AGRICULTURE AND ENVIRONMENTAL SERVICES DISCUSSION PAPER 08

THE PRACTICE OF RESPONSIBLE INVESTMENT PRINCIPLES IN LARGER-SCALE AGRICULTURAL INVESTMENTS

Implications for Corporate Performance and Impact on Local Communities

WORLD BANK REPORT NUMBER 86175-GLB

THE WORLD BANK

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNCTAD

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PREFACE

Higher prices of agricultural commodities in the wake of the world food price crisis of 2007–08 have stimulated renewed interest in agricultural investment following decades of chronic underinvestment. For many working in the field of agricultural development, this "rediscovery" of agriculture as a focus of investment presented a promising and long awaited opportunity to promote the sector within the larger agenda of economic development. For others, this resurgence of investment in agriculture appeared fraught with peril. Investments involving large-scale land acquisition in particular raised serious concerns over their likely negative impacts on local people who have been using that land. A lack of analysis on such investments has meant that much of the debate on this issue has been fueled by anecdotes and one-off case studies.

Responding to both concerns, the Inter-Agency Working Group—consisting of the Food and Agriculture Organization, the International Fund for Agricultural Development, the United Nations Conference on Trade and Development, and the World Bank—resolved to collectively generate a body of empirical knowledge that could be used to identify desirable forms of investment. This knowledge was intended to inform the various ongoing consultations, such as those on responsible agricultural investment as well as the ongoing formulation of the Sustainable Development Goals. It would also be used in capacity building programs for public officials, investors, and other stakeholders in the countries concerned. The Working Group members have now produced a number of studies on matters such as alternatives to large-scale land investments, different forms of contract farming, and trends and impacts of foreign direct investment in agriculture in developing countries. One such study was a meta-analysis of 179 larger-scale agribusiness investments in Africa and Southeast Asia over a 50-year period.

This report, *The Practice of Responsible Investment Principles in Larger-Scale Agricultural Investments,* adds another chapter to this growing body of literature. The study examines 39 mature agribusiness investments in Africa and Southeast Asia and assesses to what extent their activities can be characterized as responsible in terms of respect for local rights, consultation and transparency with stakeholders, support of livelihoods, environmental sustainability, and other criteria. More than 550 community stakeholders were interviewed about the impacts the investments had had on those they represented. This process of consultation with those affected purposefully provided these local communities with a voice which the investors and national governments were clearly interested in listening to. This responds to the demand by public officials and investors for information about best practices and pitfalls to avoid. The impressions and ideas of local communities have enriched this study, and provided unique insights into what factors are at play and their impact on those most directly affected by outside investments.

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ACKNOWLEDGMENTS

This report was written by Hafiz Mirza, William Speller, Grahame Dixie, and Zoë Goodman. It was researched and prepared by a joint United Nations Conference on Trade and Development (UNCTAD)–World Bank team under the overall direction of James Zhan and Masataka Fujita (UNCTAD), and Mark Cackler (World Bank). The team consisted of Grahame Dixie, Hafiz Mirza, Zoë Goodman, Alva Kretschmer, and William Speller (staff), as well as Elfriede Penz, Duncan Pringle, Abye Tasse, Mark Terken, and Teoh Cheng Hai (consultants).

Hafiz Mirza devised and oversaw the research framework and methodology with support from Zoë Goodman (research instrument design, piloting, and revision) and Elfriede Penz (incorporation of qualitative methods, especially advice on implementing the Nvivo software package). The field work was conducted by Duncan Pringle, Teoh Cheng Hai, Mark Terken, Abye Tasse, Zoë Goodman, William Speller, and Hafiz Mirza. Alva Kretschmer provided research and logistical support in arranging the field work. Zoë Goodman and William Speller were responsible for inputting the fieldwork results into Nvivo; and interrogation of the Nvivo database and data analysis was primarily by William Speller.

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Special recognition goes to John Lamb, formerly at the World Bank, who was pivotal in initiating this work with the government of Japan.

LIST OF ABBREVIATIONS

CFS	Committee on World Food Security
EIA	Environmental Impact Assessment
EMS	Environmental Management System
EMP	Environmental Management Plan
FAO	Food and Agriculture Organization
FDI	Foreign direct investment
FPIC	Free, Prior, and Informed Consent
GHG	Greenhouse Gas
HACCP	Hazard analysis and critical control points
HLPE	High Level Panel of Experts
IAWG	Inter-Agency Working Group
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFOAM	International Foundation for Organic Agriculture
IIED	International Institute for Environment and Development
INDOCERT	Indian Organic Certification Agency
ISCC	International Sustainability and Carbon Certification
ISO	International Organization for Standardization
MPS-SQ	More Profitable Sustainability–Socially Qualified
NCR	Native Customary Rights
NGO	Non-governmental organization
NPP	New Planting Procedure
P&C	Principles and Criteria

PRAI	Principles for Responsible Agricultural Investment
RAI	Responsible Agricultural Investment
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
RSPO	Roundtable on Sustainable Palm Oil
SDG	Sustainable Development Goal
SEIA	Social and Environmental Impact Assessment
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Program

EXECUTIVE SUMMARY

This report presents findings from a field-based survey on the conduct of agricultural operations at 39 large-scale, mature agribusiness investments in sub-Saharan Africa and Southeast Asia, focusing in particular on their approaches to social, economic, and environmental responsibility. The objective of the report is to provide first-hand, practical knowledge of the approach, behavior, and experience of these investments,[1] their relationships with surrounding communities and the consequent positive and/or negative outcomes for these communities, host countries, other stakeholders, and the investors themselves.

The lessons learned and good practices identified are intended to inform the work of government bodies, investors, non-governmental organizations (NGOs), development agencies, and other institutions that promote responsible investment in agriculture.

Experienced agricultural experts, together with UNCTAD and World Bank staff, spent 2 to 3 days interviewing senior management at each agribusiness site to complete a semi-structured questionnaire covering operational and financial information, as well as details of the investor's approach to a wide range of socioeconomic and environmental issues. Investors also provided researchers with contracts, reporting tools, and other documentation relevant to the study. A further 2 to 3 days were spent interviewing surrounding communities and other stakeholders to ascertain how people perceived and were impacted by the operations. These latter interviews were conducted in an open-ended fashion, allowing external stakeholders to raise issues that were important to them. The views of over 550 external stakeholders have been elicited in the conduct of 240 separate stakeholder interviews.

On balance, the investments studied have generated positive socioeconomic benefits for surrounding communities and host countries. Figures E.1–E.6 show the most common positive and negative impacts of the investments surveyed, as mentioned by external stakeholders during the interviews. These provide an overview of how these investments were perceived by those affected by them.

Job creation was the most frequently cited benefit arising from the investments (figure E.1); indeed, investors in the sample operations employed around 40,000 people—an average of one job for every 20 hectares of land—often in remote areas where formal employment had not previously existed (table E.1). Investors also indirectly contributed to employment opportunities by providing a stable market for outgrowers' produce: for example, the 11 investors with outgrower schemes helped to support the livelihoods of 150,000 contract farmers in total (table E.2). The concomitant rise in rural incomes contributed positively to food security, directly and indirectly.

Other notable tendencies toward more socially or financially inclusive business models were mentioned by communities and stakeholders. Investors provided social services such as education, health, rural and farming infrastructure, local water provision schemes, and access to finance. Finally, investors introduced new farming technology and practices which, in rare but significant instances, had a catalytic impact which extended far beyond the investor.

1 Throughout this report the terms "investment" and "investor" are used to describe the agribusinesses examined in this survey. Investment in agriculture involves a much wider set of actors apart from large-scale agribusinesses, most notably small farmers investing in their own farms.

FIGURE E.1: Share of Stakeholder Interviews Which Mentioned a Positive Impact, by Issue: All Investments

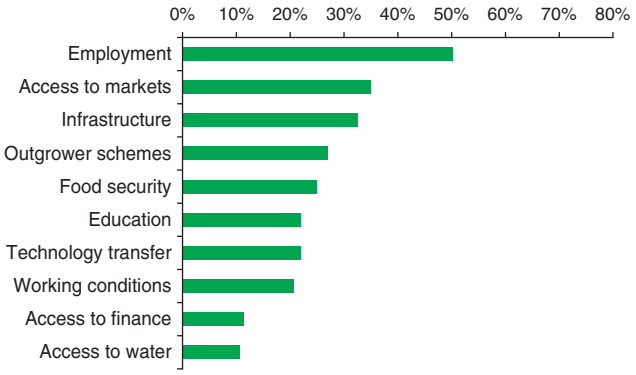


FIGURE E.2: Share of Stakeholder Interviews Which Mentioned a Negative Impact, by Issue: All Investments

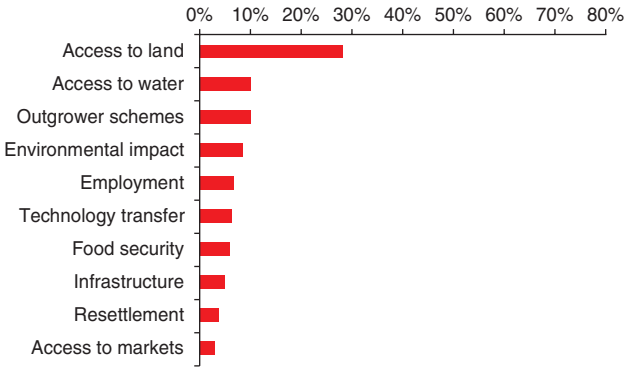


FIGURE E.3: Share of Stakeholder Interviews Which Mentioned a Positive Impact, by Issue: Investments Involving Land Acquisition[a]

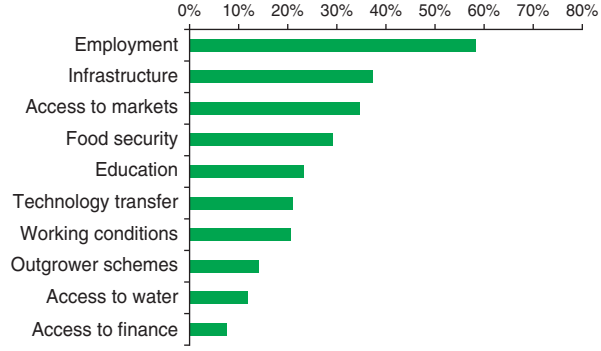


FIGURE E.4: Share of Stakeholder Interviews Which Mentioned a Negative Impact, by Issue: Investments Involving Land Acquisition[a]

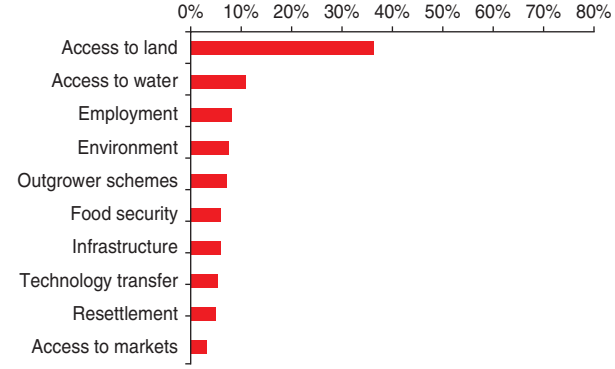


FIGURE E.5: Share of Stakeholder Interviews Which Mentioned a Positive Impact, by Issue: Investments Not Involving Land Acquisition[b]

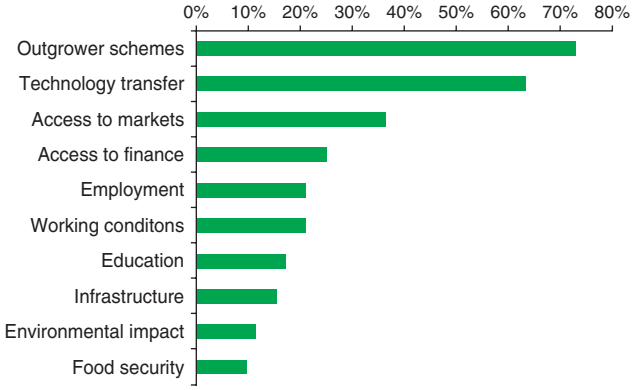
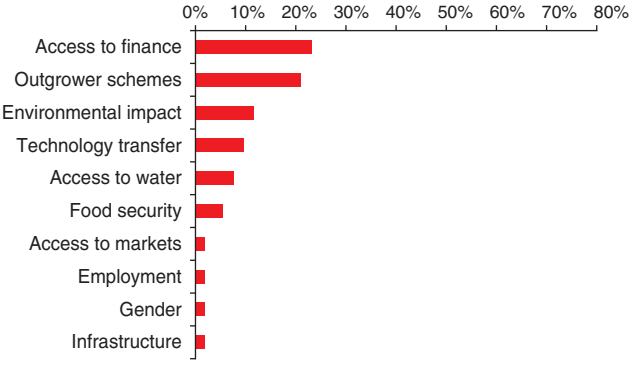


FIGURE E.6: Share of Stakeholder Interviews Which Mentioned a Negative Impact, by Issue: Investments Not Involving Land Acquisition[b]



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
Notes: These figures were created by classifying information from stakeholder interviews into whether the investment was perceived to have a positive or negative impact, with the information further categorized by issue under each of these two classifications. For example, an interviewee who stated he was happy to have a job with the investor would be classified as having expressed a positive impact with respect to employment. Some issues appear as both a positive and negative impact because there can be both positive and negative dimensions to an investment's impact with respect to each issue. For example, an investor may have improved local water access by installing hand pumps, but may also have had a negative impact by polluting water sources used by local communities because of environmentally unsound agricultural practices.
[a] Includes pure estate and estate with outgrowers' business models.
[b] Includes pure processing operations and trading operations.

TABLE E.1: Employment, Descriptive Statistics

	SUM OF ALL INVESTMENTS	MEAN PER INVESTMENT	MEDIAN PER INVESTMENT	MAX.	MIN.	FEMALE SHARE[a]	EXPAT SHARE[a]	HECTARE/ JOB[B]
Total formal employment	38,810	979	688	5,278	28	34 percent	2 percent	20
Permanent	19,832	509	200	3,086	28	24 percent	3 percent	39
Temporary/Casual/Seasonal	18,348	470	180	3,700	0	45 percent	0 percent	41

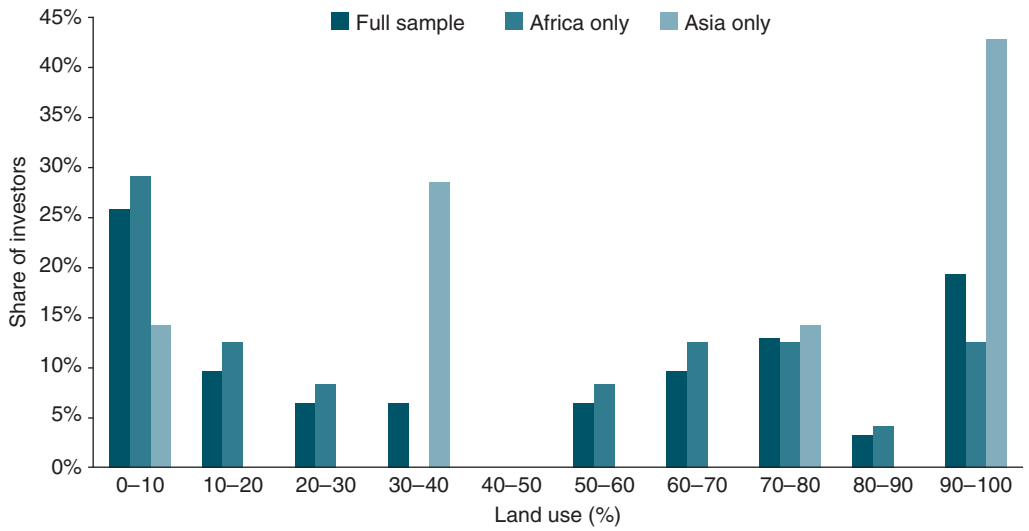
Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] Not all investors provided female and expatriate shares. These percentages are based on the 24 out of 39 investors who provided female employee numbers and 35 out of 39 investors who provided expatriate employee numbers.
[b] Hectare / job figures refer only to those 31 investments with land allocations, that is, excluding the 8 processing and trading operations.

TABLE E.2: Outgrower, Descriptive Statistics

	TOTAL	MEAN	MEDIAN	MAXIMUM	MINIMUM	FEMALE (PERCENT)
Outgrowers[a]	149,638	13,603	1,534	120,000	60	1.5 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] Averages are for only the 11 investments which provided outgrower numbers.

FIGURE E.7: Degree of Land Use[a]

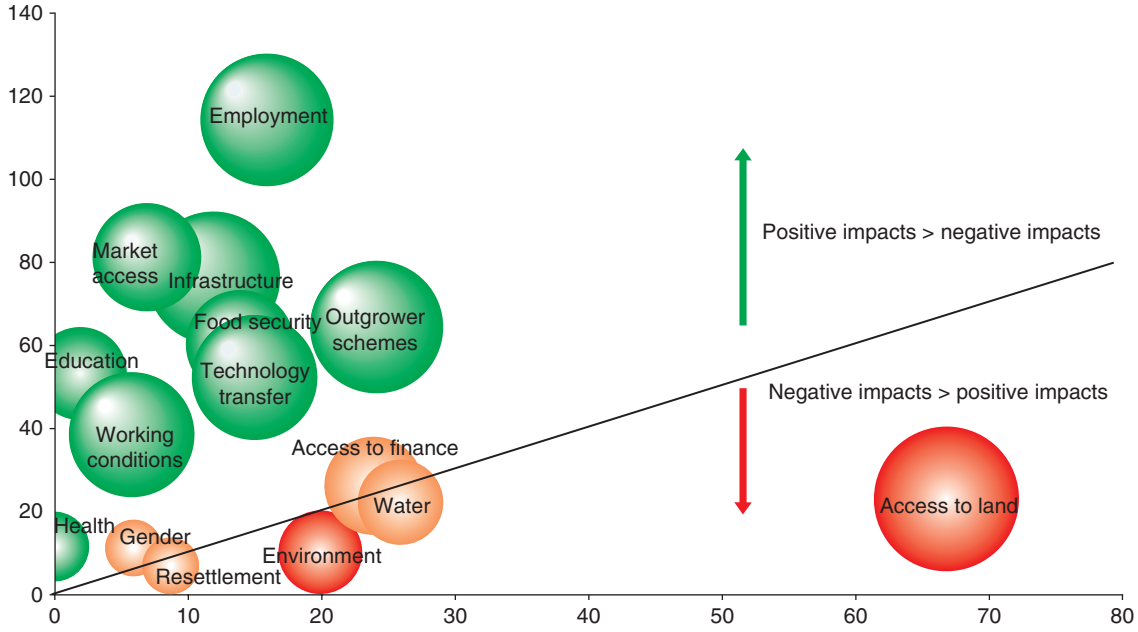


Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] Chart shows the percentage of an investor's land allocation that was actively cropped, being developed, or used for ancillary purposes such as employee housing. Only those investments with land allocations are included, that is, processing and trading operations are excluded.

As well as the above benefits, negative impacts also arose in the investments examined (figure E.2). Most prominent were disputes over access to land, such as conflict between the formal rights provided to the investor by the state and the informal rights of existing users of the land. Such situations were at times exacerbated by a lack of clarity on the conditions and process for land acquisition, and further compounded in a significant number of cases where investors were using only a small portion of their land allocation (figure E.7). Despite some positive examples, resettlement was seldom sufficiently consultative, inclusive, or adequately compensated. This lack of consultation was symptomatic of a broader concern. Involvement by local communities in decisions affecting them was deemed insufficient; and, moreover, procedures to raise grievances or hold investors to account were commonly absent. Assessment, understanding, and monitoring of the environmental impact of investments was generally inadequate, especially with regard to consequences for water resources (table E.3).

Overall, communities and external stakeholders interviewed felt that the benefits of the investments outweighed the negative impacts, and were appreciative of the presence of the investor (figure E.8). Nevertheless, there is a wide range of outcomes arising from these investments

FIGURE E.8: Stakeholder Perceptions of Positive and Negative Impacts of Investments, Classified by Issue[a]



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] The vertical axis shows the number of stakeholders which mentioned the investment as having a positive impact on them with regard to that issue. The horizontal axis shows the number of stakeholders which mentioned the investment as having a negative impact. The size of the bubbles represent the relative frequency with which each issue arose in stakeholder interviews, whether in a positive, negative, or neutral context.

in terms of their socioeconomic and environmental impacts, their broader impact on the host country, and the operational and financial success of the investment itself. There are some investments that have generated mostly positive outcomes, while others have generated mostly negative outcomes (figure E.9). Most exhibit a mixture of positive and negative impacts, performing well on some aspects, but with significant room for improvement on others.

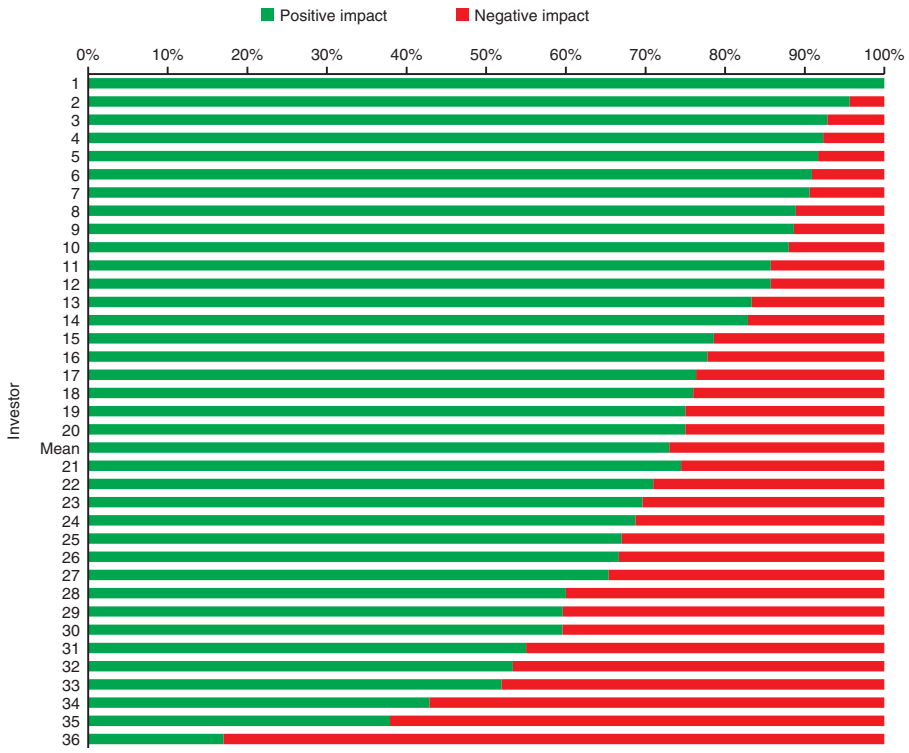
A somewhat surprising finding from this research, at least at first glance, is that many investors were in operational and financial difficulty. Around 45 percent of investors were materially behind schedule or operating below capacity. About the same share were unprofitable at the time of survey.

