existing standards** of RBC to help investors identify risks and avoid infringing such standards => **not a new standard** but a practical tool to **help implement existing ones**
- **Due diligence** to support investors in preventing and mitigating adverse impacts
- Emphasize how investors can **work with governments and civil society** to conduct business responsibly

Process guided by multi-stakeholder advisory group

Principles for Responsible Agricultural Investment

THAT RESPECT RIGHTS, LIVELIHOODS AND RESOURCES (PRAI)

Key elements

1. Respect of tenure rights
2. Do not jeopardize but rather strengthen food security
3. Governance framework ensures transparency and accountability
4. Consult & involve stakeholders
5. Investors must respect laws and ensure durable shared value
6. Generate positive social impacts
7. Ensure environmental sustainability



Big or small – be responsible



Asante!