Investors highlighted a number of constraints which hindered their prospects of success (figure E.10). They noted the importance of host country governments in creating an enabling environment which allows investors to survive, thrive, and contribute to the local community and the broader economy. International investors in several countries experienced a lack of a clear, transparent, and consistent approach toward foreign investment in agriculture, including policies and procedures for the purchase or lease of land. Access to finance, inadequate infrastructure, and difficulties in sourcing local, qualified staff were other key constraints on profitability.

Financial and operational success is an essential precondition for agricultural investments to make a positive contribution to development, whereas failure can create lose-lose-lose situations for investors, host countries, and local communities alike. In this regard, investors noted the importance of striking the right balance between imposing necessary requirements and regulations which promoted responsible investment, on the one hand, and ensuring that requirements were not so burdensome as to preclude much needed investment by agri-businesses, on the other.

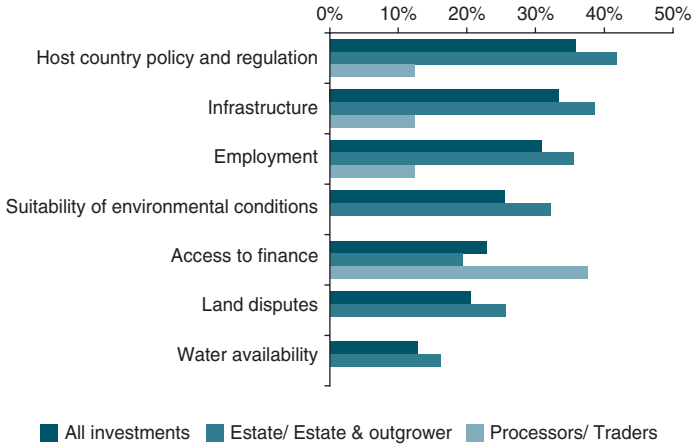
A key finding of this research is that a potentially win-win situation vis-à-vis investment performance and their wider positive economic, social, and environmental impact *is* achievable. In the survey, investors that were financially and operationally successful tended also to

FIGURE E.9: Share of Positive / Negative Socioeconomic Impacts Mentioned in Stakeholder Interviews[a]



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] All impacts of the investment mentioned in stakeholder interviews are classified as "positive" or "negative." Figure shows the balance of positive and negative mentions for each investor. A level of 100 percent means that the stakeholders interviewed for that investor mentioned only positive impacts.

FIGURE E.10: Percentage of Investors Mentioning Particular Constraints on Operations



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

be those that had the most positive impact on their host economies and surrounding communities—the result of more sophisticated approaches to social and environmental responsibility. Similarly, those investments which were well-integrated with the host country and surrounding community were most likely to be financially successful. Investors which acquired land but did not conduct thorough consultations with communities and impact assessments, or left it to host governments to conduct them on their behalf, often found themselves subsequently dealing with costly and time-consuming land disputes.

Civil society organizations in some cases played an important role in helping investors and local communities to forge partnerships, increasing the likelihood of mutually beneficial solutions. Particularly significant in this research was the role of NGOs in ensuring that relevant stakeholders to an investment had their voices heard, especially in community consultations, impact assessments, and grievance mechanisms. NGOs were also able to publicize conflicts between investors, governments, and stakeholders and contribute to greater transparency on the conduct of agricultural investment. But in some cases, investors perceived that this was done in an inflammatory or antagonistic, rather than constructive, fashion which served the NGO's own interest but was detrimental to the interests of not only investors but also local communities.

The diversity of experiences, performance, and impacts of investments in the survey suggests that a wide range of factors influence the outcomes of an agricultural investment. Some factors are context specific. As such, one cannot be categorical about the types of investment that are most or least desirable. This study finds that the static attributes of the investor (its crop, country of origin, and so on) are less important than the dynamic actions, policies, and practices of the investor and host country government in determining the outcome of investments. The challenge is to understand how agricultural investment can be conducted in a responsible and sustainable manner, which maximizes the associated benefits and minimizes the potential risks.

Table E.3 summarizes the key benefits and negative outcomes of the investments studied, based on analyses of all material collected during the research—stakeholder interviews, company questionnaires, other documentation, and discussions with civil society.

Table E.4 summarizes the key policies and practices identified in this research which helped lead to better outcomes in the investments studied. But neither this study, nor any other, can provide all the answers. The findings of this report do not represent a final, exhaustive list of good and bad policies or practices, but rather those observed during the course of the fieldwork to have influenced the outcomes for local communities, host countries, and investors.

These lessons must be heard and integrated carefully with findings from other research and acted upon in order to feed the world's burgeoning population in a sustainable manner that preserves natural resources, utilizes agriculture as an engine for inclusive growth, and fosters long-term development. The achievement of these goals will require more investment, private and public. The central role of smallholder

TABLE E.3: Key Benefits and Negative Outcomes of Investments Studied

KEY BENEFITS
• Direct employment creation.
• Improved livelihoods for outgrowers due to purchase of produce by investor as well as technical assistance and other benefits of formal outgrower schemes.
• Social development programs (for example, schools, medical centers).
• Financially inclusive business models such as revenue sharing arrangements with local community.
• Infrastructure (for example, roads) and resulting better access to markets.
• Improved food security through rising rural incomes due to direct and indirect employment.
• Access to new farming technology and practices.
KEY NEGATIVE OUTCOMES
• Disputes over access to land, especially between investors and those with informal rights to land based on use.
• Lack of transparency, especially on conditions and process for land acquisition.
• Poorly handled resettlement.
• Lack of consultation and inclusion of local communities, leading to disempowerment.
• Failure to use land as expected.
• Financial or operational failure of the investor, creating lose-lose situations.
• Lack of grievance and redress mechanisms.
• Inadequate assessment and understanding of environmental impacts, including on water resources.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

TABLE E.4: Key Policies and Practices Applied by Investors, Governments, and Civil Society That Maximized Benefits and Minimized Risks in Investments Studied

GOVERNMENT
• Rigorous prescreening of potential investors' experience, financial capacity and technical capabilities.
• Obtaining commitments from foreign investors for social development programs, employment, and other benefits to the host country, as well as a detailed schedule for the development of operations.
• Ongoing monitoring of investors' agreements and commitments.
• Monitoring consultations and social and environmental impact assessments (SEIA), but not conducting them on investors' behalf.
• Clear, transparent regulatory framework for land acquisition (purchase or lease), consultations, resettlement, and compensation.
• Formalized local community tenure rights under a proper land registry system.
• Approval of foreign investment applications in line with capacity to screen and monitor investors.
• Encourage phasing of investments, rather than mega-land deals, for example, provision of an initial allocation of land, with further allocations contingent upon successful development.
• Monitoring and enforcement of adherence to environmental and water regulations.
• Encouragement of innovation (new crops, technology, and so on), but not initially on a large scale.
• Reducing red tape and creating an enabling environment for foreign investment and the development of domestic industry.
INVESTORS
• Early engagement and consultation with surrounding communities, including previous and existing users of the land.
• Transparency about the operation and ongoing dialogue with external stakeholders, including a formal grievance procedure.
• Social development programs that reflect local communities' development visions.
• A financially inclusive business model.
• Proper conduct of SEIAs and integration within business models.
• Setting of and adherence to realistic expectations about the pace of development of operations; use of land in accordance with commitments.
• Phasing of the investment—applying for and successfully developing a parcel of land before seeking a larger allocation.
• Fair and adequate remuneration, contractual conditions, and training for employees and outgrowers.
• Resolution of the business model prior to introducing outgrowers.
CIVIL SOCIETY
• Engagement with investors to help them forge partnerships with marginalized groups and ensure that relevant stakeholders are included in decision-making processes.
• Assistance to local communities to be well-organized, understand their rights and how to exercise them.
• Monitoring conflicts between investors and stakeholders and constructively drawing attention to issues.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

farmers' investment in their own farms in any strategy for promoting the required agricultural investment is well-established.[2] But there nevertheless remains a key role for other forms of investment, including from the types of private sector investors included in this study. This research finds that private sector investments, including those that involve land acquisition, can generate positive outcomes if conducted in a socially and environmentally responsible manner.

This report is a contribution to a growing body of evidence-based knowledge, including from work by the Inter-Agency Working Group (IAWG) comprised of UNCTAD, the World Bank, the Food and Agriculture Organization (FAO), and the International Fund for Agricultural Development (IFAD), aimed at distilling lessons from past and current agricultural investments.[3] This research program continues to generate knowledge on what the appropriate conduct of agricultural investment comprises in practical and operational terms, in order to satisfy both the needs of corporate performance and economic, social, and environmentally sustainable development. This research yields lessons for the content and refinement of the PRAI, which will be combined with those from other work of the IAWG and reflected in future work programs.

2 See, for example, FAO (2012) *The State of Food and Agriculture: Investing in Agriculture for a Better Future;* Committee on World Food Security High Level Panel of Experts (HLPE) (2013) *Investing in smallholder agriculture for food security: A report by the High Level Panel of Experts on Food Security and Nutrition;* and IFAD and United Nations Environment Program (UNEP) (2013) *Smallholders, Food Security and the Environment.*

3 See page 1 for additional details.

The data collected for this study represent a snapshot of a particular point in time. In addition, some relevant issues identified during the field work were not fully investigated due to time constraints. These and many other issues identified would benefit from more detailed study over an extended period. For these reasons, a follow-up project will be to revisit 12–15 investments and conduct more detailed field research to deepen the understanding of impacts and how they have evolved.

This report also emphasizes that many of the decisions and actions which determine the ultimate outcome of investments are taken prior to the investment or during its initial phases. For this reason, the IAWG of UNCTAD, the World Bank, FAO, and IFAD plan to embark on a new field program: the pilot-use of responsible agricultural investment principles working with investors (companies), governments, communities and other stakeholders from the *outset of a project*. The primary objective is to infuse responsible principles and practices into (1) agribusiness operations and (2) the interaction of these operations with local communities, the environment, and the economy as a whole. The intention is for investors to apply the principles to the establishment phase of their new agribusiness investments, and incorporate them into their business processes, in dialogue with governments and communities.

Chapter 1 INTRODUCTION AND CONTEXT

1.1 BACKGROUND

The challenges facing global agriculture in the coming decades are monumental. The sector must feed a projected population of 9 billion people by 2050. The Food and Agriculture Organization (FAO) estimates that average annual investment flows of US$209 billion are needed to meet growing demand for food in 2050—and even more is required to eliminate hunger, and target poverty and malnourishment (FAO 2012a). However measured, the agricultural investment gap is enormous.

Faced with a number of common economic, social, and environmental challenges, developing countries require long-term sustainable and increased investment, including investment in agriculture. The United Nations, member states, international policy makers, and civil society are working to establish a set of sustainable development goals (SDGs) that will constitute the bedrock of the post-2015 development agenda. The scope and ambition of the SDGs will require a significant scaling-up of investment to generate productive capacities, clean and sustainable technologies, and infrastructure. Investment in agriculture will assist with attainment of SDGs in many areas being discussed, including sustainable agriculture, food security, poverty eradication, and management of natural resources.

The central role of smallholder farmers' investment in any strategy for promoting agricultural development is widely recognized. But since the mid-2000s, corporate sector interest in agriculture in developing countries has increased sharply, driven by rising commodity prices, the strategic concerns of food-importing countries, and various commercial opportunities in agriculture. Corporate investment in agriculture, foreign and domestic, has jumped accordingly, not only from traditional investors such as agribusiness enterprises, but also from state-owned enterprises and sovereign wealth funds, as well as private equity and other investment funds.

While welcoming the potential positive impact of these new resources and the infusion of dynamism into the agricultural sector, some point to past experiences in which corporate investors appear to have left a trail of environmental, social, and community problems. After decades of struggling to attract a significant level of corporate investment, including foreign direct investment, in their agricultural sectors, developing countries are now faced with a challenge. How should they accept the type, size, and number of such investments in order to maximize development benefits and minimize socioeconomic and environmental risks?

As one response to both encouraging the necessary investment and addressing concerns, UNCTAD, FAO, the International Fund for Agricultural Development (IFAD), and the World Bank (the Inter-Agency Working Group, IAWG) in 2010 proposed a set of *Principles for Responsible Agricultural Investment (PRAI)*. The application of the PRAI to agricultural investments is intended to reduce the level of negative externalities and raise the likelihood of positive impacts. The PRAI were always envisaged as a "living document," which needed to be further refined, elaborated, and operationalized in light of the evidence, such as that presented in this report.

1.2 OBJECTIVES AND RELATED WORK

The IAWG has embarked on a work program to distill the lessons from past and current agricultural investment in order to understand what works and what does not work for host countries, local communities, investors, and other parties impacted by agricultural investments of a range of types and scales; and to apply these lessons accordingly.

Recent publications by the World Bank, FAO, and IFAD have already contributed to this emerging knowledge base. FAO and IFAD commissioned a joint FAO-International Institute for Environment

and Development (IIED) paper on alternatives to large-scale land acquisitions in developing countries, reviewing different inclusive business models for smallholders (Vermeulen and Cortula 2010). FAO conducted a series of case studies on the trends and impact of foreign direct investment (FID) in developing country agriculture (FAO 2013). The World Bank completed a retrospective study of the agricultural investment portfolio of the Commonwealth Development Corporation, studying how 179 larger-scale agribusinesses played out over a 50-year period (Tyler and Dixie 2012). IFAD produced a review of global experiences in developing and managing outgrower programs (IFAD and TechnoServe 2011).

This study is based on a first of its kind, large-scale field survey, by UNCTAD and the World Bank, of investors, local communities, and other stakeholders. It uses first-hand evidence obtained through on-site interviews with 39 relatively large-scale agribusiness investors in 13 countries in Africa and Southeast Asia; and a methodologically robust dyadic approach also entailed simultaneously conducting 240 interviews with 550 stakeholders affected by those investments. The ultimate aim of the study is to produce detailed, practical knowledge and lessons from experiences on the ground which governments, investors, civil society, and international organizations can use to determine how to tackle the challenges, maximize the benefits, and minimize the risks of agricultural investments of this type.

As such, the principal goals of this study are five-fold:

1. to inform governments and investors and other stakeholders about the experiences and lessons of how best to conduct relatively large-scale, corporate investment in agriculture;
2. to inform the many ongoing consultations on the conduct of responsible agricultural investment (including but not limited to the Committee on World Food Security (CFS) consultation to develop principles for responsible agricultural investments (RAIs) in the context of food security and nutrition);
3. to serve as a basis for a future capacity-building program, providing more detailed guidance to governments, investors, and other stakeholders;
4. to lay the basis for a future work program of more detailed investigation of these initial findings, exploring particular issues in greater depth; and
5. to establish a basis for a future work program in which the IAWG will work with new investors and host country governments to develop concrete tools for use in the early phases of future investments.

1.3 DATA COLLECTION AND METHODOLOGY

The field work was conducted between March 2012 and August 2013. Researchers spent 2 to 3 days on site with each agribusiness, conducting interviews with senior management on financial, human resources, and operational information, as well as details of the investor's approach to a wide range of socioeconomic and environmental issues. Interviews were conducted on a confidential basis and hence no names of investors or executives are divulged in this report.

A further 2 to 3 days were spent interviewing a wide range of external stakeholders. These interviews were conducted on a confidential and anonymous basis and in an open-ended fashion, allowing stakeholders to raise the issues that are important to them. Researchers sought to obtain views from a broad cross-section of the community. However, more extensive field work is planned to study the impact of investments on all possible stakeholders and to trace that impact over a period of time.

The write-ups of company questionnaires and stakeholder interviews were imported into Nvivo, a software package designed for the analysis of large amounts of qualitative and quantitative data. This allows the researcher to classify (or "code") the data according to particular themes (for example, employment, resettlement, prices for outgrowers). Nvivo has also been used to facilitate the quantification of qualitative socioeconomic and environmental impacts obtained during the stakeholder interviews. This is in addition to pure qualitative assessment of the extensive information received during the field work which has been sorted, compared, and analyzed on a purely qualitative basis. This combination of quantitative and qualitative analysis is intended to strengthen the findings presented in this report.

In addition to the first-hand data obtained, media, civil society, and other reports on each investor were consulted (including internal reports and documentation). A number of interviews were conducted with non-governmental organizations (NGOs) working on relevant issues, such as land rights or the environment, in the countries visited. These materials helped inform the thinking of researchers, improved understanding of local contexts, and provided another lens through which to view information obtained in the field work (box 1.1).

A more detailed explanation of the data collection, potential sample biases, and analytical methodology is contained in appendix A.

BOX 1.1: GLOSSARY OF TERMS

Many of the terms used in this report have different meanings or implications depending on the context. This box outlines how these terms are used within the context and limited scope of this report.

Agricultural investment: A project which changes the fixed capital stock in the agricultural production process. In this report, this includes projects of agribusinesses which are operated by incorporated companies (corporates) or individuals who neither live on the land nor rely on it for survival, that is, we exclude smallholders' investment in their own farms from the definition of investment because this is not within the scope of this report.

Investor: The corporation(s) or individual(s) implementing the agricultural investments defined above include both foreign and domestic investors. In some cases, such as family businesses, the ultimate owners of the project are also those responsible for its implementation. In other cases, such as publicly listed companies or investment funds, the ultimate owners are disparate and hence investor refers to the company implementing the projects visited.

Foreign investor: An investor for which the majority or controlling ownership stake is held by corporations or persons foreign to the host country of operation.

Domestic investor: An investor for which the majority or controlling ownership stake is held by corporations or persons domestic to the host country of operation.

Estate: A business model in which crop cultivation and production takes place only on land owned or leased by the investor.

Estate and outgrowers: A business model in which crop cultivation and production takes place both on land owned or leased by the investor and in which outgrowers produce crops which are supplied to the estate operation, through a variety of contractual arrangements.

Processing operation: A business model in which no cultivation takes places on site. All produce is cultivated by outgrowers and purchased by the business for processing on site. Land ownership or lease is limited to that required for the processing factory.

Trading company: A business model in which an investor buys produce from outgrowers, which is then sold for processing by third-party companies. No cultivation or processing is conducted by the investor. Land ownership or lease is limited to that required for buying stations.

Outgrower: A person not employed directly by the investor who supplies the agricultural investment with produce cultivated on her or his own land. This involves a variety of contractual arrangements as discussed in the body of the report.

External stakeholder: Person interviewed during the course of the research who has been affected by the investment operation. This includes not only local communities, but also suppliers, employees, government officials, and other groups outlined in figure 1.9.

1.4 DESCRIPTIVE STATISTICS OF INVESTORS AND STAKEHOLDERS (FIGURES 1.1 TO 1.9)

FIGURE 1.1: Location of Investments

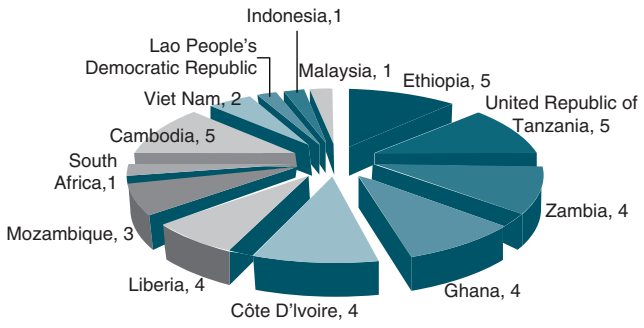


FIGURE 1.2: Nationality of Main Investor

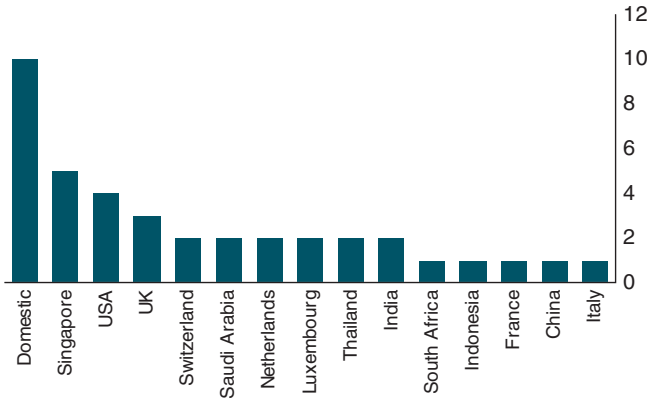


FIGURE 1.3: Type of Main Investor

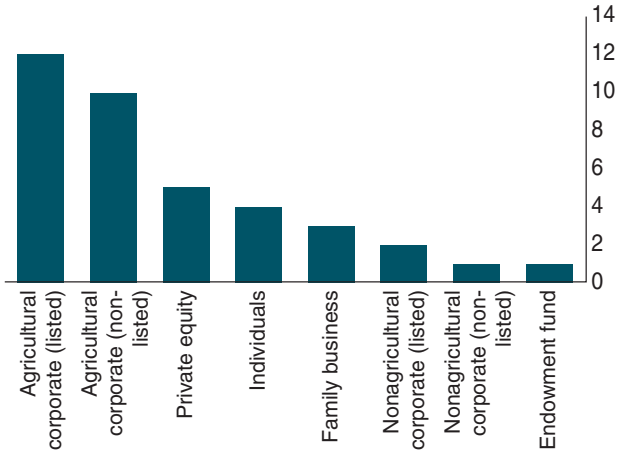


FIGURE 1.4: Business Model of Investment

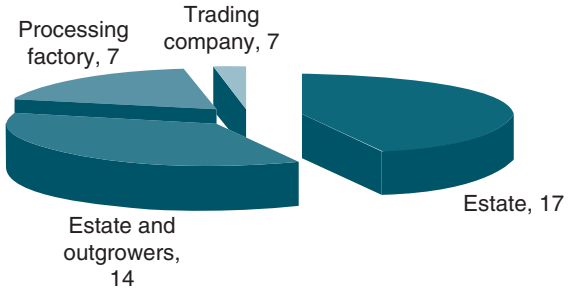
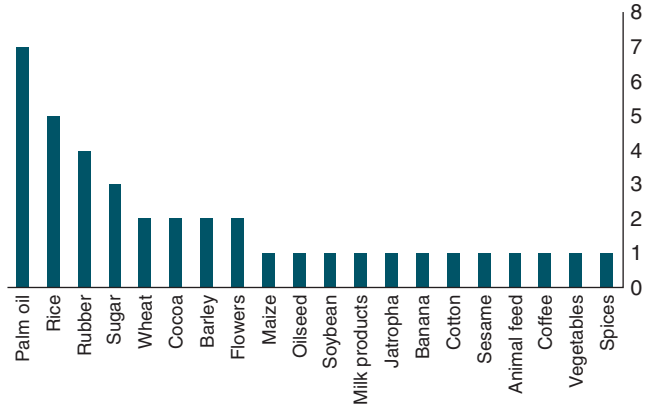
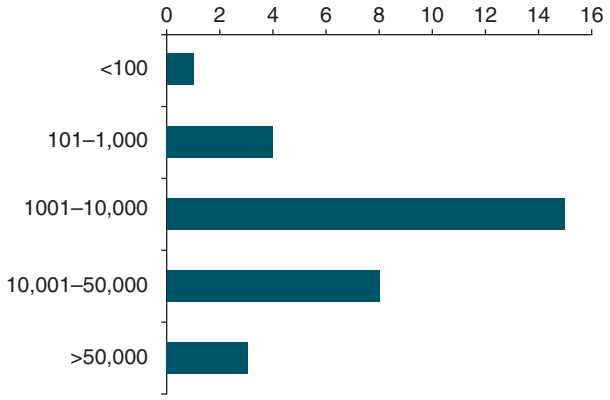


FIGURE 1.5: Principal Product[a]



[a] Refers to main product of investor in cases where the investor is producing more than one product.

FIGURE 1.6: Size of Land Allocation (Hectares)[a]



[a] Excludes processing or trading operations for which land allocation in negligible. Refers only to estate area, that is, in "estate and outgrower" business model, excludes outgrowers' land.

FIGURE 1.7: Years in Operation

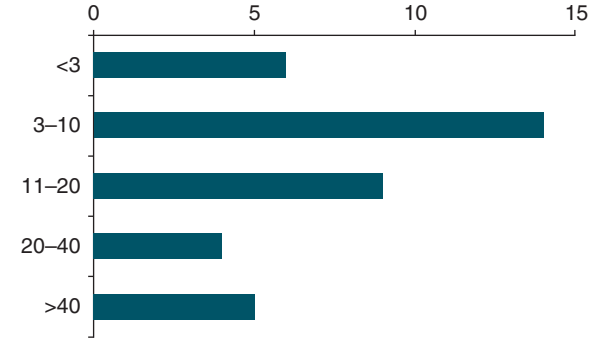


FIGURE 1.8: Experience of Other Agricultural Investments

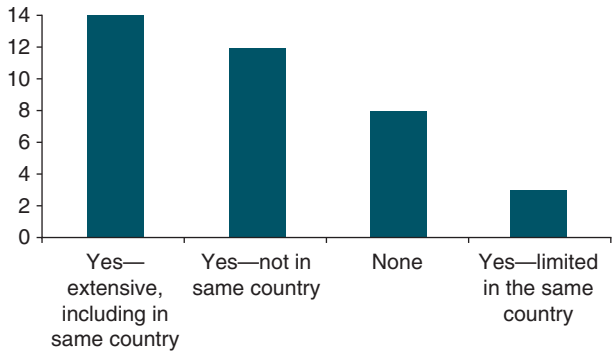
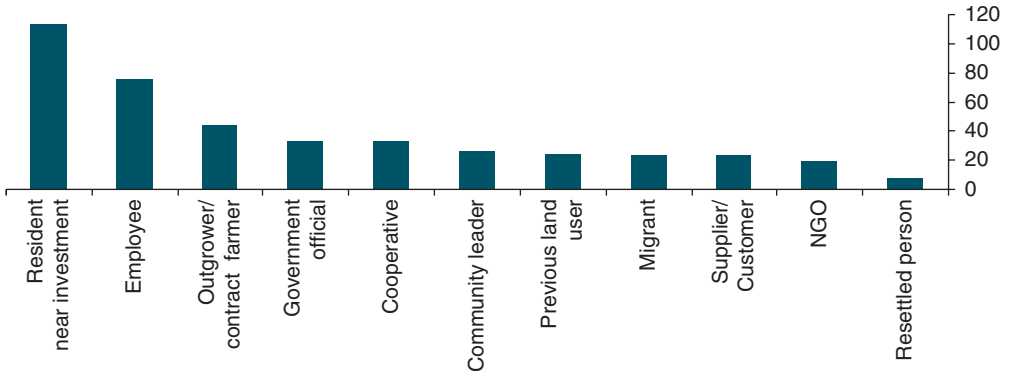


FIGURE 1.9: Stakeholder Interviews: Relationship with Investment[a]



Sources for all figures: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] Refers to the number of interviews conducted, some of which contain multiple interviewees. More than one category can apply to each interview; for example, an employee who was also a previous user of the land.

1.5 STRUCTURE OF THE REPORT

The experience of agricultural investment in the 39 investments studied is extraordinarily diverse both with respect to the actions and behavior of investors and the socioeconomic and environmental impact they have had on local communities, host countries, and other stakeholders. This remainder of the report describes those actions and behaviors and the lessons learned in terms of how to maximize the positive and minimize the negative socioeconomic and environmental impacts.

A key finding from this research is that investor and host country actions at the preinvestment stage and during the initial phases of the investment are critical. Important elements of these early stages and lessons for how these translate into positive outcomes and impact are discussed in **chapter 2**. This includes the investors' approach to consultations and engagement with local communities (section 2.1), impact assessments (2.2) and transparency (2.3), and the host country government's prescreening and monitoring of investors (2.4). While it is important that socially and environmentally responsible practices are embedded within the operation and monitoring of an investment on an ongoing basis, it is the processes followed, decisions taken, and requirements enforced in these early stages that dictate much of the future path of the investment. Third-party certification can play a role in encouraging the fostering of more responsible practices (2.5).

This research finds that the proper conduct of such elements is a key factor influencing the financial and operational success of the investor. The financial and operational experiences of investors in the sample are discussed in **chapter 3**, including the factors which can contribute to or hinder success.

Financial and operational success is in turn a key determinant of the various socioeconomic impacts of the investments discussed in **chapter 4**, including direct employment provision (4.1), improving livelihoods and market access for outgrowers (4.2), the impact on food security (4.3), social development programs and financially inclusive business models (4.4), and technology transfer (4.5).

Disputes pertaining to access to land stand out as the main negative impact of investments in the sample. **Chapter 5** discusses rights and access to land in general (5.1) and the experiences of resettlement in particular (5.2). The environmental impact of investments studied is discussed in **chapter 6**, looking at general approaches to environmental responsibility (6.1) and particularly at the impact on water resources (6.2).

Chapter 7 concludes with the key lessons for governments, investors, and civil society that have emerged from this research, and outlines directions for further work.

Chapter 2 BUILDING IN RESPONSIBILITY AND SUSTAINABILITY: INITIAL PHASES OF THE INVESTMENT

2.1 CONSULTATIONS AND ONGOING DIALOGUE WITH LOCAL COMMUNITIES

Comprehensive consultations with external stakeholders prior to the investment benefited both those impacted by the investment and the investor itself.

This chapter confirms that there is a strong social as well as financial case for a proper conduct of consultations with communities and other external stakeholders to the investment, especially for those investments that involve land acquisition. Establishing a strong relationship with those who live near an agricultural investment generated positive socioeconomic impacts and was in the interests of the investor in terms of financial and operational success.[4]

Initial consultations proved time consuming (in some cases 1–2 years) and expensive, particularly in the case of new cultivation investments. But attempts to shortcut these processes—due to commercial expediency to get the land acquisition done quickly—led to negative long-term ramifications, both for the business and for local communities, over a protracted period.

Consultations were particularly important in minimizing the chances of disputes with regard to access to land, which this research finds as the key negative outcome of the investments studied (chapter 5). Many investors expended significant time and resources dealing with land disputes. In most cases, disputes over access to land materialized before or shortly after the investor began operations in earnest. This underscores the importance of a full and early assessment and consultation of existing rights to and formal and informal use of the land. This should include a land survey, mapping process, and full documentation and registration of existing claims to the land to identify and resolve competing claims prior to the start-up of the operation. The procedure and the results should be transparent and publicly disclosed. By fully documenting prior users of the land, the potential for conflict can be substantially mitigated.

Consultations were most effective when the investor took primary responsibility for their conduct . . .

Stakeholder consultation was most effective when it was the responsibility of the investor, with support—and oversight—provided by local and national government, as well as other independent parties such as lawyers and civil society representatives. It proved perilous to leave consultations to the host government; or for the investor to assume that the land acquired was being provided by the government without any existing land disputes. Similarly, it was unsatisfactory to outsource the consultation process to third parties such as land agents. Governments or land agents sometimes claimed to have "prepared the land," that is, left it without issue for the investor to take over. Their claims that all land conflicts have been dealt with often proved spurious.

. . . with appropriate monitoring and support from state and nonstate actors.

Ensuring community interests are represented requires the involvement of state and nonstate actors. Some countries have enacted legislation requiring government oversight of community consultations. This helped to ensure that investment projects supported national and local development goals. At many of the investments visited, there was at least one local government official present during some of the negotiations. Investors appreciated this presence

4 The FAO's recent study on trends and impact of agriculture FDI also emphasizes the importance of consultations. For example: "Economically-sound projects that give local actors an active role and a say in decision-making should be favoured"; and "The findings suggest that investment projects that do not involve the local community actively at an early stage tend to be ill-designed and are likely to fail" (FAO 2013).

because it added legitimacy to the process. But there was little evidence that governments are monitoring investor compliance with agreements resulting from community consultations over time. This absence was apparent even in cases where government representatives had been present during the consultation process.

Ensuring that consultations ultimately support local development visions requires the involvement of actors who are independent from both the state and company management.[5] The presence of trusted third parties, such as public-interest lawyers or NGOs, helped to mitigate the power differentials between the negotiating parties, as well as promote more inclusive consultations and beneficial outcomes. This presence was, however, rare in the consultations observed in this study. At a rice investment in Ghana, the community itself employed lawyers to help draft an agreement following consultations; the lawyers also acted to ensure that all members of the community understood and were satisfied with the terms.

Effective consultations involved all those potentially affected by an investment, based on local views of the utility and significance of a particular area . . .

Several investors interviewed mentioned that consultations were not necessary because the land they had acquired was unused. But surrounding communities can hold different views about the significance and productive status of the area in question. Full and thorough consultation procedures should start with the assumption that *all* land is used in myriad ways—be that for crop cultivation and animal grazing, or as a source of water and other natural resources, or as a place of spiritual significance or somewhere people reside. A key element of effective consultations was giving individuals and communities adequate time—and opportunities—to consider and articulate the various ways in which an area of land holds utility or meaning for them.

Another key deficiency in some consultations in the sample was when the investor only consulted with people who they plan to relocate, or who have legal title to the land. This approach failed to involve customary land users and other affected persons—including those such as pastoralists, who may not reside permanently in the area. Focusing on those with legal rights to land is not a viable demarcation, given the weakness and limited coverage of tenure law in some parts of the world where agricultural investment is taking place.

. . . and resulted in written agreements with specified consequences for noncompliance, signed by the investor, local residents, and their representatives.

One of the commendable elements of the consultations case study outlined in box 2.1 below is that the lengthy consultation processes resulted in a formalized, written agreement, signed by local residents, their representatives, and the investor. Such contractual

BOX 2.1: Consulting Local Communities: A Case Study

The steps outlined here describe a Zambian domestic investor's path to acquiring land through a consultative process. These discussions took place over a 3-year period, involving multiple stakeholders.

1. Investor approached the District Council—the local government—in search of land.
2. Council directed investor to an area with agricultural potential that the local government perceived as underutilized. Council requested a meeting with chiefs.
3. Chiefs consulted with subjects through subchiefs and village headmen.
4. Subchiefs and village headmen spoke with the people they represent.
5. After an initial and broad acceptance of the idea of allocating an area for the development of a plantation, a Community Development Trust was formed. It was constituted of village residents and local leadership.
6. The Community Development Trust, the investor, and the district government worked hand in hand to establish the value of property and crops for people that required relocation.
7. The Ministry of Agriculture carried out the tree and crop valuation. Government experts on buildings and construction carried out the valuations of houses, huts, and other buildings.
8. Agreements were reached between company and individuals about compensation for assets and crops.
9. A memorandum of understanding was signed between investor, trust, and local community.

Source: UNCTAD-World Bank Survey of Agricultural Investment Database.

5 The FAO's recent study on trends and impact of agriculture FDI also emphasizes the importance of nonstate actors (for example, p. 326f and p. 341f) (FAO 2013).

agreements are essential if local communities, civil society, or the state are to be able to hold the investor to account regarding the promises reached through consultation. Agreements should stipulate the consequences for noncompliance with the terms agreed. In the case of one investment, the agreement simply states that if the investor fails to fulfill the obligations agreed to through the consultation, the land will revert back to the community.

Additional general guidelines to investors on how best to conduct community consultations may have been useful, but processes needed to be tailored to the particular local context.

Given the centrality of consultations to ensuring agricultural investments contribute to positive outcomes for all involved, it is important that investors have comprehensive advice on how to get them right. This is a challenge. Even where investors had carried out comprehensive consultations, there were ongoing disputes with local communities, particularly regarding access to land, suggesting that such issues were not adequately addressed during the consultation process.

A significant amount of work has been conducted by various international organizations and civil society organizations to develop guidance for consultations.[6] Many investors interviewed already follow standards set by certification bodies or the International Finance Corporation's (IFC's) Performance Standards relating to Free, Prior, and Informed Consent (FPIC). Certification schemes generally offer detailed requirements on what consultation should entail. But because investors only seek certification after they are already established, these bodies do not provide much guidance to those starting a new cultivation investment. The IFC's Performance Standards are useful but not completely comprehensive either. Most notably, they only require investors to follow consultation procedures based on FPIC in specific instances involving *indigenous* communities. So there is room for more detailed and more comprehensive guidelines for agricultural investors on the issue of consultation.

That said, there can be no one-size-fits-all model for consultations. Failure to recognize the unique nature of each community's modes of social organization can be disruptive. For example, in one case the investor had to restart the consultation process from scratch because the community's structures and processes were not taken into account, and the appropriate people were not included the first time around.

People affected by an investment often had insufficient means to raise grievances or seek redress.

It was often the case that people did not know how to raise grievances or seek redress with the investor. This is a key means through which investors can be held to account. Most investors had a mechanism through which staff could raise grievances. The employees interviewed were generally aware and satisfied with these processes. But instances of effective grievance mechanisms for external stakeholders were rare. On numerous occasions, stakeholders that mentioned grievances during interviews claimed that they had no way of raising these issues with the investor.

Some investors explained that they had a well-functioning informal grievance procedure, such as the manager of the investment's phone number being widely available, stating that anyone could call with a grievance at any time. But the strength of such "open door" procedures clearly depends on the strength of relations between the investor and the local community; it is not hard to envisage situations in which people would be uncomfortable contacting the investor directly, making such a process inadequate.

The best examples of grievance and redress mechanisms were those which were more formalized, typically involving a Community Liaison Committee on which the investor and the local community were represented. A palm oil investment in Côte d'Ivoire had such a committee with representatives for various segments of the population (young, old, women, and so on) through which grievances could be raised. Meetings were agreed and minuted. There were few examples of grievance procedures which were monitored either externally or by the government or third parties. One rubber producer in Ghana had a liaison committee on which the community, the investor, and local government were all represented.

6 For example: FAO (2012b) Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT); Deng, D. (2012) Handbook on Community Engagement; Human Rights Council (2011) Report of the Special Representative of the Secretary General on the issue of human rights and transnational corporations and other business enterprises.

Effective grievance procedures were more likely when local communities were well-organized . . .

Interactions between the investors and local communities were easier when local communities are organized. At one investment, 84 chiefs from seven areas on whose land the investor was operating had formed a unified forum in which the community could raise issues and in turn resolve them with the investor. The investor has assisted by funding the construction of offices to host the forum. The forum dealt with grievances as well as negotiated benefit sharing arrangements with the investor. Although this was one of the more positive examples in the sample, this system does risk reinforcing local power structures and denying access to the investor by locally excluded individuals or groups, such as women or ethnic minorities.

. . . and had knowledge of alternative remediation procedures.

Provision of information on how to hold investors to account must be the responsibility of both the investor and the host country government. Regarding the latter, there was notable divergence between countries about the extent to which knowledge about alternative remediation procedures is institutionalized. In some countries, there were many claims against commercial farmers because people have the knowledge and access to institutions necessary for holding investors to account. In other cases, knowledge of such procedures was totally absent.

2.2 IMPACT ASSESSMENTS

Most investors had conducted a social and environmental impact assessment of some description, as dictated by national regulations or the demands of certification.

There was a noticeable trend in investors taking their environmental responsibilities more seriously, undertaking social and environmental impact assessments (SEIAs), employing internal environmental management plans (EMPs), and making public their environmental policies. Investors cited increasing pressure from host country governments as well as the demands of certification processes as key drivers for this trend.

Around 70 percent of investors conducted an environmental impact assessment (table 2.1). Around half of investors had an established, internal EMP with goals, policies and mitigation strategies, but only 25 percent have a publicly disclosed environmental policy.

TABLE 2.1: Approaches to Environmental Responsibility

SHARE OF INVESTORS WHICH HAD A:	
Published environmental policy	24 percent
Environmental management plan	49 percent
Environmental impact assessment	70 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

SEIAs were too often "box-ticking" exercises to secure a license to operate, rather than a tool actively incorporated into conduct of the business.

Many impact assessments were one-off assessments, not accompanied by a system of ongoing monitoring and adherence to recommendations for changes to operations. Some EMPs only existed on paper and were not authentic tools used to manage the environmental impact of the investment. In some cases, there was a stark divergence within the investor between head office policies and the actual practices and situations on site. At one investor, the country head office in the capital city possessed a professional looking impact assessment, but the managers on the farm were unaware of its existence and therefore were not implementing any of its recommendations. Well-intended policies and documentation need to be supported by implementation, ongoing monitoring, reporting, modification, and improvements to practices.[7]

There were many examples in the sample of where recommendations contained within the impact assessment were ignored, to the detriment of the operation. For example, one impact assessment of an investment in Ethiopia warned of the existence of a large endemic bird population. The investor was nevertheless surprised to find birds on site eating the seeds and hurriedly had to employ 500 bird chasers to protect the crop.

7 The FAO's study of FDI in agriculture found that negative environmental effects were often due to the lack of a proper environmental impact assessment (EIA) prior to the investment and the absence of an effective environmental management system (EMS) during its implementation (FAO 2013).

SEIAs were most effective when their conduct was primarily the responsibility of investors.

In eight cases, the investor had no involvement at all in the conduct of the impact assessment. It had instead been completed by the government, land agents, or previous investors. Sometimes the host country government had provided an impact assessment to potential investors as a kind of investment incentive, or as a document designed to promote the attractiveness of a particular site to investors. These assessments did not assess the impact of the investment, but rather sought to prove the suitability of land, soil, and other environmental conditions. This did not lead to good outcomes either for the environmental impact or for the investor itself because these assessments tended to be overly optimistic. For example, one investor in a sesame estate complained that the government-produced impact assessment described the risk of excessive rain as minimal, yet the investor had subsequently had its crops repeatedly destroyed by heavy rainfall, resulting in heavy financial losses over a period of 5 years.

Some investors had effectively outsourced the conduct of impact assessments to previous investors because no new assessment was undertaken and the new investor was not aware of existing recommendations. Impact assessments are ideally living documents, continually implemented and adjusted throughout the life of a project. As such, new investors should, at a minimum, be aware of the existing document, its contents, and recommendations.

The government's role in impact assessments was most effective when limited to monitoring and ensuring proper conduct and implementation. This included providing detailed legal requirements covering what is expected of investors as well as stipulation of requirements for third-party independent audit of such assessments. Mozambique provides a good example in this regard by embedding the conduct of the SEIA as part of the consultation process. The SEIA must be conducted by the investor (at its own expense) before a concession area can be granted. One meeting with local communities as part of the consultation process is dedicated to discussion of the outcome of the SEIA and agreement of mitigation measures.

Investors noted the high costs associated with full-scale SEIAs and the need to ensure host country requirements are not overly burdensome.

Investors interviewed pointed out that the conduct of full-scale SEIAs can be expensive. In some countries, the number of independent firms qualified to perform these assessments is limited, facilitating what investors perceived as exploitative pricing of assessments. This can be prohibitive to the attraction of investments that countries need, particularly for smaller operations. Given many investors are under severe financial constraints, a balance needs to be struck between ensuring investors are meeting their environmental responsibilities and ensuring that requirements are not prohibitively expensive.

To this end, some countries have undertaken so-called "strategic risk assessments" in which an environmental authority undertakes a SEIA over a region, setting down areas which are suitable for agriculture, conservation areas, and guidelines for investors EMPs. Another country has a system of rating potential investors according to their size and staggers requirements so that stricter regulations are placed on larger enterprises. These are interesting initiatives worthy of further study; their success depends of course on practical application. It is important that such schemes are not used to facilitate circumvention of environmental responsibilities.

2.3 TRANSPARENCY AND DISCLOSURE

There was an insufficient amount of publicly available information for a fully transparent and accountable conduct of agricultural investments.

Transparency and disclosure of information about investments studied was generally lacking. While there were some positive examples, this seems to be an area in which much better practices are needed. In many cases, there was almost no information at all available to the public at large, other than a name listed on a government land registry website.

Information was particularly lacking with regard to the terms and process of land acquisition, and the extent and nature of incentives

provided to foreign investors. At the national level, some governments have sought to rectify this via the publication of information on concession/land registry websites. But the information contained therein is often incomplete and inaccurate.

Transparency and disclosure are particularly important in the initial phases of an investment. This includes public information on prospective investors, the bidding and screening process, incentives provided, the negotiated terms of agreements between investors and governments, or investors and communities. In the sample, there was typically insufficient information on *who* holds rights to use land and other natural resources for agricultural production, *how* those rights were obtained, and *what* the contractual rights and obligations of different parties are. Another key gap in public information was on the results of social and environmental impact assessments and subsequent environmental management plans. Similarly, the conduct and outcomes of consultations with communities were rarely made public. Financial and operational information on the investors was scarce, in particular regarding taxes paid.

This lack of transparency had important consequences. Uncertainty about investor actions and intentions created a sense of fear and resentment within communities nearby, with adverse consequences for the investment. For example, some members of a local community asked researchers whether the investor nearby planned to take their land. This situation could in part have been avoided by greater transparency about the investor's operation.

A lack of transparency worked against the investor in some cases.

A number of investors expressed significant frustration about unfounded criticism received in the media, as well as from civil society and, on occasion, international organizations. A bad public perception of the investment can have implications for its ability to obtain funding, especially in the present controversial atmosphere surrounding agricultural investment. To the extent that the criticism of an investment is truly unfounded, it could be averted by better disclosure about operations. In fact, in one case, a critical third-party report prompted an investor to undertake an extensive public disclosure of information to refute the claims made against it.

Transparency is complicated by the present controversy and hostile atmosphere in which agricultural investments operate; investors were reluctant to disclosure information for fear that it would be manipulated and used against them.

On the other hand, investors expressed the concern that, given the immense pressure investors, especially foreign investors, in agriculture are under from civil society, the media, and others, transparency can be counterproductive. Investors were reluctant to disclose even positive information about their operations due to fear that such information can be easily manipulated and used against them with potentially severe repercussions, such as the withdrawal of funding by partner investors. A simpler solution was to keep quiet and thus to keep the spotlight off operations.

An example was an excellent SEIA voluntarily undertaken by an investment in Zambia which highlighted the negative and positive impacts of an investment on the local community. This was an independent, rigorous assessment that could usefully serve as a first-rate example to other investors of the kind of assessment to undertake. But it remained a private document because the investor feared that the one minor negative impact that was incidental to the operation would be used to criticize the investor. This was in spite of the wealth of positive findings about the impact the investment has had on local incomes, food security, and the strong relationship it has with the local community.

2.4 PRESCREENING AND ONGOING MONITORING OF THE INVESTMENT

Prescreening of agricultural investments by host governments could have been improved in many cases.

Prescreening of investors by host country governments often appeared cursory. In some cases prescreening involved little more than the submission of a business plan. In places where this largely unregulated approach to investors was common, some governments are now in the process of recalling allocations of land due to the failure of investors to uphold the terms of the concession.

While commendable in that the recall of land demonstrates government monitoring and a willingness to deal with failing investors, this also raises questions about the adequacy of governments' initial prescreening.

Host government officials indicated that more guidance on precisely how to screen investors was needed. The development of detailed guidance will be part of further work, as described in chapter 7. Governments should at a minimum assess the following issues prior to permitting investment into the agricultural sector:

- *The financial capacity of the investor.* Does the investor have a reliable cash flow, with sufficient additional funds to allow for the unpredictability of agriculture and particular local conditions? Does the investor have sufficient funding to pay for expensive and lengthy consultations with communities and impact assessments?
- *The agricultural experience and technical expertise of the investor*. Does the investor know how to grow the crop or manage outgrowers specified in the business plan? It is notable that for one-fifth of investors in the survey, the investment constituted their first foray into agricultural investment (figure 1.8).
- *Investor experience and capacity for dealing with local communities*. What indications are there that the company will be able to carry out consultations based on the principles of free, prior and informed consent? What human and financial resources does the company have to undertake social and environmental impact assessments?
- *The suitability and viability of the business plan for supporting local and national development goals.* For example, if the host government is trying to stimulate rural employment, does the investment involve a labor intensive crop? Does the investor have the intention and capacity to help improve rural infrastructure and schools or is this purely a narrowly profit-motivated investment?

Ongoing monitoring of agricultural investments by host governments was often limited and productivity-focused.

Investors frequently appeared to have a good relationship with local government officials, but this did not necessarily translate into systematic and comprehensive monitoring on the part of local or national administrators. All investors were subject to some form of monitoring, typically by departments of agriculture, land, labor, or the environment. But when government officials came to assess agricultural concessions, they often focused on ensuring the investor was meeting productivity targets, with little monitoring of the socioeconomic and environmental impacts of an investment. The results or details of government monitoring were rarely made publicly available, making it difficult for other interested parties—be they local residents or civil society representatives—to hold investors to account.

Investment in agriculture had in some countries proceeded at a pace beyond that which governments could realistically assess and monitor.

It is essential to ask whether the country in question has the human resources and expertise necessary to assess factors such as the financial and technical capacity of investors, the suitability and viability of business plans, and so on, taking into account the various government departments that would need to be involved in a comprehensive screening and monitoring processes. Wherever necessary, governments should consider how to improve their capacity and, in the meantime, consider slowing down or temporarily halting the approval of new agricultural investments. The ongoing monitoring of even a single agricultural investment requires a significant amount of time and expertise on the part of national governments. This is demonstrated by the example in box 2.2, where 21 officials spent 3 working days checking for compliance with various conditions in the contract.

Host country governments could draw on the notion of phasing of investments recommended to investors in this report, both in terms of the number of investors accepted and the scale of the concession areas provided. In some instances land and concessions have been given away faster than the host government's ability to vet and monitor investors. Better outcomes were achieved for all when the host country was able to vet investors in advance (particularly with regard to financial and technical capacity). Moreover, the government must be able to monitor investments to see whether plans are being adhered to and commitments upheld.

BOX 2.2: Government Monitoring

In one country, a working group within the Ministry of Agriculture conducts an annual assessment to evaluate the progress of all large-scale agricultural investments against contractual conditions set by the ministry. Prior to the assessment, the company is required to complete a questionnaire to provide information on the status of land clearing and planting, construction of roads and infrastructure, manpower, crops and timber harvested. The company is then visited by a team of officials from the agricultural, financial, and forestry branches of the government. On the investment seen by the UNCTAD-World Bank team, the most recent government visit had involved 21 officials who spent 3 working days checking for compliance with various conditions in the contract. The government team was particularly attentive to issues of boundaries (checking that no any illegal extension to the approved concession area had occurred), as well as progress made in land clearing and subsequent planting of the agreed crop. Following the inspection, the company management is required to sign off on the working group's evaluation, which includes recommendations for remedial actions or improvement (to be checked at the next annual visit). After the inspection of the investment we visited, the company was issued the following directives:

a. Conduct a social and environmental impact assessment as soon as possible; if not, the company would be not compliant with the law.
b. Arrange to register the concession land as state private land.
c. Cooperate with the Concession Land Lease Cost Evaluation Committee for the purpose of assessing the fees payable for the lease.
d. Submit a detailed map (with coordinates) to the national and provincial agricultural ministries to show the planted area at 2-monthly intervals.

While each of these recommendations may be desirable, the first three raise the issue of why the government did not ask the investor to carry these steps earlier, that is, prior to the commencement of operations. The case is also illustrative of the government focus on productivity requirements, to the neglect of broader social and environmental concerns.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

2.5 THIRD-PARTY CERTIFICATION

Certification was a useful vehicle through which investors could be encouraged to take a more enlightened approach to social and environmental responsibility in their businesses.

Twelve out of 39 investments surveyed were certified to one or more nationally or internationally recognized standards. These included crop-specific certifications (Roundtable on Sustainable Palm Oil, Better Cotton Initiative, 4C Association, UTZ Certified, More Profitable Sustainability-Socially Qualified [MPS-SQ]), non-crop specific social or environmental standards (Rainforest Alliance, Fairtrade, International Sustainability and Carbon Certification [ISCC]), and health and safety standards or quality standards (NOSA, International Organization for Standardization [ISO], hard analysis and critical control points [HACCP]).

Certification was generally perceived to be a key means through which investors were encouraged to improve their social and environmental responsibility. The certification and accreditation process provides an important incentive for investors to take on the cost of additional work and effort of applying principles to larger-scale investment. Investors cited the drive for certification as one key factor in the trend toward greater social and environmental responsibility in agricultural investment discussed throughout this report.

Improved business practices potentially brought about by certification include transparency, due diligence, external accountability, and a more comprehensive approach to consultations with communities and the conduct of social and environmental impact assessments. In addition, certification can lead to technology transfer and improved integration of smallholders, to the extent that large-scale investors assist smallholders with meeting the demands of certification. Certification can also encourage consultations, impact assessments, and audits to occur at investments which have been running for many years and at which these essential preinvestment procedures were not initially conducted. Often new national legislation for the conduct of these procedures only applies to *new* investments; certification can in principle, however, require they are undertaken retroactively. These aspects are discussed in the specific context of the Roundtable on Sustainable Palm Oil in box 2.3. These lessons could usefully be applied to other crops and industries.

BOX 2.3: The Impact of Certification in the Case of RSPO

The Roundtable on Sustainable Palm Oil (RSPO) was established in 2004 "to promote the growth and use of sustainable palm oil through cooperation within the supply chain." The RSPO Principles and Criteria for Sustainable Palm Oil Production (RSPO P&C) are a set of 8 principles and 39 practical criteria for producing palm oil sustainably. The RSPO Certification System certifies companies that produce palm oil sustainably according to these principles and criteria.[1]

The RSPO P&C and associated certification systems have a number of key features which help to generate better approaches to social and environmental responsibility. RSPO provides a *system and structure* which investors can use so that the approach to social and environmental responsibility is formalized, rather than *ad hoc*. Certification is conducted by *independent*, third-party evaluations. RSPO is not only useful for new operations or for expansion but also provides motivation for *retroactive* social and environmental assessments and consultations, which may not be required by law but are necessary for certification.

At the investors surveyed as part of this research, the following benefits of RSPO certification are evident:

Greater transparency. Results of monitoring, audits, consultations, and other relevant documents are available upon request from stakeholders. Results of RSPO audits are on the RSPO website.

Conduct of SEIAs. New Planting Procedure (NPP) which among other things requires a participatory Social Environmental Impact Assessment (SEIA) including consultation with all affected communities through the Free, Prior, and Informed Consent (FPIC) Process.

Consultation with communities. Consultations are conducted as part of the NPP and are also conducted retroactively for the purpose of developing indicators for assessing performance against certification criteria. These consultations involve representatives from government, NGOs, and local communities.

External evaluation and monitoring. Independent audits are conducted to verify compliance with criteria and indicators. This is a key means to ensure that the SEIA and other commitments are used as a part of ongoing business operations.

Integration of smallholders and technology transfer. Investors provide training and assistance to smallholders and outgrowers in order to help meet the demands of RSPO certification.

Sustainable land use. RSPO requires the maintenance of high-conservation value areas.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

[1] Further information is available at: www.rspo.org.

Chapter 3 THE FINANCIAL AND OPERATIONAL PERFORMANCE OF INVESTORS

Many investors were experiencing significant difficulty in achieving financial and operational success.

Many of the investors surveyed were in financial and/or operational difficulty. It is a complicated business to make large-scale agricultural investments a success, especially in a developing country context. Table 3.1 provides some simple indicators of financial and operational success.[8] Around 45 percent of investors were materially behind schedule or operating below capacity. Fifty-five percent were unprofitable at the time of the survey. In spite of this, around one-third of investors planned the acquisition (by purchase, lease, or concession) of further land.

Three investments were struggling so badly that they intended to relinquish land. One rose grower had been granted too large a concession area than it could develop with its available financial resources, and the host country had subsequently reduced its land allocation. One sugar plantation had acquired land from the government which was too heavily populated to set up operations and had requested to swap the land allocation for another area. One sesame operation had received a feasibility study from the government which was overly optimistic; the environmental conditions and soil condition did not support the business model envisaged. This investor was initially allocated 5,000 hectares and has subsequently asked to reduce its allocation to 1,000 hectares and then to 300 hectares. When surveyed it was actively using around 40 hectares of the land.

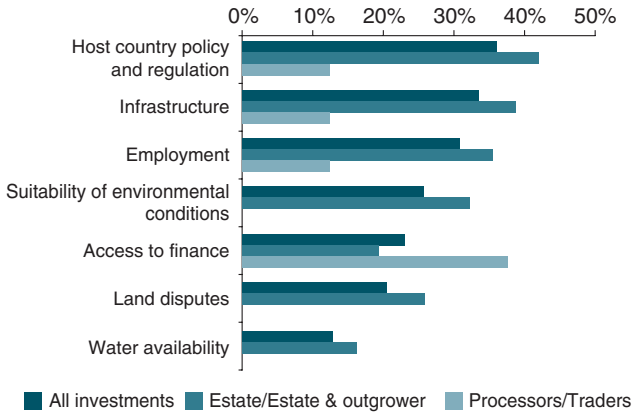
Beyond these simple metrics, discussions with investors revealed that many perceived that their operation was in difficulty. Investors emphasized just how challenging it was to make agricultural investments profitable and successful, particularly in a developing country context. Figure 3.1 reflects the issues which investors most often mentioned as material constraints on their operations. The catalogue of risks, obstacles, and setbacks that investors experienced included dealing with local community issues, land disputes,

TABLE 3.1: Indicators of Operational and Financial Success

INDICATOR OF OPERATIONAL / FINANCIAL SUCCESS	YES (PERCENT)
Is the investor materially behind anticipated schedule or operating below expected capacity?	44 percent
Is the operation profitable at present?	45 percent
Is the investment having trouble accessing finance or working capital?	24 percent
Does the operation have plans to acquire further land?	35 percent
Does the operation have plans to reduce capacity or relinquish land?	9 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

FIGURE 3.1: Percentage of Investors Mentioning Particular Constraints on Operations



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

8 A full assessment of the "success" of each investment would require benchmarking and normalization, in particular with regard to the age of operation and its stage of development—as with any investment involving fixed costs, it takes time before the operation is profitable. Nevertheless, these indicators, combined with discussions with executive level staff at these investments, indicate the challenges of making the investments financially and operationally successful.

government bureaucracy, inadequate infrastructure, unsuitable soils, poor access to replacement equipment, human resources issues, problems securing funding, and so on. Overall, investments which involved the acquisition of land felt these constraints more acutely than those that did not, with the exception of access to finance (figure 3.1).

Investors noted the importance of host country governments in creating an enabling environment that allows investors to survive, thrive, and contribute to the local community and broader economy.

Host country policy and regulation was the most commonly cited constraint on investors' operations. This included many different dimensions. First and foremost for foreign investors was the lack of a clear, transparent, and consistent approach for foreign investment in agriculture, including policies and procedures for the purchase or lease of land. Investors emphasized the importance of land mapping and titling initiatives to improve security of land tenure and minimize the risk of land disputes.

As discussed further in section 5.1, several investors had been allocated land by governments, but subsequently found their title impossible to enforce due to existing claims on the land. In these cases, investors felt misled about the status of the allocated land and also that governments provided insufficient assistance in resolving the disputes that subsequently arose, in part because the issue became politically sensitive and problems were easier to ignore than address. Weak justice systems and the inability to enforce contracts exacerbated this problem in some cases. Unrealistic feasibility studies and impact assessments, in which some investors perceived the government as having presented an overly optimistic case in order to attract investors, were another issue.

Some investors thought that coordination between national and provincial authorities could have been better. Authorizations provided, or incentives offered, by local government were not respected at the national level and vice versa. In some cases, the lack of stability of government requirements created problems for investors. Delays in approvals or licensing resulted in shifting requirements as policies changed, meaning there was continually a new set of requirements to adhere to.

Investors also complained about excessive bureaucracy associated with obtaining authorization to export produce or to import inputs or equipment essential to the operation. In one case, an investor was required to adhere to 33 separate steps in order to have its produce certified for export. This gave rise to rent-seeking activity from government officials which negatively impacted the investment climate.

Investors thought that more could be done by governments to relax constraints related to access to finance, infrastructure, sourcing of inputs, and employment (discussed below) and that too often much of the burden to provide services (for example, road construction) that would normally be the function of government fell on investors.

Access to working capital was a key constraint . . .

Access to finance and working capital was a key constraint mentioned by investors. There were important exceptions, such as large agricultural multinationals, for which finance was relatively stable. Some agricultural operations relied on cash flow injections from nonagricultural affiliate companies. But a quarter of investors were too cash flow-constrained (and were simultaneously having difficulty getting access to funds at the right time) to match agricultural seasons or the development plan. This led to critical delays in project implementation. Purely domestic investments were particularly constrained in their access to finance, in part because none could rely on multinational parent companies. There was a perception that governments were not doing enough to develop export trade finance, local development banks, and other facilities that could help put domestic investors on an equal footing with foreign investors.

A concern was that while some investors were able to raise finance for land acquisition (which was often cheap and in some cases provided free to foreign investors by the host government), they had difficulties raising the capital needed to get the operation up

and running. Cheap credit offered by host country governments or national development banks can be a key incentive for investors, but can have adverse consequences if the productive assets (land, water resources) provided are not put to use.

Inadequate funding was a major cause of failures to live up to expectations for development of projects, utilization of land, and benefit sharing within the community. Consequently, this led to significant tension with governments and local communities. Some investors may have unscrupulously relied on their acquisition of land as a means to raise financing ex post, using the land that was received at low cost as collateral. This underscores the importance of governments assessing the true financial capacity of investors before accepting investment proposals.

Stakeholders interviewed complained that investors' working capital constraints had knock-on consequences. Failure to pay suppliers and outgrowers on time was a negative impact raised in stakeholder interviews, especially for processing and trading operations (figure E.6). A common recommendation from outgrowers to investors was to do more to provide credit for inputs such as seeds and fertilizer.

. . . as were employment and land issues . . .

Employment issues were also prominent constraints on operations, in particular investors felt pressured to employ local staff, but faced practical difficulties in doing so (see discussion in section 4.1). Many investors were expending significant amounts of time and resources dealing with land disputes (see section 5.1).

. . . and other operational or environmental constraints.

Finally, investors were frustrated by a range of operational and environmental constraints. Inadequate infrastructure can cause difficulty in reaching national or export markets, or in receiving essential capital goods or replacement machinery. Road conditions hinder the transport of critical inputs such as fuel to remote plantations. Poor rural infrastructure requires additional expenditure to make it adequate for the needs of the investor. Theft of equipment, fertilizers, electricity cables, and other items was often mentioned, including theft of produce such as rubber from plantations which was then sold back purportedly as outgrowers' produce. Many investors were struggling with unexpected soil, weather, or other environmental conditions that hindered the development of their business as planned.

Most risks and setbacks materialized early on in the investment and better preinvestment procedures could have helped identify them in advance.

What is common to many of the constraints mentioned by investors is that they could have been foreseen from an early stage and in many cases could have been avoided with proper preinvestment due diligence, impact assessments, and consultations. For example, investors are hampered by land disputes which could have been identified by a community consultation, or by environmental factors that could have been detected in a rigorous impact assessment.

Improved preinvestment due diligence is not only in the interests of the investor, it is also critical for the host country government to ensure that investors have the best chance of success. Moreover, robust ongoing monitoring can identify struggling investments and prepare for, or elicit appropriate action to prevent, failure. Most investments do not fail overnight, but are beset with problems over a protracted period of time. By monitoring investors, host governments can prepare for the eventuality of failure, for example by considering options, such as potential buyers in advance. As discussed elsewhere, failed investments can have severe repercussions for the local community in terms of the void in employment as well as other areas such as social services which communities begin to rely on investors for. It is inevitable that some investors fail, but better monitoring and preparation can help mitigate the negative impacts associated with failures.

Some types of investment seemed to be more risky than others.

Some investments appeared to be more risky than others. Table 3.2 shows some high-level indicators of the financial and operational success of the investments. New cultivation operations are highly risky with less than a fifth profitable at the time of the survey. Of course, a number of investments are in their early phases and would not expect to be profitable for a number of years. Nevertheless,

TABLE 3.2: Indicators of Success by Type of Investment

TYPE OF INVESTMENT	SHARES THAT ARE PROFITABLE	SHARES BEHIND SCHEDULE OR OPERATING BELOW CAPACITY
Investment in existing, successful enterprise	75 percent	11 percent
New processing facilities	71 percent	29 percent
Rehabilitation of failing enterprise	33 percent	71 percent
New cultivation-based operation	18 percent	64 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

TABLE 3.3: Indicators of Success by Size of Investment

SIZE OF INVESTMENT	SHARES THAT ARE PROFITABLE	SHARES BEHIND SCHEDULE OR OPERATING BELOW CAPACITY
< 1,000	70 percent	10 percent
1,000–10,000	41 percent	40 percent
10,000–50,000	63 percent	50 percent
> 50,000	33 percent	67 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

almost two-thirds are behind their expected schedule at present. It sometimes takes several attempts to get an investment to run successfully. As such, investing in an existing, successful enterprise is more likely to yield better results than attempts to rehabilitate a failing enterprise.[9]

Table 3.3 indicates that small investments in general tend to be more successful. Seventy percent of operations with less than 1,000 hectares were profitable and only 10 percent were behind schedule. That is in contrast to one-third of large-scale investments of over 50,000 hectares being profitable, two-thirds of which are behind schedule. It is intriguing that 10,000–50,000 hectares operations appear to be performing better than 1,000–10,000 ones, which may be due to feasible scale economies, but with a limited sample size it is difficult to infer too much from this.

There was a case for phasing investments, particularly new production and cultivation operations.

Given the apparent difficulty of rapidly developing large operations involving extensive land areas, particularly for new investments, crops, or technology, there is a case for phasing investments. This is something that investors could consider applying, and host country governments encouraging or enforcing. That is, rather than allocating or accepting a large land area at the outset, the investor could be offered a smaller but viable area to develop, in order to prove the concept and feasibility of the business model. Once the concept is proven, as evident in the performance of the first parcel of land, the investor would then be allowed to apply for more land.[10] A foreign investor in a soya farm in Mozambique has employed such an approach, initially obtaining 1,000 hectares and subsequently expanding to 2,000 hectares once the initial land allocation was up and running successfully.

9 This is in line with key findings from the World Bank's retrospective study of 179 Commonwealth Development Corporation investments which finds that "The results showed significantly higher levels of failure among start-ups and investments in moribund enterprises, compared with investment in expanding existing agribusiness" (Tyler and Dixie 2012). Similarly, the FAO finds that "the data suggest that returns to investment tend to be higher where the investor builds on existing ventures in a gradual approach, as opposed to new ventures which are the most risky type of investment. Greenfield investments to establish large farms in unknown areas and relatively new industries (such as biofuels) are probably too risky to be recommended as a strategy for agricultural development." (FAO 2013, p. 324).

10 There are various issues which imply this approach requires careful design in order to be practical and commercially viable. For example, subsequent land allocations would need to be next to each other, so the investor can realize economies of scale. But that would involve holding an area in reserve, thereby leaving a productive asset idle. These and other issues would require careful consideration.

Chapter 4 THE SOCIOECONOMIC IMPACT OF INVESTMENTS

4.1 DIRECT EMPLOYMENT

Employment was the main benefit arising from agricultural investment.

Provision of employment opportunities was the most frequently mentioned positive impact arising from investments, a view shared by employees and nonemployees alike. Perceptions of employment were, on balance, very positive with regard to both jobs created and associated pay and contractual conditions (table 4.1).

In many cases, investors created jobs for the first time in remote areas where no opportunities for formal employment had existed before. This was appreciated as a critical development impact that corporate agricultural investors had on rural communities. For example, one palm oil producer established over 2,000 formal jobs in an isolated rural community in a postconflict country. In the interviews, the local community appreciated the accompanying benefits to incomes, food security, health, education, housing, and the general standard of living.

TABLE 4.1: Perceptions of Employment and Related Conditions, all Stakeholder Interviews

	NUMBER OF STAKEHOLDERS WHO MENTIONED	
ISSUE MENTIONED IN STAKEHOLDER INTERVIEWS	A POSITIVE IMPACT	A NEGATIVE IMPACT
Employment	119	16
Working and living conditions of employees	55	13
of which:		
Pay and working conditions	29	7
Living conditions of employees	15	0
Training	8	2
Unions and collective organizations	5	2
Child labor	3	0
Health and safety	3	2
Medical services	2	0

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

In total the 39 investments studied directly employed around 39,000 people, roughly split 50-50 between permanent and temporary or seasonal jobs (table 4.2) though the range was wide. The largest investor provided over 5,000 jobs and the smallest 28.[11]

From a host country perspective, these employment benefits, though important, come with the associated opportunity cost of relinquishing productive resources (land, water) for investors to use. As such, the number of hectares each investor owns or has leased for each job created provides an alternative measure of the benefits of employment. Eight of the investors studied are, however, processing factories or trading operations with virtually no ownership or rental of land. These have together generated 2,571 direct jobs, although their existence of course depends on ownership or rental of land by those who produce inputs for the processing plant. Excluding those, estate or estate and outgrower business model investments employed one person for every 20 hectares of their total land allocation (table 4.3).

Employment generation was neither dependent upon nor typically associated with large allocations of land for use by investors.

Among the sample of investors visited, although larger plantations tended to create more jobs in absolute terms, they also required

11 These figures represent gross rather than net employment generation. Other studies have found that net employment benefits may be limited if new jobs replace former ones or self-employment, although the creation of indirect jobs can mitigate this reduction. Moreover, jobs may decrease over time as investment projects become less labor-intensive through greater mechanization (Cotula et al., 2009). These are questions to investigate empirically in one of the next phases of work of this research.

TABLE 4.2: Employment, Descriptive Statistics

	SUM OF ALL INVESTMENTS	MEAN PER INVESTMENT	MEDIAN PER INVESTMENT	MAX.	MIN.	FEMALE SHARE[a]	EXPAT SHARE[a]
Total formal employment	38,810	979	688	5,278	28	34 percent	2 percent
Permanent	19,832	509	200	3,086	28	24 percent	3 percent
Temporary/Casual/Seasonal	18,348	470	180	3,700	0	45 percent	0 percent

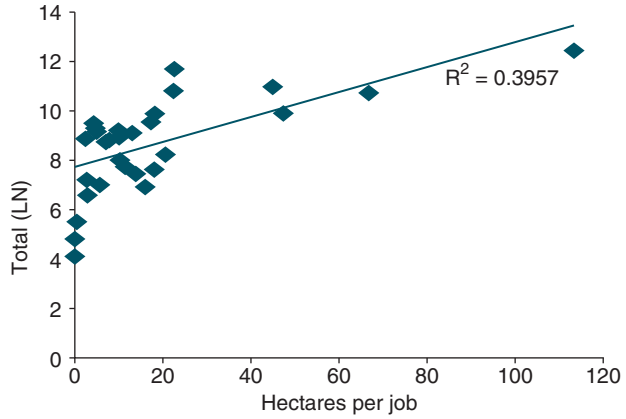
Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] Not all investors provided female and expat shares. These percentages are based on the subset of investors who did.

TABLE 4.3: Hectares Per Job Created, Estate or Estate and Outgrower Model[a]

	HA / JOB
Total formal employment	20
Permanent	39
Temporary/Casual/Seasonal	41

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] Employment refers only to those formally on the estate. It excludes outgrowers used in the estate and outgrower model.

FIGURE 4.1: Total Area of Investment and Job Creation[a]



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.
[a] Excludes pure processing operations with low land allocations.

more land per job created as compared with smaller estates, that is, the hectares per job ratio was higher (figure 4.1). The land needed to generate each additional job increase with the size of the operation. As such, large allocations of land to agricultural investors were not necessarily the most land-efficient means of employment generation, although variations by crop need to be considered; and, in any case, job creation is only one measure of impact.

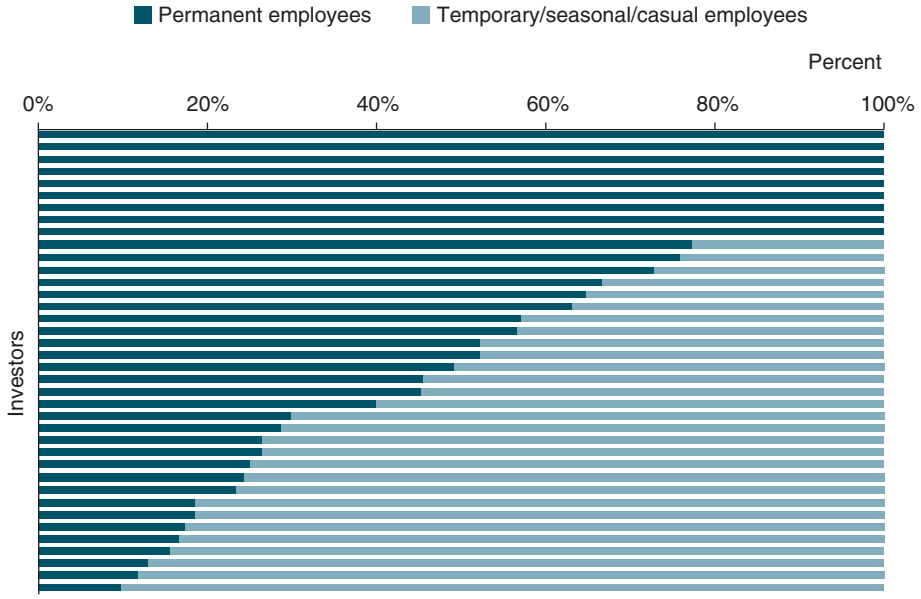
Employment with an investor was generally well-regarded and sought after.

A formal job with investors was generally sought after and well-regarded for several reasons, including greater work and income stability, an opportunity to shift from subsistence farming, other employment benefits (medical, food, accommodation, and so on), and training opportunities. Formal employment generally represented greater certainty and stability (as opposed to, for example, growing own crops which is subject to the vagaries of weather, external demand, and other uncertainties). Employees appreciated that the income generated by employment could be used to purchase a wider range of crops (than possible under conditions of subsistence farming), food, and other items to improve quality of life, such as transportation. As discussed in section 4.3, the impact of such employment on food security was a commonly cited benefit arising from these investments.

However, the possibility of a failed investment and the consequences that can result in terms of unemployment and lost income warrant an important caveat. Formal employment only represents stability to the extent that the investment itself is stable and successful in the long run. Local communities which have become reliant on employment with an investor may have few options if the investor fails and leaves the area. Local communities may lose their access to land if it is not subsequently returned to them when the investor has failed and left. The potential negative consequences of failed investments underscore the importance of host country governments monitoring investors and preparing for failure, as discussed in section 2.4.

Most investments visited paid higher wages than available locally and were sufficient to maintain a decent standard of living. Several

FIGURE 4.2: Share of Permanent and Temporary Employees



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

interviewees compared wages at agricultural investments favorably with those available at other industries in which foreign investors were present (for example, the garment industry).

There remain cases where pay is well below what could reasonably be considered a living wage.

Wages in a few cases were, however, significantly below the acceptable living wage and employees needed to supplement their income with other work. In the worst example, an investor seemed unaware of what a sufficient wage level would be for local communities, claiming that the level paid was adequate when researchers' conversations in a nearby town easily identified that it was inadequate. Permanent employees at this investment went on strike for an increase in salary, but were subsequently fired by the investor.

There was sometimes a high degree of temporary or casual labor, which offered limited stability.

A significant number of jobs created were casual and seasonal, with limited stability. Around half of jobs provided by our investors were temporary, casual, or seasonal. This varied widely by investment. For about 30 percent of investments surveyed, the share of permanent employment was less than a quarter of jobs provided (figure 4.2). This lack of employment stability was a frequent complaint in stakeholder interviews. Contractual terms and conditions tended to be weaker for temporary or casual labor. In some cases there was no contract at all. Interviewees spoke of arriving at the company gates each morning, not knowing whether they would be employed that day or not.[12]

Employment of people residing within the immediate vicinity of the investment generated positive outcomes.

Employment in local communities can significantly contribute to local people feeling in partnership with the investor, and hence create better outcomes for all. On the other hand, inadequate pay or other complaints about working conditions led to community tensions in some instances. Moreover, the management of expectations is critical. The arrival of an investor can generate hopes of formal employment for local communities, but can result in tensions when such hopes are not fulfilled, for example, because the investment did not proceed as planned or the expectations were unrealistic.

This speaks to the importance of close consultations (before the investment and ongoing), so expectations of communities and

12 The World Bank's 2011 study *The Rising Interest in Global Farmland* (p. 69) noted that "local peoples' appreciation for job-related benefits may … be reduced if these jobs are only seasonal" (Deininger and Byerlee 2011).

investors are in line. The survey included one instance where members of the local community were coerced (with government support) to provide land to the investor in the expectation that they would be employed in due course. However, the jobs did not subsequently materialize, resulting in fractious relations between the investor and local community.

Employment of expatriates was low in the sample, but not all jobs went to the population directly surrounding the investment.

Across all investments less than 3 percent of permanent employees were expatriates. These tended to be concentrated in management and supervisory positions. The sample contained no examples of foreign investors bringing large numbers of workers from home countries to undertake manual labor. In almost all cases, semiskilled, unskilled, and casual or seasonal employment was sourced from host countries. But employees were not necessarily from surrounding communities and sometimes came from other parts of the country, including capital cities. This in some instances led to tensions between the local community and the domestic migrant community. Moreover, migrants from neighboring countries were sometimes employed to undertake the hardest and worst paid jobs that locals were not willing to do. There were instances when this created tensions between local and migrant communities.[13]

Hence there was a need for training programs that support the integration of local communities into formal employment.

While local employment may be desirable in terms of providing benefit to the local communities whose area is affected by the investment, it was not always feasible to find sufficiently qualified staff locally, particularly in postconflict countries or remote areas which were not accustomed to formal employment. As such, investors may need to undertake dedicated training programs to assist with local communities' integration into the workforce. The constraints on employing local people in supervisory or management roles are even greater. A separate and special fast-tracked selection of local staff, including training, education, career planning, and monitoring effort, may help bridge the gap.

13 The World Bank's 2011 study *The Rising Interest in Global Farmland* (p. 69) noted that investors employing migrants from elsewhere was a frequent social issue. (Deininger and Byerlee 2011).

A gender imbalance in employment was evident at most investments . . .

There appeared to be a gender bias in employment at the investments studied. Across the 24 investments which provided numbers for female employees, around 35 percent of employees were women (table 4.2). Virtually all outgrowers were men. Only 1.5 percent of outgrowers were women. One cooperative member explained that this was due to obstacles women face in owning or renting land in some places.

As such, although investors claimed a large number of women are able to access employment opportunities through agricultural investments, their opportunities to find employment or be part of a contract farming venture is far less than those available to men. At the highest levels of company management, women were almost completely absent—in only two cases did a woman respond to parts of the company questionnaire. The only exception seems to be administrative employees, where some companies have impressive gender parity statistics, with women representing 80 percent of the office staff, or 50 percent of accountants in specific instances.

. . . with women often confined to the worst jobs . . .

Where women were employed, it was more likely that they were casual, temporary, or seasonal jobs. Almost 60 percent of women were in jobs which fell into this category, whereas less than 45 percent of men employed were on nonpermanent contracts. As such, women were overrepresented in the worst paid and most insecure jobs. In some cases the remuneration women receive is so low that it is difficult to say that their employment was a positive impact on their lives. Women were disproportionately represented in the casual labor sector, in some particularly low-paid jobs, as well as for certain tasks, notably seedling cultivation within plant nurseries, applying fertilizers, and harvesting flowers, all of which have long been "feminized." That those in lower-paid and temporary jobs tend to be poorer and less educated is also strongly associated with the impact on women.

. . . and gender issues were largely absent from investor concerns and initiatives.

While many investors disavowed active discrimination, there were few positive gender opportunity programs. More generally, there was a lack of attention paid to gender issues across investor

activities, including impact assessments, consultations, and benefit-sharing arrangements. The failure of most investors to consider the different ways in which women may be affected by particular policies and arrangements—and the limited number of initiatives specifically designed to support female employees—was striking and requires remedy. Only three investors had an explicit gender policy, an example of which is given in box 4.1. In some cases gender initiatives have emerged in response to calls from local women, an example of which is discussed in box 4.2.

BOX 4.1: Gender Committee

One oil palm company established a Gender Committee, composed largely of female employees representing all sections of the operation, including the administrative staff. A key role of the Gender Committee was to raise the awareness of female staff regarding their right to equal pay and reproductive rights. Importantly, the committee also provided a conduit for women to report on violation of these rights. While it was evident that the Gender Committee had made much progress in raising the awareness on gender-related rights, it was unclear if the company's grievance mechanisms were able to effectively deal with gender-related complaints, with the committee head noting that cases of domestic violence had sometimes been reported to the Security Department, but not adequately addressed or referred to the Gender Committee.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

BOX 4.2: IMPROVING ACCESS TO MARKETS FOR FEMALE FARMERS

On a rubber plantation visited, there was currently only one market stall where women can sell the surplus food crops they grow among the rubber. Because of the size of the concession, it was costly and time consuming for most women to get to the stall. The wife of a rubber plantation employee, who was also the women's representative for a local political party, was instrumental in persuading the company to develop market stalls at central places around the plantation in order to make it easier for growers and workers to buy and sell their own produce. The same person pushed the company to provide business training to women linked to the plantation. This initiative, currently in the development phase, was an example of an enterprising and determined woman that has helped a company to adopt more gender sensitive policies.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

4.2 IMPROVING LIVELIHOODS AND MARKET ACCESS FOR OUTGROWERS

Investors with outgrower schemes provided a reliable market for farmers' produce, contributing to improving livelihoods.

In the 11 investments that had outgrower schemes, there were almost 150,000 outgrowers whose principal outlet for produce is the investor (table 4.4). On balance, outgrowers had a positive perception of the investors which they supplied. Key benefits mentioned were the presence of a reliable buyer and relatively sure markets, better prices, training and technical support (especially to meet the requirements of third-party certification), and schemes to improve access to finance.

Investors generally purchased outgrowers' produce for a higher price than other buyers but prices were often disputed and pricing mechanisms were not well-understood.

The main advantage for outgrowers selling to major agricultural investors was higher prices and reliable, timely payments—a perception reiterated by senior management and outgrowers alike. But even major investors faced cash flow problems and some outgrowers—particularly those who have been assured a guaranteed minimum price for *all* their produce—have sometimes not been paid according to the agreed terms. More commonly, outgrowers lost money owed when investors faced capacity constraints. For crops that must be processed soon after harvest—including rubber, sugar, and palm oil—this occurred when investors did not facilitate timely pick-ups to transport outgrowers' produce to the processing site, or lacked sufficient factory space to process the raw materials once there.

Despite recognizing the advantage of selling to major agricultural investors rather than local buyers and middlemen, outgrowers nevertheless tended to feel excluded from price-setting mechanisms—these were usually set by the government, major industry players, the investors themselves, or a combination of these actors, always

TABLE 4.4: Outgrower, Descriptive Statistics

	TOTAL	MEAN	MEDIAN	MAXIMUM	MINIMUM	FEMALE (PERCENT)
Outgrowers	149,638	13,603	1,534	120,000	60	1.5 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

based in part on international market prices for the commodity. Despite company efforts to inform their outgrowers of current prices and mechanisms, pricing was often contentious, with many outgrowers voicing concerns about how their produce was quantified and assessed for quality, as well as the final sum they received. Thus there was a need for good communication between farmers and company management about how prices are set, as well as improved safeguards to ensure these prices were appropriately remunerative (see box 4.3).

Price volatility made some outgrowers' livelihood precarious.

Price volatility was a major issue for outgrowers. At the time of the fieldwork, one national government was about to introduce a price stabilization program, setting a fixed annual price for cocoa in their efforts to improve the livelihoods of the country's many contract farmers. Investors and outgrowers were curious to see what the impact of this policy would be. Whether smallholders and businesses end up better or worse off in the long run requires further investigation; however, this was a policy initiative worth exploring. One cooperative's thoughts on the stabilization program are discussed in box 4.4.

BOX 4.3: Inclusive Price Setting Possibilities

In Indonesia, the price paid in each region for fresh fruit bunches of palm oil was set monthly through a multistakeholder process, involving members of the provincial plantation agriculture department, company management, and representatives of cooperatives. Those present used a predetermined formula to fix the price; and one variable, the oil extraction rate, was the subject of much negotiation each month. Once a price was agreed, a formal notification was signed by the government, company, and outgrower representatives, obliging the investor to pay the set price.

This was a much more inclusive price-setting system than commonly seen elsewhere. But even in this case outgrowers were vocal about their perception that they were not being given a fair deal for their produce. Initiatives which bring smallholders into the price-setting discussions are to be applauded, but need to be supplemented with more oversight to ensure that prices agreed enable smallholders to achieve a decent standard of living.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

BOX 4.4: Cooperative Views on Cocoa Price Stabilization Program

One cooperative interviewed believes that the Government's stabilization plan for cocoa—which will introduce a fixed annual price and certain quality requirements (for example, farmers will no longer be allowed to dry cocoa on the ground) for all cocoa produced in the country—will encourage more farmers to adopt good agricultural practices. Farmers will no longer be able to sell substandard cocoa elsewhere and thus will sell their entire crop to the cooperative. At the same time, there will no longer be years where the price is high—and thus fewer opportunities for the cooperative to sometimes make high profits. The cooperative hopes that the government will set a truly fair price for cocoa that reflects what a farmer needs for a decent standard of living.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Income insecurity also relates to production peaks and troughs which characterize some crops, particularly cocoa. Unlike rubber and palm oil, which can be fairly consistently harvested throughout the year, cocoa farmers often complained of facing financial difficulties in the periods of the year where their trees produced little fruit. One cocoa investor had sought to respond to this problem by paying outgrowers in installments, to ensure that their suppliers had cash at particularly expensive moments in the annual cycle, such as the Muslim festival Eid and the start of the school year. Other investors provided insurance cover for smallholders to protect against crop failure.

Outgrower schemes had several advantages.

Contract farming operations allow farmers to remain in control of their most important asset, their land, thus avoiding disputes over access to resources and community displacement. Outgrower schemes also support far more jobs than estate farms; in the sample of investments surveyed, outgrower schemes employed one person per 3 hectares of land whereas investors provided one on-farm job per 20 hectares of land.

Most investors provided their outgrowers with agricultural training and extension services, designed to help minimize disease and pest damage, as well as augment the quantity and quality of the crops grown. In most cases these services are deducted from the price

paid to outgrowers. Outgrowers' impression of this arrangement was mixed: some felt the prices they paid were too high, others believed they were fair.

Investors expressed varied views regarding the success of these training programs and services. While all had seen some improvement in the quality and quantity of crops they received, commonly expressed concerns included the tendency of outgrowers to reuse seed, harvest late (when market prices are higher but quality lower), and a reluctance to spend money on inputs. This indicates a potential weakness of these arrangements: in order to meet quantity and quality requirements or expectations, outgrowers may be required to use expensive, and environmentally destructive, agricultural inputs.

The outgrowers interviewed who participated in certification schemes viewed those in a positive light. The key benefit mentioned was associated training in improved agricultural practices and business management. Certification has also improved market access, in particular by opening up international markets which require certified produce. Some outgrowers mentioned premiums and better prices for the produce of certified crops. But weighed against this, the demands of certified crops were noted as expensive and it was often questioned whether the premiums were sufficient to justify those costs. Moreover, outgrowers complained of uncertainty about whether produce would be certified and delays in receiving premiums.

Outgrower schemes were often only accessible to farmers that were relatively well-off already.

Outgrower schemes tended only to be accessible to larger, better-off smallholders. Many of the investors we visited stipulated that outgrowers had to have a minimum acreage to participate, as well as sometimes access to their own transportation. One investor mentioned the growing tendency for agricultural companies and development NGOs to invest in cooperatives—effectively diverting resources to the farmers that are already doing quite well, to the neglect of those who need the most help. The same can apply to certification schemes which may not reach the most marginalized farmers. Some investors were considering how to look beyond the "top of the farmer pyramid" and initiative schemes to reach more marginalized farmers.

4.3 FOOD SECURITY

The main impact of investments on food security was an indirect positive one through the income effects of employment.

All investors cited employment and subsequent impact on local incomes as their key contribution to local food security. This was also the most frequently cited food security-related benefit mentioned in stakeholder interviews (table 4.5). Many employees stated their preferences for wages as a more stable source of income over subsistence farming—particularly because their incomes and food supplies were not as sensitive to climatic conditions, droughts, and soil quality.

A number of investors also provide free or subsided food to employees, both in the form of meals on site during the workday as well as grains for home consumption. These ancillary food security benefits to employees are positively appraised in the stakeholder interviews. But in one case, the substandard quality of the grains provided caused tensions between management and staff. A number of estate-style investments also allow employees to grow food crops for domestic consumption on parts of the concession.

But that relied upon jobs being sufficiently remunerative and stable.

The positive effects of employment on food security depend on the investor's ability to negotiate the risks associated with farming and stay in business, as well as manage cash flow needed to pay staff on time. Employment offered by investors was in cases casual, unreliable, and offered little job or food security. Access to food can

TABLE 4.5: Perceptions of Food Security, All Stakeholder Interviews

	NUMBER OF STAKEHOLDERS WHO MENTIONED	
ISSUE MENTIONED IN STAKEHOLDER INTERVIEWS	A POSITIVE IMPACT	A NEGATIVE IMPACT
Impact of employment on food security	26	6
Community food programs	14	2
National food production	9	0
Impact of change in crops grown locally on food security	8	2
Changes in access to land impact on food security	1	4

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

only be improved if employment provides sufficient and consistent remuneration that enables employees to provide an adequate standard of living for themselves and their families. While many employees were satisfied with the wages they received, there are also a number of cases where people were not being paid a decent salary.

Changes in access to land had detrimental implications for local food security.

While stakeholders were generally positive about food security impacts, some mentioned a negative impact through reduced access to land and associated natural resources for local communities. One local community complained that through a resettlement negotiation their land holdings had been reduced from a range of 2–15 acres to around one-quarter of an acre. This had negatively impacted their ability to both produce and procure adequate food for themselves and their families.

Another frequent grievance was from pastoralists and others whose access to land, natural resources, and water is restricted once an investor demarcates its farming operations. The fencing off of land, although understandable from an investor's perspective, may impede local access to particular resources if areas and routes become unusable. One female community member explained that she and other women in the village used to collect wild spinach and a variety of other edible plants on land they no longer have access to, due to an electrified perimeter. First and foremost, the responsibility of investors with respect to food security should be to ensure that existing strategies for producing and procuring food are not adversely affected by the investment.

Investors only made a limited direct contribution to national food production and security.

The most direct means through which investment in agriculture can contribute to national food security is if the operation grows food crops for domestic consumption. In the sample only around one-third of investments produced food crops for which the principal market was domestic (table 4.6). While two-thirds of investors did in fact produce food crops, in half of these cases this was primarily for consumption abroad. Even where food was for markets in the host country, investors generally produced higher-end agricultural products priced for urban consumers. Thus, while some investments have increased the amount of food available within a country, this should not be confused with necessarily improving access to food for those who need it most.[14]

TABLE 4.6: Type of Crop and Destination for Output

ALL INVESTORS		
	PRINCIPAL MARKET FOR OUTPUT	
Crop	Foreign	Domestic
Food crop	32 percent	34 percent
Nonfood crop	26 percent	8 percent
FOREIGN INVESTORS		
	PRINCIPAL MARKET FOR OUTPUT	
Crop	Foreign	Domestic
Food crop	36 percent	29 percent
Nonfood crop	29 percent	7 percent
DOMESTIC INVESTORS		
	PRINCIPAL MARKET FOR OUTPUT	
Crop	Foreign	Domestic
Food crop	18 percent	55 percent
Nonfood crop	18 percent	9 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

The sample also provides evidence that differences exist between foreign and domestic investors regarding this issue. More foreign investors produced food and nonfood crops for foreign consumption. Around 65 percent of domestic investors' produce is aimed at the host country market, whereas this is only the case with a third of foreign investors. Over half of domestic investors grew food crops for domestic consumption.

Long-term food security impacts of investor-led initiatives to improve the agricultural productivity of local communities requires further study.

Investors in the sample utilized a range of techniques intended to improve the productivity of local smallholders (that is, local

14 This is similar to findings in the FAO's study of FDI in agriculture which states: "As a majority of foreign investment projects aim at export markets or the production of biofuels, they may pose a threat to food security in low-income food-deficit countries, especially if they replace food crops that were destined for the local market. The net effect on food security will also depend on the additional income generated by the project, its sustainability and how it is distributed in the local economy" (FAO 2013).

smallholders that are *not* outgrowers supplying the investor). One investor made specific efforts to help local households to prepare land for planting. A number of investors provide training to local residents—usually on demonstration plots managed by the company—in alternative planting techniques, as well as the utilization of particular inputs and technologies. These programs indicate a desire on the part of some investors to improve local livelihoods and food supplies. But most of these projects are in their initial phase and their long-term results require further research. Even if they are able to increase local productivity in the short term, these schemes may also create dependence on expensive agricultural inputs, with detrimental consequences for livelihood sustainability and the environment, both in terms of chemical degradation and loss of biodiversity (for example, where they encourage the use of agrochemicals and store-bought seeds).

Moreover, there were no examples in the survey of investors which investigated and learned from local agricultural knowledge and techniques. The significance of this knowledge—by nature highly adapted to the particularities of the local context—to supporting sustainable food production and improving rural livelihoods has been emphasized by a considerable body of experts.[15] Rather than assuming external methods and inputs are the answer, investors may wish to consider more collaborative means for improving productivity.

Investors improved food security through access to markets for outgrowers.

Investors can contribute to the food security of outgrowers by providing a reliable market for their produce. Outgrowers interviewed confirmed that investors make more reliable paymasters than itinerant middlemen—and thus indirectly support a more regular food supply. But being part of an outgrower scheme is far from assured food security. Outgrowers remain vulnerable to the vagaries of international demand and pricing conditions. Moreover, some crops have cyclical harvests and so only provide income at certain times of the year, whereas others offer more stable cash flow (for example, cocoa vs. palm oil). Cocoa outgrowers spoke of the need for additional assistance during times of low production. Investors and governments could consider introducing more stable pricing mechanisms—such as minimum price guarantees and accessible relief funds in case of crop failure—to help ensure that outgrowers have access to food throughout the year.

Changes to what was grown locally could reduce local food security.

In the majority of cases in the sample, investors introduced a crop that has not been grown in the area before. Most also promote the extensive cultivation of one or two crops. This can make the region more susceptible to pests and diseases, as well as to declining commodity prices, and therefore have detrimental consequences for local food security. Growing a range of crops is the best defense individual smallholder farmers have against the vagaries of climate, pests, and diseases. To some extent, the potential negative effects on both food and livelihood security can be mitigated by the intercropping of cash crops with food crops intended for domestic/local consumption, which some investors encouraged.

4.4 SOCIAL DEVELOPMENT PROGRAMS AND FINANCIALLY INCLUSIVE BUSINESS MODELS

There was a notable trend toward social development programs in agricultural investment, with most investors having a social or rural development initiative of some description . . .

More investors are setting up social or rural development programs to assist local communities.[16] Table 4.7 summarizes the range of initiatives provided by investors in the sample. These were generally viewed positively and appreciated by stakeholders as a key contribution investors made to rural development, particularly those operating in remote areas.

This trend does, however, raise questions which are beyond the scope of this report about the respective roles of the public and private sectors in developing countries in the provision of social services. The social development programs in the sample of

15 See, for instance, McIntyre and others (2009).

16 The FAO's study on agricultural FDI in developing countries also found numerous examples, including: The Integrated Tamale Fruit Company in Ghana (p. 205); Socas in Senegal (p. 279); MBSA and PSM in Mali (p. 243); DAK LAK in Cambodia (p. 181).

TABLE 4.7: Social/Rural Development Programs and Revenue-Sharing Arrangements

TYPE OF BENEFIT OR REVENUE-SHARING ARRANGEMENT	PERCENT
Internally designed and agreed social/rural development program	21
Social/rural development program agreed formally with local community	36
Explicit revenue-sharing agreement with local community	5
Occasional, *ad hoc* assistance provided, not formalized or agreed	28
ELEMENTS OF BENEFIT SHARING PROVIDED BY INVESTORS	
Provision of education or school infrastructure to local communities	73
Provision of medical services to local communities	70
Provision of other rural community infrastructure (for example, town halls, football fields)	68
Improvements to local housing conditions	65
Schemes to improve local water access	57
Construction of roads for public use	51
Schemes to improve access to finance	43
Construction of farming infrastructure (for example, mills, storage)	30
Improvements to local electricity access	30
Loan of machinery to local farmers	27
Support to local law enforcement	19
Explicit gender equality initiatives	16
Explicit initiatives to support marginalized communities	11

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

investors are not necessarily the ideal model for the provision of social services. When such support is not coordinated with governments it may undermine host country policy and universal access. Nevertheless, there does appear to be an increasing expectation on investors, particularly foreign ones, to establish such programs.

. . . providing social services . . .

Education was the most frequently cited social benefit to local communities provided by investors (box 4.5). The nature and degree of support varies. Measures taken include: full-scale construction of schools; improving school infrastructure (providing electricity, water facilities, new desks, and so on); financial support to government-run schools; provision of scholarships or bursaries for further education; supplementing local teachers' salaries; provision of transport to/from schools; and adult literacy programs. Additionally, investments provide an indirect benefit to education possibilities because the income from employment allows people to afford schooling for the children.

. . . rural and farming infrastructure . . .

In addition, investors play a key role in the development of rural and farming infrastructure, for their own benefit as well of those of surrounding communities. Investors in deep rural areas develop roads, electricity, telecommunications, and other facilities that come to benefit the local community. The construction of roads in particular is seen as a key benefit in opening up areas and providing key development benefits through improved access to markets (box 4.6).

BOX 4.5: Examples of Investor Support for Local Education

A rubber plantation in Liberia with a large concession area on which many people reside had an education program at a cost of US$500,000 per annum. The program was aimed at the child dependents of employees, both permanent and contract employees on a free basis, plus community children from outside the plantations at a small fee. There were schools from primary to senior high level for 6,263 children with 70 teachers being employed and housed. The quality of teacher was considered to be at a better standard than the average government employed teacher and were paid at higher rates. The investor offered bursaries to school leavers to study further and have facilitated scholarships for them to attend the national university's agricultural faculty. Schools were spread across the plantation areas for easier access by pupils. Company buses transported the children to school, and shelters have been constructed at the stops as protection against the rain.

An investor in Vietnam had established an education charity. The focus was on education of the children of the rural poor who do not have any opportunity to attend school. The first school was established within a year of starting operations and 58 schools have been built which were attended by more than 13,000 students. The company's aim is to build a total of 75 schools to educate 17,000 children by 2015. The program is a partnership between employees, dealers, and customers who served voluntarily in the process to raise funds for the project. To date, more than US$3 million has been raised through this collective effort. The volunteers also work closely with local authorities in the constructions of the school.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

. . . and improved access to finance.

Investors have supported local communities' access to finance in different ways. Most common were the provision of inputs (fertilizers, seeds, weed control, trees) on credit for outgrowers. Others included the provision of microfinance loans and funding construction of local infrastructure, including ATMs. Investors often stood as guarantor for microfinance loans for outgrowers or smallholders.

BOX 4.6: Benefits of Improved Road Access

An investor in Cambodia has constructed and improved road infrastructure in surrounding villages that resulted in better access for the residents and improved access of local farm produce to markets. The investor built a 4-km road to connect a key junction with its farm and has maintained a 50-km section of government road. The total cost of construction and maintenance was between US$40,000 to US$50,000. One nearby town did not exist prior to the improvement of the road access. Only a few families lived in the area and although farmland was allocated to the local population as part of a government scheme, it was left largely uncultivated because of inaccessibility. Today, it is a busy town with a population of about 600 people.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

BOX 4.7: Investor-Smallholder Joint Venture Microfinance Fund

One investor had established a microfinance fund which was half owned by the investor and half owned by a local smallholder cooperative. The fund lent to small-scale sugarcane growers who were not able to obtain credit from commercial banks. The fund provided finance for cane establishment, repairs and maintenance, ratoon management and had a lease finance facility on communal land. All loan repayments occurred through concessions registered with the mill against delivery of the crop.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Nevertheless, access to finance remains a key constraint for many outgrowers and smallholders. A key recommendation from stakeholder interviews was for investors to do more to improve access to finance. Although there is evidence suggesting that interest rates on loans investors offer were lower than those offered by commercial banks, there were still a number of interviewees who complained about the terms and conditions of loans.

A number of constraints limit the ability of investors to provide microfinance. First of all, many investors are themselves financially constrained and looking for additional working capital. The lack of bridge or commodity finance from local banks exacerbates this problem. Secondly, several investors cited the difficulty in ensuring that terms of loan contract were upheld, in particular the condition that the produce of outgrowers benefiting from the loan is sold to the investor. This is an especially serious issue in countries where contract law is weak. Some investors have a policy of not engaging in financing schemes because violation of such provisions is rife, especially in the case of rubber. One positive example improving access to finance through partnership between the investor and smallholders is mentioned in box 4.7.

The extent to which social development programs were formalized, negotiated, and committed to varied . . .

Important defining characteristics of the benefit sharing arrangements in the sample were the extent to which the scheme or program represented a formal commitment, and the degree to which it was negotiated and agreed with the communities that it was designed to benefit (table 4.7). At one end of the spectrum there were explicit, written, co-signed agreements between local communities and the investor, negotiated through a process of consultation on local development visions and needs. At the other end, some investors provided assistance to local communities on a discretionary basis when a request arose, without any formal agreement or commitment on the part of the investor. There were four investors in the sample who appeared not to have provided any social or rural support to local communities at all. These investors remained isolated from local communities, with little knowledge of local development visions and no programs or efforts to support these communities.

Almost 60 percent of investors have some kind of relatively formalized social or rural development program (defined as, at a minimum, an internally agreed program with objectives and funding). Only about 40 percent have an explicit agreement with local communities about the benefits to be provided. As such, a significant number of programs are decided within the company without consultation or agreement with the local community. Consequently these programs contain no binding commitments or enforcement mechanisms. In some instances, development programs have been agreed at a national level without due consultation with local communities about their particular development needs.

. . . which had important implications for fostering genuinely inclusive development.

The most successful and appreciated benefit sharing programs were those in which the local community had been consulted

BOX 4.8: Financially Inclusive Business Models

The land on which an investor in Ghana operates a rice plantation belongs to the local community. The investor has a 50-year renewable use right over a 1,000-hectare site within the community's land. The payment for this use right is a share of the revenue made from crop sales. The community receives 2.5 percent of revenue for first 5 years, thereafter 5 percent. It is significant that this is based on monthly turnover because that is a transparent figure, calculated and paid at the end of each month. Benefit-sharing arrangements based on profits are inferior because profits are calculated once a year, with a lag and subject to manipulation. The revenue the community receives is placed into a community trust which the community spends on development projects at its own discretion. It can be spent on infrastructure development and projects that increase the value of the land. The council-appointed committee administers this fund. They collect project suggestions and vote on the priorities.

In addition, the investor has made a commitment to a corporate social responsibility program funded by 7.5 percent of net profit, which goes into a trust/foundation to be used for community development and spent on initiatives such as scholarships and potable water. As a consequence of this scheme, local community leaders and members interviewed claimed that they saw themselves as genuine partners in the investment and had a stake in ensuring its success.

Since 2011, a palm oil company in Sarawak (Malaysia) has adopted a new business model whereby the company rents land from the owners of Native Customary Rights (NCR) land to develop it for cultivation of oil palm for a period of 30 years, after which the land and the palms will be returned to the owners. The company will bear the costs of development and after the third year when the palms start to bear fruit, the company will pay each owner a fixed rental per tree until the expiry of the 30-year lease. The company has chosen this model as it is viewed as a more equitable and fairer proposition than the approach used by other companies in Sarawak whereby about 60 percent of the ownership of the land would be eventually transferred to the company and the NCR owners would have only 30 percent ownership.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

about local development visions and had a say in the project and how funds were used. This included investors making regular payments into community charities or trusts which are administered by communities or government, rather than the investor. For example, the External Relations Manager of one investor met with six local communities annually to discuss, assess and prioritize community development programs. Another company's commitments to projects were based on a needs assessment undertaken by the Community Development Officer, and the projects identified in consultation with communities were presented in the budget for the coming financial year.

Explicit revenue-sharing arrangements were rare but seemed highly effective in forging genuine partnerships between investors and local communities.

The sample contained two explicit revenue-sharing arrangements, as described in box 4.8. In these arrangements, the investor is operating on community or native land and, rather than renting the land, had entered into a revenue-sharing arrangement based on a certain percentage of the monthly turnover. These schemes are beneficial because they provide a continuous revenue stream across generations and genuine community-private partnership in which communities take an interest in the success of the operation. Such schemes have served to forge genuine partnerships in which local communities jealously guard the investor's operation and take a strong interest in ensuring its success. This kind of arrangement is rare, but it holds a general lesson that communities must be actively consulted and involved in the determination of which social projects to undertake.

Given these trends, governments could afford to be selective about the investments and negotiate commitments for social or rural development.

The rising interest in global farmland and the trend toward greater social responsibility is a combination that host country governments can, and should, be using to their advantage. Host country governments can afford to be more selective about the foreign investors invited to the country. They should ask what benefits the investor is going to bring to the host country, negotiate those terms, and obtain commitments in writing as part of the investment contract or agreement.

It seems that too many investment concessions or agreements have been provided in recent years to investors whose contribution to

the host economy or local community is limited at best. Developing countries are now in a position to take pause to consider how to make sure that the best kind of investors are attracted. This includes consideration of what social and infrastructural benefits the investor will bring to the host country.

4.5 TECHNOLOGY TRANSFER

Foreign investors were in some cases instrumental in introducing and encouraging the adoption of new technology and farming practices.

One key means through which the investor can create shared value for the host country and local communities is through the diffusion of new technology and farming practices. Foreign investors can be instrumental in bringing in technology and professional expertise needed for local producers to develop an export market for their produce, particularly through training on how to meet the requirements of certification. Box 4.9 provides an example of the kind of technology transfer that investors have facilitated.

The types of technology transfer seen in the sample included the provision of technical advice on growing practices and disease minimization; land preparation; demonstration plots; irrigation scheme development and maintenance; and provision of better yielding seed varieties. Some investors also provided business training to smallholders on, for example, how to budget and manage cash flow.

Agricultural corporations with similar operations in other countries are in a particularly good position to provide technical support to local operations because they can draw on experience learned elsewhere. Other types of investors, and those which may be new to agricultural investment, are less likely to disseminate technology.

In rare instances this had a catalytic effect that generated benefits far beyond the investor itself.

Research undertaken by the World Bank indicates that in a small number of cases, an agricultural investment has a pioneering, catalytic impact of which benefits extend far beyond the investment in question (Tyler and Dixie 2012). These investments spawn a sector which has wider benefits for the host country and a range of stakeholders within it. This is also true for a handful of investments within the sample, whose demonstration effects or pioneering innovations have generated widespread benefits. For example, one investor has been instrumental in bringing certified coffee to its host country, as discussed in box 4.10.

BOX 4.9: Technology Transfer in Rice Contract Farming

One investor in Cambodia had developed a rice contract farming system whereby the company supplied improved fragrant rice-planting materials to farmer groups. An average farmer cultivated about one to 1.5 hectares of fragrant rice, using rice seeds provided by the investor. After retaining part of the harvest for their own consumption, the farmer sold all production to the investor. The investor agreed to buy all the production from the farmers at market prices and provided a guaranteed minimum price as an assurance to farmers. The rice from the contract farms was milled at the investor's rice mill and the final product is sold in the national market (about 80 percent) or exported.

The investor provided technical support and training to contract farmers on the appropriate techniques for rice cultivation. Farmers were given training on the use of proper agricultural practices such as scheduling of various field operations (for example, ploughing, planting), optimal planting densities, nonuse of chemical fertilizers and pesticides, and so on. Extension service staff visited farmers during the growing season and provided advice on how to address any problems observed during the visit, for example, on how to overcome attacks by insect pests. Participants in this scheme noted the higher yields resulting from the better quality seed inputs and technical support provided by the investor. The working relationship between farmers and the investor was perceived as positive by both parties.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Technology transfer was by no means assured and often is confined to those outgrowers that directly provided inputs to the investor.

Some investors, however, do little to diffuse better farming practices or technologies. Raw materials were imported or grown on site and the produce was destined for export. This business model was to be a self-contained unit, with few interactions with the host country. Those investors that did have a formalized program for training of and technical support for local farmers, tended to be focused on

BOX 4.10: Investor Support for Certified Coffee

One coffee investor in Vietnam has been instrumental in promoting sustainable coffee production in the province in which it operates. It set up the first automated coffee processing factory, has pioneered the establishment of a sustainable coffee supply chain involving thousands of small farmers, and has introduced Fair-Trade coffee into the host country. The investor has supported training of more than 2,800 coffee farmers covering 4,500 hectares on sustainable production practices and assisted them to be certified against various sustainability standards for coffee. It has helped to build two Fair-trade certified farmers' cooperatives in the province. Farmer training courses and manuals have been produced, based on the requirements and processes for compliance to various certification standards, including:

a. 4C Association Principles for coffee production
b. Fairtrade principles on sustainable coffee farming techniques
c. UTZ certified principles and sustainable coffee farming practices
d. Addressing issues on Rain Forest Alliance sustainable coffee program and improvement of agricultural practices.

The investor is also an active participant in numerous international initiatives aimed at improving the sustainability performance and profitability of coffee farmers. Interviews with stakeholders revealed that these initiatives have made significant impacts on the well-being of the farmers. Implementation of better management practices resulted in higher productivity and quality of their produce. Farmers are assured of a market of their certified coffee beans, at premium prices.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

providing support to outgrowers to provide inputs to the investor's operation (see discussion in section 5.4). Evidence that the improved technology and agricultural practices have diffused more broadly in the host country are somewhat limited.[17]

17 The evidence on technology transfer in the FAO's study on FDI in agricultural investment is similarly mixed. There are some positive examples of adoption of new production technology, such as in the tomato export industry in Senegal or the adoption of improved crop varieties, such as the introduction of a new rice variety in Uganda. In some investment projects involving outgrower schemes and contract farming, small farmers have acquired new skills through either formal training organized by the project's promoters or by working on the nucleus farm. But the studies suggest that the actual transfer of technology is seldom up to the level announced by the investors.

Host country governments should seek to encourage technology transfer.

A key role of host country governments is to consider how the benefits of agricultural investment can be maximized and shared, such that they accrue not only to the investor but also the local communities and the host country more generally. In this regard, a key factor for host governments to consider when appraising investment applications is whether the proposed investor has any schemes or intention that will ensure that improved farming techniques, superior inputs, or other factors which provide investors a comparative advantage will also accrue to others. Indeed, host countries should push investors to do better in this regard. Some have already successfully done so as described in box 4.11.

BOX 4.11: Government-Promoted Scheme to Improve Rice Yields

One investor is operating in a government-identified development corridor in which the country's president and his office take particular interest in the potential to contribute to smallholder development. The host country government laid down a challenge to investors to transfer skills.

In response the investor introduced a scheme to improve rice yields of local farmers living in villages close to the farm. The investor provides seeds, fertilizer, and mechanical weeders to each demonstration plot which is ¼ of an acre. Smallholders have been trained to identify and eliminate bad seed, plant rain-fed seeds on a grid, space the seedlings to improve productivity, and use mechanical weeders. The investor provides extension officers and lends a combine harvester to villages.

Once farmers have been involved in the scheme for over a year, they can enter the second phase through which the investor helps them to obtain loans from a microfinance institution and acts as guarantor. The microfinance institution also provides training in business skills of managing finance.

This system has seen an increase in yields of up to 400 percent. The project is being gradually scaled up and now has foreign aid funding for the next 4 years. The system operates in 10 villages with 56 demonstration plots and around 1,300 farmers involved. Farmers who participated in this scheme noted a dramatic increase in yields due to the training received on seed selection and planting techniques.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Chapter 5 LAND RIGHTS AND ACCESS

5.1 RIGHTS AND ACCESS TO LAND

Disputes and dissatisfaction pertaining to changes in access to land were the main negative impact of investments studied.

Reduced access to land was by far the most frequently mentioned negative impact of investments in the sample. People's lives in rural communities are intimately tied with their access to land and other natural resources and the arrival of an investor can have significant implications. A nonexhaustive list of the grievances with regard to changed access to land is as follows:

- Commitments made to the local community as part of land acquisition were not kept
- Dissatisfaction with the terms and process for resettlement (see discussion in section 5.2)
- Land granted overlaps with community forests, sacred sites, or other protected areas
- Local communities were denied rights to continue to use land that had been occupied and cultivated for many years, albeit without formal title, including that which had been left dormant by previous investors
- Reduced access to grazing land for pastoralists and other customary forms of land use, such as gathering wild plants, hunting, fishing, firewood collection
- Impediments to access to roads or the ability of local communities to traverse the land, instead having to travel around property boundaries to access water sources, markets, or social services
- Fear and uncertainty about investor intentions and the threat of changes in access to land

Stakeholders interviewed had, on balance, negative perceptions of the impact of investments across a range of land-related issues, including previous use of the land, the terms and process for land acquisition, resettlement procedures, access to and use of the land by communities, the degree of land use by the investor, and the rights of pastoralists and other customary land users (table 5.1).

The rights of pastoralists were a frequent grievance . . .

A frequent grievance was from pastoralists and others who customarily use the land whose access was restricted once an investor moved in and demarcated its farming operations. Impediments to cattle grazing, fishing in water sources, and collection of firewood or nontimber forest products could further marginalize individuals who already suffer from insufficient access or rights to land. In some cases, the investor interviewed said that no such groups used the land in question, but researchers were easily able to identify aggrieved parties near the property boundaries. This is indicative of inadequate consultations which did not consider customary users of the land.

When investors have undertaken consultations with pastoralists, outcomes seem to have been more positive. One investor agreed to develop pastureland for use by cattle owners as supplementary grazing during winter months. Another investor agreed to investigate the potential to use rice straw and husks, with additives, for use as animal feed to, in part, offset the reduced access to grazing land. Another dug canals and water sources for cattle to use. In other cases, investors and pastoralists have agreed on corridors of land along water sources which are not fenced off and through which cattle are free to roam. The process of consultation also helped convince pastoralists of the positive impacts of the investment, such as job creation and national food production, and consequently generated a better relationship and willingness to work together.

TABLE 5.1: Perceptions of Land Issues, all Stakeholder Interviews

	NUMBER OF STAKEHOLDERS WHO MENTIONED	
ISSUE MENTIONED IN STAKEHOLDER INTERVIEWS[a]	A POSITIVE IMPACT	A NEGATIVE IMPACT
Disputes about access to land	8	39
Impact on previous users or owners	6	18
Terms and process of land acquisition	14	15
Resettlement	9	12
Pastoralist rights	4	9
Degree of land use	0	6

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

. . . as were complicated situations with regard to perceived or actual encroachment.

Another common source of conflict between investors and local communities was the use of, or perceived encroachment onto, land that was temporarily unused by the formal title holder. A common situation was that previous owners of the land (the government or earlier investors) had the formal title to the land, and right to its use, but left land unused. In the intervening period, people had moved onto the land, cleared it, and begun cultivation and thereby established informal rights to the land. When a new investor was granted a concession or acquired land, they sometimes discovered that their rights to the land are difficult to assert because communities are *in situ*. In some cases, people had been using the land for decades or generations before new investors arrived.

These situations are variable and complex. It is difficult to establish which claims to informal land rights were genuine for a number of reasons. Local communities often did not understand what rights to land they have under the laws of the country and frequently did not have formal titling deeds, even if they had been working the land for many years or generations. The situation was more complex in postconflict countries where the formal cadastral has been lost during conflict and a national land titling process was in progress. Some informal rights were based on verbal agreements between previous investors and local communities which were not adequately documented at the time. Village leaders have also sold off rights to land which technically was not theirs to sell because the formal title belonged to the state or a party who had long since departed.

Further complicating these situations, when an investment commenced operations, people were attracted to the work opportunity and moved into settlements close to the operation—either to new settlements or to existing settlements. It was later difficult to establish who had *ex ante* legitimate claims to the land and who was trying to establish claims *ex post*. Some investors accused local communities of opportunistic behavior, seeking to make land claims purely to extract rent from investors. In some cases, cultural and environmental beliefs and sensitivities have been allegedly exploited.

A variety of approaches have been taken to resolve the complicated issue of encroachment and competing or overlapping claims on land, including:

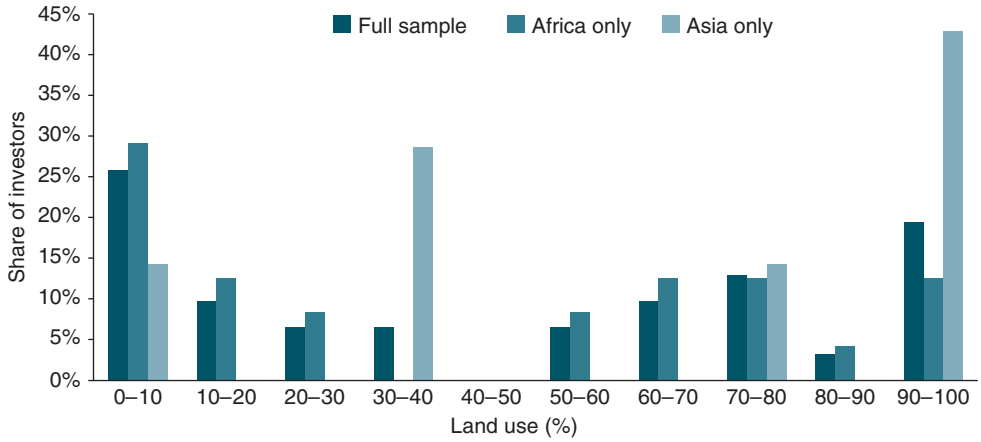
- Formal legal proceedings against settlers and government-assisted resettlement
- Private negotiation of compensation and resettlement
- Negotiation with government to swap "unusable" portion of the concession area
- Development of the concession area around informal land users
- Attempts to develop the land anyway in defiance of settlers.

Another common grievance was the failure to use the land in accordance with expectations. A number of investors were only using a small share of their land allocation . . .

The degree of land use varied widely within the sample (see figure 5.1). The degree of land use is defined as the share of the total area of land owned, rented, or under concession by the investors which is actively cropped, under development for cropping, or actively used for some other purpose related to the investment (for example, housing for employees). The areas used by outgrowers off site are excluded from these calculations, as are those investments such as processing factories or trading companies for which the use of land is incidental to the business model.

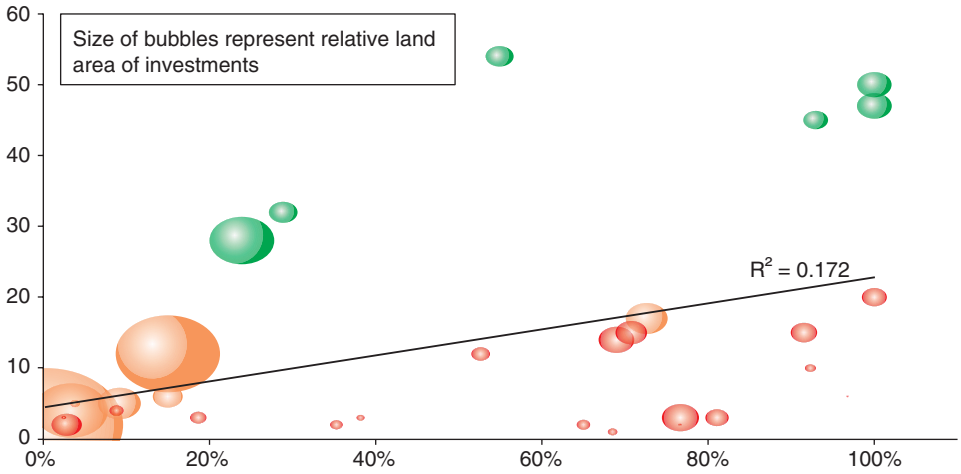
The distribution of land use in the sample was heavily weighted at either end of the spectrum. Of the 30 investments that have significant land holdings, almost one-quarter were actively using less than 10 percent of the land, while roughly the same amount were using over 80 percent of the land. While a larger sample would be needed for verification, it does appear that the issue is more problematic in

FIGURE 5.1: Degree of Land Use



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

FIGURE 5.2: Land Use; Age and Size of Investment



Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Africa than Asia (figure 5.1). In Southeast Asia, only one out of seven investments was using less than 30 percent of the land while four were using more than 70 percent.

. . . for a variety of reasons . . .

It takes time to clear, develop, and crop land so relatively young operations can be expected to be using less land than more established ones. Indeed, this is borne out to some extent in the data; there is a positive, albeit not particularly strong, relationship between the degree of land use and the time an investment has been in operation (figure 5.2). A number of long-established operations use a small portion of their available land, while some young operations are already using most of their allocation.

One might also expect the size of the land area to be a factor; it is harder to fully develop larger allocations than it is to get relatively small operations running to scale. This is also borne out in the data to some extent. What appears to be true is that the combination of these factors is important: large, newly established operations tend to be using much less of their available land than older, longer-running estates and farms. This is indicated by the cluster of large bubbles in the bottom left of figure 5.2. But the inconclusiveness of these purely quantitative relationships indicates that many other factors are at play.

A qualitative analysis of our survey data reveals a number of other following factors as important in determining the degree of land use:

- *Unforeseen environmental conditions* such as unsuitable soils, too much or too little rain, or adverse weather having hindered the development of some operations.
- *Disputes over access to the land* which came to the fore after the land acquisition or concession had been agreed between the new investor and the government or former investor. As discussed above, this may have been the case where land had been left dormant by a previous owner and local communities had begun to use it in the intervening period.
- *Inadequate financial capacity to develop the land*. Some investors have financial backing to acquire the land but not sufficient to develop it. In the worst cases, this can be seen as opportunistic asset acquisition in which governments have given out land too easily and investors have taken more than they can possibly hope to develop. The land is then retained in order to be sold in the future or used as collateral in a subsequent bid to gain the necessary finance to develop.[18]
- *Some investors do not use the land in accordance with the terms of the concession agreement*. For example, where the concession allows an investor to extract and profit from the timber on the land on the condition that the land is subsequently grown with a particular replacement crop, one investor had taken the timber and then left without replanting new crops.

What is common to all these reasons is that they could have been identified by proper preinvestment due diligence by investors and through prescreening by host country governments. They are the negative effects of inadequate consultations, impact assessments, prescreening, and government monitoring.

. . . all with significant consequences for the investor, local communities, and host governments.

Whatever the underlying cause of underuse of land, it had significant consequences for investors, governments, and local communities. This resulted in social and community tensions between investors and local communities based on the perception that land was taken from local communities and was now being laid to waste and used less effectively than the community itself could have used it. Host governments in some countries have increasingly begun to revoke or reduce the size of concession agreements on the basis that investors have not lived up to expectations or agreements to develop the land. And some investors themselves have sought to reduce the size of their concession or give back land, on the basis that they have inadequate capacity to develop the land or because concession areas cannot be enforced.

All this underscores the importance of consultations and ongoing communications with local communities (as well as governments) in order to set realistic expectations for the pace of development of the investment and to foster understanding as circumstances change. It is also of paramount importance that investors conduct social and environmental impact assessments and proper due diligence to be sure of their ability to develop an operation as planned. The onus is also on governments to prescreen investors to be sure they have the necessary expertise and financial capacity to meet commitments made.

5.2 RESETTLEMENT

Experiences of resettlement were mixed and included some poor outcomes for affected persons.

The sample of resettled persons spoken with during this field research was relatively small. Researchers conducted eight interviews which involved a total of 32 people directly affected by resettlement at four different investments. As such, experiences of resettlement are an issue to delve more deeply into in further research. Nevertheless, some interesting observations emerge from findings thus far.

The conduct and experience of resettlement was mixed. The sample was roughly balanced in terms of those resettled interviewees that mentioned the investment as having a positive or negative socioeconomic impact. Nevertheless, of all the stakeholders interviewed, resettled persons tended to have the most negative perception of the investment.

The main negative outcome of resettlement mentioned in the sample was that replacement land was not equivalent in terms of soil quality and suitability for agriculture. Resettled persons complained that new land allocations were smaller than what they had previously or new land was spread across several locations and therefore more difficult to manage. Relocation to places farther away from water sources or social services, such as medical centers and schools

18 This trend toward "speculative" farming land acquisition is discussed elsewhere, including research by the World Bank (Deininger and Byerlee 2011) and International Land Coalition (Anseeuw et al. 2012).

was also mentioned. Some people felt aggrieved that financial compensation was inadequate and there was no program to support changes to employment or livelihoods. Finally, there was a perception of inadequate involvement of the resettled persons in the discussions and selection of areas to which they were to be resettled and in negotiation procedures.

In the worst case, displacement had been forced upon a community by governments and investors, without sufficient consultation, negotiation, or compensation. This resettlement occurred over a drawn-out, 2-year period involving notification, eviction and relocation in which the resettled persons faced uncertainty about future living conditions and their livelihoods. The affected persons now feel that their new place is inferior to their previous situation. The housing is deemed inadequate. The farming area is prone to flooding. The community must travel farther to access health and education services. They are struggling to earn a living due to reduced land holdings.

In other cases, commitments made as part of the resettlement process have not been adhered to. In one example, the compensation that had been agreed remained unpaid some 5 years after the relocation occurred. In another, the local community claimed that the investor had informally promised to provide jobs to those people who were forced to relocate, but had not subsequently done so.

In spite of these complaints, it was somewhat surprising that several resettled persons at two separate investments were happy with the outcome. Some felt that their new location had better housing conditions (as constructed by the investor). There was appreciation for the assistance that investors provided in developing the new areas for farming that were provided. And there was mention of a fair and transparent process for negotiation of compensation. This final aspect seemed to be a critical success factor. What is important is that resettled persons perceive themselves to be better off according to what they value.

Some investors found it better for all concerned to leave communities* in situ *and work with or around them, rather than undertaking difficult resettlement.

One solution to the difficulties of resettlement is of course not to resettle anyone at all. Some investors have found it better to work with or around these communities rather than embarking on a lengthy and difficult resettlement program. Indeed, this is something that investors and host countries would be advised to consider as a first solution before contemplating more painful alternatives that entail resettlement. There are nevertheless challenges with this approach as well, as the customary landholdings of the village may be significantly reduced and the village may be left isolated, surrounded by large farming operations which impede their lives in other ways. Box 5.1 provides an interesting example of alternative approaches to resettlement of two investors whose concession area overlap with the same local community.

If resettlement was unavoidable, it was best conducted through a formal, transparent, inclusive, consultative process, and some positive examples of such an approach were seen.

Fears about relocation abound in the presence of a foreign investor, even when there is no such threat. Rumors about the threat of relocation are rife with many people concerned for their land and livelihood. This speaks to the importance of open communications between investors, governments, and local communities to assuage fears and create an environment which can generate positive outcomes.

In some cases, resettlement has been carried out by the government in advance of the arrival of the investor and the investor claims to have no knowledge of the process or even whether resettlement has been necessary. This creates bad outcomes because the investor may not be aware of commitments made to the local community by government and there may be lingering resentment about how the relocation was handed.

In the most sophisticated example, one investor, as part of its proposal to acquire land, engaged external consultants to develop a Resettlement Policy Framework (RPF) and a Resettlement Action Plan (RAP). The RPF was part of a publicly available social and environmental impact assessment. Further details are provided in box 5.2. Among key features of this framework are that it sets out a clear process for consultation and participation of the affected parties, including through the establishment of a Resettlement Working Group to engage with community representatives. It explains the assistance to be provided in the case of resettlement and the

BOX 5.1: Outcomes of Different Approaches to Resettlement

A stark contrast in approach and outcomes is evident in two investments which have concessions overlapping with the residential and farming land of the same local community in Mozambique.

Investor A's policy was not to forcibly remove anyone but leave them *in situ* and, if the person decided to move, to compensate them as per the government-determined valuation tables. The company demarcated the land in cooperation with the person using it, with their agreement, so the area is clear. The company worked around that area and only used it if and when the person decided to relocate. Compensation would be made in the presence of the local government officials so the process has an independent observer. So far, 14 out of 70 affected households have opted to move; the remainder are still in place, continuing to live in relative harmony with the investor.

In contrast, Investor B chose to try to forcibly relocate those persons on the property when the investor arrived and even cut down their maize crops before they were harvested. New land was unilaterally assigned to them with little consultation on their needs and wishes. Interviewees complained that they only know if the new land will be as good as the land lost when the investor points out the new areas to them. This created a sense of fear and uncertainty because those relocated previously had found the new land to be inferior. The existing areas they had were good soils, whereas the new areas they are supposed to be moved to were a swampy area in which the production of maize and soya would be difficult. The resettled persons expressed fear that they would not be able to send their children to school based on the reduced income available from less productive land.

These experiences led to a clear divergence in perceptions of the two investors and the community's willingness to work with them. Investor A is developing a successful outgrower scheme employing people from these communities. Investor B is mired in legal battles and disputes and discussions with the government and local communities to resolve these issues.

It is interesting to note that the actions of one bad investor can affect the prospects for future investors. Investor A experienced great reluctance initially from local government and local communities when they arrived with a proposal to develop the land, because of the people's bad experiences with Investor B.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

BOX 5.2: Example Resettlement Policy Framework and Resettlement Action Plan

The RPF's stated purpose is: "to provide the conditions and management commitments under which such resettlement might take place, whether this displacement is physical or economic. Accordingly, the RPF sets the scene for the Resettlement Action Plan (RAP) which will detail the specific management actions and obligations that the project proponent will have to adhere to."

The RPF sets out the conditions under which any resettlement will take place and stipulates nine key principles that the investor commits itself to with regard to resettlement.

These are:

1. Resettlement must be avoided or minimized.
2. Genuine consultation and participation must take place.
3. A preresettlement data baseline will be established.
4. Assistance with relocation to be made available.
5. A fair and equitable set of compensation options must be negotiated.
6. Resettlement must take place in accordance with legal requirements and international best practice.
7. Vulnerable social groups must be specifically provided for.
8. Resettlement must be seen as an "upfront" project cost.
9. An independent monitoring and grievance procedure must be in place.

The RAP in turn focuses on the following aspects:

1. Evaluation of the social and economic status of local communities by conducting a baseline socioeconomic assessment and census
2. Identification and description of the land and water resources in the area potentially available for resettlement
3. Formulation of an action plan based on agro-ecological and social indicators which center the aims of local people and the needs for project development under a safety environment for sustainable integrated local development

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

process of negotiation of a range of compensation options. It explains grievance and redress mechanisms. Importantly, resettlement is treated as an upfront project cost. As discussed elsewhere, often in the sample investors have the financial capacity to obtain land, but not to develop it responsibly. This framework ensures that funding for the resettlement program must be available prior to the commencement of operations. The RAP translates this framework into action in the case of the specific investment involved once the project is confirmed to be going ahead.

On paper, this approach seems thorough, professional and responsible. It would be an interesting avenue for further research to speak with a larger sample of affected persons about their perception of how such schemes have operated in practice.

Chapter 6 ENVIRONMENTAL IMPACT

6.1 ENVIRONMENTAL IMPACT AND APPROACHES TO ENVIRONMENTAL RESPONSIBILITY

Almost all investors had cultivation and operational models whose environmental impacts are likely to be negative, the assessment and management of which was often deficient.

Most of the cultivation operations visited were undertaking intensive production operations of one or two crops, often involving extensive use of pesticides. Such intensive use of land and water contributes to degradation and depletion of these resources and a loss of biodiversity.[19] Most investors have undertaken some measures to mitigate the negative environmental impact of their operations. Although these are initiatives that should be welcomed, it is important to note that they do not generate a positive or even neutral environmental impact, but merely reduce to some extent the overall negative environmental impact of the investments studied in this research.

As discussed in section 2.2., the conduct of environmental impact assessments, their translation into environmental plans, and the monitoring of those plans were all areas where there was much room for improvement. In this regard, the full environmental impact of many operations was not known and consequently efforts to mitigate negative environmental impacts were generally deficient.

Only one investor in the sample could be said to have made environmental sustainability a core element in its business model, as described in box 6.1.

19 The FAO study on agricultural FDI found evidence of negative environmental impacts, mainly due to the intensification of production generated by the investment which puts higher pressure on natural resources. The intensive use of land and water may result in the degradation and depletion of these resources. There is some local evidence of reduction in forest cover and biodiversity as a result of the investor's activities.

BOX 6.1: An Environmentally Sustainable Business Model

One investor in Cambodia is promoting organic farming in a model farm which would comply with both guidelines under the International Foundation for Organic Agriculture (IFOAM) and Indian Organic Certification Agency (INDOCERT) requirements for production of certified organic products.

Agrochemicals and chemical fertilizers are not used. The farm maintains 30 cows to produce its own compost and organic fertilizers from cow dung and urine. Weeding is done manually. Minimal tillage is practiced and the ground cover is protected by vegetation (mainly weeds) to prevent soil erosion. Crop rotation is practiced. The company is considering the feasibility of installing windmills to provide electricity to the farm as well as the surrounding village. The model farm is rain-fed for about 7–8 months in the year. In order to ensure that there is adequate water supply during the dry months, the company has dug a network of 30 water-harvesting and retention ponds on low points around the farm. Rain harvesting is also done from the roof of the workers' quarters and other buildings.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Although most investors had undertaken some measures to mitigate the negative environmental impact of their operations, their effectiveness is unclear.

Nevertheless, most investors were increasingly cognizant of their environmental responsibilities and have undertaken measures to mitigate potential negative environmental impacts. Table 6.1 provides a summary of the initiatives undertaken across the sample. The most commonly arising issues were related to agrochemical use, such as water contamination, chemical drift, and aerial spraying.

Some more positive examples of environmentally friendly practices include:

TABLE 6.1: Approaches to Environmental Responsibility

SHARE OF INVESTORS WHICH HAVE TAKEN SPECIFIC MEASURES REGARDING	
Agrochemical use	69 percent
Soil conservation	57 percent
Biodiversity conservation	51 percent
Sustainable land use	51 percent
Sustainable energy use	43 percent
Sustainable water use	43 percent

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

- A major source of air pollution in palm oil production is open pond effluent treatment systems. Investors have installed capture systems to harness the emissions of methane for energy production, thereby mitigating the environmental impact.
- A rice investment in Cambodia has used rice husks for the cogeneration of energy (previously the husks were left to rot at the mill, causing emission of methane).
- A sugar investor in The United Republic of Tanzania has introduced a "Sustainability Measurement and Reporting" system where the Risk Management Officer collects and reports all issues of sustainability and develops suitable mitigation measures. This includes energy consumption, water extraction, effluent discharge, CO_2 emissions, waste disposal, and treatment of hazardous chemicals.

Large international agricultural corporations tend to have more established environmental policies and goals. One investor provides an interesting example of how it seeks to apply its global sustainability goals to overseas investments, in this case an animal feed processing operation in Vietnam (box 6.2).

Plainly there are many investors with good intentions with regard to their responsibility to conserve the environment. But a lot depends on application of the policies and initiatives and whether these translate from objectives on paper to real outcomes on the ground. More detailed field research is needed to better understand how successful these initiatives have been in practice. This aspect will be a key focus of follow-up research described in chapter 7.

BOX 6.2: Application of Group-Wide Sustainability Goals to Individual Operations

An agricultural multinational is working toward the achievement of the group's sustainability goals for 2015 whereby it aims to:

a. improve energy efficiency by 5 percent;
b. improve greenhouse gas (GHG) intensity by 5 percent;
c. increase renewable energy to 12.5 percent of its energy portfolio; and
d. improve fresh water efficiency by 5 percent

The environmental performance in these areas is monitored at the plant level, company level in Vietnam, and at group level. With regard to greenhouse gas emissions, the company had undertaken a GHG Inventory based on the GHG Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

Environmental impact did not arise as a key negative impact during the stakeholder interviews.

Only a small share of stakeholders interviewed (less than 10 percent) mentioned environmental impact as a factor that had affected their impression of the investment (table 6.2). Most common impacts mentioned were chemical drift and pollution of water sources and the assignment of concession areas which had previously been demarcated as community forests or protected areas.

Environmental impacts were difficult to discern, and occur over time, and so will be the subject of further research.

Although environmental issues do not appear often in the stakeholder interviews, this cannot be taken as an indicator of limited environmental impact. Interviewees would tend to raise only those obvious issues that they directly experience (such as those mentioned above). But most environmental consequences materialize gradually and are difficult to discern. Although some Department of Environment officials were visited, these interviews tended to reinforce the above conclusions about the inadequacy of environmental

TABLE 6.2: Perceptions of Environmental Impact, all Stakeholder Interviews

	NUMBER OF STAKEHOLDERS WHO MENTIONED	
ISSUE MENTIONED IN STAKEHOLDER INTERVIEWS	A POSITIVE IMPACT	A NEGATIVE IMPACT
Chemical use	4	10
Air pollution	0	2
Biodiversity	1	7
Seed management	3	1
Energy use	1	0

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

monitoring. A more detailed investigation of the environmental consequences of these investments is required to understand their true environmental impact.

6.2 ACCESS TO WATER BY COMMUNITIES AND INVESTORS

Water issues were less prominent than expected but are nevertheless significant.

Mention of access to water was conspicuous by its relative absence during the fieldwork, especially given the criticality of water resources to both agricultural operations and to the livelihoods of rural communities. Access to water was not often mentioned explicitly by investors as a reason the investment was made (access to land was more frequently provided as a motivation). But there is no doubt that reliable or abundant water resources are a key determinant in the choice of location for investments; land with high rainfall or irrigation potential has good growing potential. Most investments were located close to water sources or in areas with high rainfall or with good ground water sources.[20] Nevertheless, while this research found no examples of full-scale conflict over water resources, it has at times been a source of tension between investors and local communities.

Water availability can also influence the manner in which an investment develops, with consequences for the impact of the investment on local communities. One investor operated close to two separate local communities, one to the north and one to the south of the concession area. The water source was located at the south of the area; hence the investor developed this area first and went to greater lengths to engage with the southern community through consultation and agreement of benefit-sharing arrangements. The northern community, however, felt marginalized by the investment and felt that its interests were not considered because the investor could ignore their community and yet still access the water required for the operation.

Positive and negative impacts mentioned tended to focus on local water access, with inadequate consideration of wider impact of agricultural investment on water resources.

The most frequent benefit of investments cited by critical incidents is improvements to local water access (table 6.3). This is generally small scale as part of benefit-sharing arrangements or social responsibility schemes (construction of wells, dams, hand pumps, and so on as well as provision of water at staff housing facilities). Access to clean drinking water was mentioned as a problem for local communities which the investor has helped to rectify. Most recommendations provided to investors regarding water by local communities pertained to improvements in local water access. In some cases, however, the construction of water facilities is merely to remedy the fact that the investor has disrupted the local communities' usual water in the first place, so the net benefit to local communities was unclear.

The most common sources of tension pertaining to water issues were accusations that investors have chemically contaminated a water source utilized by local communities, or that investors' land

TABLE 6.3: Perceptions of Impact on Water, all Stakeholder Interviews

	NUMBER OF STAKEHOLDERS WHO MENTIONED	
ISSUE MENTIONED IN STAKEHOLDER INTERVIEWS	A POSITIVE IMPACT	A NEGATIVE IMPACT
Schemes to improve water access for local communities	18	2
Impact on wider water availability	3	9
Water contamination	1	7
Irrigation schemes	3	5

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

20 This relationship between access to land and access to water has been noted elsewhere, such as Mann and Smaller (2009).

boundaries and associated construction of fences force local communities to go around the investment sites and travel farther to access water resources. Resettlement has involved a move to a new location from which it may be more difficult for the affected persons to access water. Finally, some stakeholders complained of excessive extraction of water which local communities rely on for drinking. One local community complained that an investor was extracting water from a local source 24 hours a day and that at present rates, and given a drought, their source would be totally used up within months.

Only once was concern expressed that water resources have been overexploited by agricultural investment in an area. But in general, negative impacts on water mentioned were on a local level; the broader impact on water tables and regional or national resources does not seem to be known or have been sufficiently evaluated.

There was a lot of room for improvement in the assessment, monitoring, regulation, and enforcement of water use and rights.

In general, the assessment, monitoring, regulation, and enforcement of investors' access to and impact on water resources appeared in most cases to be inadequate and cursory. The administration of water extraction rights differ widely. In around half of the 39 investments, the water use and extraction of the investor was totally unregulated. One example of a more positive example is countries which require an environmental impact assessment from the investor before the provision of water extraction rights. Even where there is a well-established water act with use rights, monitoring, and reporting systems, the capacity of authorities to implement and enforce requirements is not necessarily sufficient. Where investors did have to apply for water rights or adhere to extraction limits, these were often only enforced at the project approval stage and there was no subsequent monitoring of adherence to agreements made.

Investors seemed to be increasingly responsible with regard to water pollution, but some bad practices remained evident.

Most investors take some steps to mitigate the potential for their operations to pollute local water sources, and increasingly so. Nevertheless, some deplorable practices remain. For example, one investor simply discharged untreated effluent into a local river, the only water source for surrounding communities.

As with water use, external monitoring of water contamination regulation also differs a lot. In most cases, monitoring and enforcement is cursory at best and investors appear to be virtually unregulated. Some more positive examples exist. At one investor, sampling and monitoring of water quality in waterways around the investment is undertaken by an external consultant who submits the results directly to relevant government departments. Sampling and monitoring of effluent discharge water quality is undertaken and the results are submitted to the environmental authority at monthly intervals.

There are also clear examples of monitoring uncovering unacceptable practices and hence leading to remedial action. For example, at one investment site, environmental authority enforcement officers found that partially treated effluent had leaked from anaerobic ponds into the river. The pollution of the river from this incident had a negative impact on local communities living along the river. The investor was instructed to take immediate action on their recommendations for remedial work which included the construction of a gabion retaining wall around treatment ponds. This work has been undertaken with progress reports submitted to the environment authority.

Chapter 7 CONCLUSIONS AND NEXT STEPS

7.1 APPLYING LESSONS FROM THE FIELD

This study has sought to contribute to a growing body of knowledge on what the responsible and sustainable conduct of agricultural investment consists of in practical, operational terms for communities, governments, and investors. In doing so, its primary aim has been to provide lessons to these groups which can be taken up as host government policies and procedures, corporate strategy and operational processes, and community or NGO actions in order to ensure that agricultural investments are responsible and respect rights, livelihoods, and resources. The key lessons discerned from the report vary for each of these groups. For instance, for investors' issues such as due diligence, consultations with communities, financially inclusive business models, environmental impact assessments, and transparency issues are among those to the fore. In a similar vein, among others, host governments need to pay attention to issues such as prescreening and selection of investors, ongoing monitoring of investments, conduct of consultations, impact assessments and business plans, phasing of investment approvals, and land rights. Finally, areas such as engagement with investors, monitoring investors, and helping investors forge partnerships with marginalized groups are ones where active participation by local communities and NGOs can make a difference. These and other key lessons are summarized for each group in table 7.1.

The specific way lessons are taken on board is highly contextual—depending on issues such as the crops involved, the scale of operations, market orientation, business model, past experience of all parties—so each section of the report has provided background, examples, and models to facilitate both learning from the report and applying the lessons from the field (some pages relevant to each lesson are given in table 7.1). Finally, because the study is dyadic, it is possible to consider, and potentially apply, relevant actions by each party on specific issues such as, for instance, employment creation, food security, technology transfer, especially with a view to maximizing the gains from investment while simultaneously minimizing the risks. For example, if one aim is to maximize the net positive impact from employment, when screening investments host governments can secure commitments on job creation and training from investors, as well as determine which feasible business model creates more jobs per hectare of land allocated (including indirect employment arising). On their part, investors should abide by their commitments and, among others, pay adequate living wages and proactively consider employment-related gender issues. Illustrative examples of how policies and practices, by governments and investors, which can reduce negative and enhance positive impacts in some important areas, are presented in appendix B.

7.2 FURTHER RELATED WORK

In spite of the detailed, first-hand information gained during the fieldwork, gaps remain. In particular, many of the socioeconomic and environmental impacts identified in this research occur over time and stakeholders' perceptions may change as the investment evolves. The data collected for this study only represent a snapshot of a particular point in time. In addition, some relevant issues identified during the fieldwork were not fully investigated due to time constraints. These and many other issues identified would benefit from more detailed study over an extended period. For these reasons, one follow-up project will be to revisit 12–15 investments and conduct more detailed field research to deepen the understanding of impacts and how they have evolved.

TABLE 7.1 Selected Key Lessons for Investors, Host Governments, and Other Stakeholders

A. SELECTED KEY LESSONS FOR INVESTORS
Consultations and ongoing dialogue with local communities
• Consultations were a key step in developing a strong relationship with local communities. This generated more positive socioeconomic outcomes and was in the interests of investor because it contributed to financial and operational success, in particular by minimizing the risk of land disputes.
• Initial consultations were time consuming and expensive, particularly for new investments.
• Consultations were most effective when investors took primary responsibility for their conduct; "outsourcing" of the process to host governments or land agents led to poor outcomes.
• Formally established procedures through which stakeholders could raise grievances and seek redress contributed to better relations with local communities.
Land rights and resettlement
• Many investors were expending significant resources dealing with disputes over access to land. The risk of this can be minimized through full and early assessment and consultation of existing rights to and usage of the land, formal and informal.
• It can be perilous for the investor to assume that the land acquired is being provided by the government without any existing land disputes.
• Some investors found that the best solution with regard to resettlement was to leave communities *in situ* and work with or around them, rather than undertaking difficult resettlement procedures. When resettlement did occur, it was conducted through a formal, transparent, inclusive, consultative process.
• Failure to develop the land in accordance with expectations was a significant source of tension between investors, local communities, and host governments. It is important to set expectations through the consultation process.
Due diligence and business planning
• Business plans provided by host government were often based on unrealistic assumptions and substandard assessments of crop suitability and other environmental factors.
• Findings from impact assessments and community consultations were not incorporated into business plans, leading to problems developing the project which could have been foreseen.
• Some investors had success in phasing their investment. That is, obtaining a small land area initially and only seeking more land once the first allocation is running successfully. This is particularly suitable for new business models, crops, or techniques.
Environmental impact
• When environmental impact assessments were conducted on the investor's behalf by host governments or land agents, this led to poor outcomes. The conduct of impact assessments should be primarily the responsibility of investors.
• Impact assessments were too often "box-ticking" exercises, not translated into environmental management plans which are actively incorporated into the conduct of the business.
• More assessment and monitoring is needed of the impact of the investment on water resources.
Employment
• There is pressure to employ local people and doing so contributes to better working relationships. But it can be challenging due to a skills gap. Training programs which help integrate local communities into the workforce should be considered.
• Some investors were paying inadequate wages and offering unacceptable working conditions, leading to tension between staff and the investor. There was a gender imbalance at most investments which should be addressed.
Social development programs and financially inclusive business models
• Social or rural development initiatives produced better outcomes if they were agreed through an inclusive, consultative approach to gain an understanding of local development visions.
• Financially inclusive business models have been successful in forging partnerships with local communities.
Outgrower schemes
• Outgrower schemes were most successful when the business model was resolved before outgrowers were introduced.
• A lack of transparency and inclusivity of outgrowers in the pricing mechanisms for their crops hindered the successful operation of outgrower schemes.
• Marginalized groups, including women, were less likely to participate in outgrower schemes. Consideration should be given to how to improve access for these groups.
Food security
• The main positive contribution most investors made to food security was through direct employment and outgrower schemes. But wages for employees and prices for outgrowers must be sufficient to support an adequate standard of living.
• The main negative contribution was through reduced access to land. The investor should ensure that its operations are not detrimental to existing sources of food security.
Transparency
• A lack of transparency can generate fear and uncertainty about investor intentions and also open the door for unfounded criticism. Investors should consider making more information publicly available.
B. SELECTED KEY LESSONS FOR GOVERNMENTS
Prescreening and selection of investors
• In many cases, prescreening of foreign investors can be improved to increase the prevalence of investors likely to make a positive contribution to the host country. Prescreening should include, at a minimum, assessment of investors' financial strength and technical capabilities, their proposed approach with respect to consultations and impact assessments, and their commitments in terms of the benefits that the investor will bring to the host country.
• More foreign investors are adopting social development programs or financially inclusive business models. Host governments can seek commitments for such aspects in advance.

B. SELECTED KEY LESSONS FOR GOVERNMENTS (*CONTINUED*)

Ongoing monitoring of investors

- Ongoing monitoring of investments can be strengthened. The better approaches were not solely productivity-focused, but more intensive and included monitoring of the socioeconomic impacts of an investment.
- Monitoring of investors' environmental impact, including use of water resources, and adherence to environmental regulations was in most cases inadequate.
- By monitoring investors, host governments can prepare for failure, for example by discussing and negotiating with potential takeover buyers in advance. Failed investments can have severe repercussions for the local community in terms of the void in employment as well as other areas such as social services.
- Many investors were not putting their land allocation to full use. Governments should seek commitments from investors about the pace at which the operation will develop and retain the ability to repossess the land if commitments are not upheld.

Conduct of consultations, impact assessments, and business plans

- The conduct of consultations, impact assessments, due diligence, and the creation of business plans were most effective when primarily the responsibility of the investor. Host governments should establish regulations or guidelines for their conduct and stringently monitor adherence, but not conduct these activities for investors.

Phasing of investors and approvals

- Large land allocations, particularly to investors introducing new crops, are highly risky. Investors could be required to progress in stages. This can be achieved by providing small concession areas initially, waiting for the investor to prove its concept and capability to develop the land in accordance with expectations, and only then provide more land.
- Some governments had allowed foreign investment in agriculture to proceed at a faster pace than they could realistically assess and monitor the investors. Wherever necessary, governments should consider how to improve their capacity and, if necessary, consider slowing down the approval of new agricultural investments.

Land rights and resettlement

- A clear regulatory framework for land acquisition approvals and a formalization of local communities' tenure rights under a registry system contributed to reducing the risks of land disputes.
- Business models with low land needs, such as processing operations, can provide important development benefits without the land issues associated with estate operations.
- Clear, transparent procedures to follow and standard valuations for compensation in the case of resettlement could be developed. Adherence should be monitored.

Employment and contribution to rural livelihoods

- Large land allocations do not necessarily create the most jobs per hectare. Outgrower schemes can be effective in supporting livelihoods while allowing people to retain their most valuable asset: their land. Governments should consider which investors and business models are likely to maximize direct and indirect employment as these are key benefits of agricultural investment.
- Governments should consider the whole value-chain and promote the down-stream of value-addition of the raw materials produced from land made available, thereby maximizing employment and other benefits.

Transparency

- In general, there was an insufficient amount of publicly available information to ensure the fully transparent and accountable conduct of agricultural investment. Governments should publicize land applications under review and approved, including on an investment registry website.

Technology transfer

- Technology transfer was by no means an assured benefit of foreign agricultural investment.
- Innovation in new crops, business models, techniques should be encouraged, but are highly risky so should not be initially operated on a large scale. The business model of the investor should be proven before large land allocations are provided or outgrowers are introduced.

C. SELECTED KEY LESSONS FOR LOCAL COMMUNITIES AND NGOs

Consultations between investors and communities

- Representatives of civil society played a useful role in monitoring consultations and can work with investors to ensure that all relevant communities and stakeholders are included within the consultation process.
- There were instances where agreements were not documented, leading to confusion and disputes. Local communities should ensure that all agreement and commitments made through consultations are documented in writing.
- Investors said it was easier to include local communities which were well-organized. NGOs can assist local communities in this regard.

Land rights and resettlement

- Some NGOs were effective in raising community awareness regarding their rights and how to exercise them, as well as ensuring that people had a realistic assessment of the value of their land in the case of resettlement.

Monitoring investors

- Civil society can play a role in monitoring conflicts between investors and stakeholder or instances where an investment is degrading natural resources, and making those issues public or known to relevant authorities. This should be conducted in a constructive, rather than antagonistic, fashion.

Marginalized communities and groups

- NGOs can play a key role in helping investors to forge partnerships with marginalized groups, for example by helping them link with outgrower schemes and by advocating that their needs are considered when deciding social development programs.

Engagement with investors

- Civil society could forge partnerships with the private sector to stimulate responsible inclusive investments that give due consideration to reduction of rural poverty and more equitable benefit sharing with farmers and the local communities.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

It has been emphasized in this report that many of the decisions and actions which determine the ultimate outcome of investments are taken prior to the investment or during its initial phases. For this reason, the IAWG of UNCTAD, World Bank, FAO, and IFAD plan to embark on a new field program: the pilot-use of responsible agricultural investment principles working with investors (companies), governments, communities and other stakeholders from the *outset of a project*. The primary objective is to infuse responsible principles and practices into (1) agribusiness operations and (2) the interaction of these operations with local communities, the environment, and the economy as a whole. Companies will apply the principles to the establishment phase of their new agribusiness investments, and incorporate them into their business processes, in dialogue with governments and communities. The main objectives of this program include:

- Learning from, and establishing, good practices in implementing responsible business practices in agriculture, including best ways of involving governments and communities
- Utilizing the lessons learned, the good practices established, and the collaborative approach taken as a powerful demonstration to other investors of the merits of incorporating responsibility in their operations (and how to go about doing so)
- Concrete tools for use in the early phases of future investments. These instruments will include instruments and documents; cases, examples, and best practices; and procedures and processes which can be used by governments, investors, and communities.

Appendix A DATA COLLECTION AND METHODOLGY

The findings presented in this document are based on a series of interviews carried out in 13 countries in sub-Saharan Africa and Southeast Asia by agriculture experts working in concert with UNCTAD and the World Bank during 2012–13. The experts visited 39 investments. In Africa interviews were carried out in Côte d'Ivoire, Ethiopia, Ghana, Liberia, Mozambique, South Africa, The United Republic of Tanzania, and Zambia. In Southeast Asia interviews were carried out in Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, and Vietnam. The interviews were used to collect primary data from investors, local communities, host country governments, and others affected by the investments in question.

A quota-based sample selection procedure was used to identify investors, drawing from a larger population of investors. The quota selection was 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), different crops, and so on. The objective was to obtain a diverse sample of investors.

COMPANY QUESTIONNAIRES

Researchers spent around 2 to 3 days on site with each agribusiness, conducting interviews with senior management to complete a semi-structured questionnaire, covering financial, human resources, and operational information on the investment as well details of the investor's approach to a wide range of socioeconomic and environmental issues. The company questionnaire consisted of 140 primary questions and sought to obtain information on both control variables (background to the investment, motives, structure of operations, and so on) and the investor's approach to a wide range of economic, social, and environmental issues. The former type of questions/variables included:

- An orientation of the farm(s) and the operations
- Copies of any useful background documents—farm map, concession agreement, model employment contract, environmental impact assessment, organogram, and so on
- Details of ownership structure and entities
- Details of farm size and enterprises
- History of the operation and surrounding area
- Personnel details—numbers, structure, employment conditions, training, and so on
- Outgrowers' details—contractual arrangements, prices, quality requirements, and so on
- Markets for product(s) and sources of inputs
- Perspectives on the success of the investment and the constraints experienced
- Tax and incentives

The investor's approach to social and environmental issues enabled an assessment of the extent to which principles for responsible agricultural investment were being applied. These questions/variables include:

- Land rights and natural resource rights
- Food security
- Consultation procedures
- Transparency
- Community development and social sustainability
- Impact assessments and monitoring
- Environmental impact and sustainability
- Grievance and redress mechanisms
- Human rights and best practice policies
- Women and vulnerable communities

Investors also provided researchers with documentation on *inter alia* social and environmental programs, terms of the land acquisition, contracts with employees and outgrowers, processes for and results of public consultations, concession agreements, project outlines, impact assessments, and any other relevant documentation available.

Interviews were conducted on *a confidential basis and hence no names of individual investors are divulged in this report*. This was an important condition for investors to be able to share information in a frank and open fashion. Nevertheless, the sample was constrained in that it could only include those investments which were willing to participate and, indeed, many investors contacted declined participation or did not respond to requests.

In that regard, there is some bias in the sample toward relatively "good" investors, that is, those with social and environmental programs and those performing better operationally and financially. One would expect that these investors would be more likely to agree to allow researchers on site. That caveat must be acknowledged but it should not be overplayed. In fact, the sample contained several investors which have been portrayed in a negative light in the media or by civil society. In some cases, the investor welcomed our researchers precisely because they felt aggrieved by their external image and saw this work as a relatively independent forum through which their side of the story could be heard. Other investors recognized that their developmental impact needed to improve and welcomed our researchers as a means to learn about the kind of issues and areas in which international and civil society organizations are pushing investors to do better.

Another potential bias in the sample is that all the investments visited were still operating, albeit with varying degrees of success. Many agricultural investments involving land acquisition fail with severe repercussions for the host country and surrounding communities. This research does not cover in detail the impact of failed investments, except where information on such investments was incidentally obtained during conversations with in-sample investors and their stakeholders. In several cases, local communities were able to compare their experience in dealing with the existing investment with that of previous, failed investments. The lessons learned from these discussions are incorporated into the findings of this report.

STAKEHOLDER INTERVIEWS

About 2 to 3 days were spent interviewing a wide range of external stakeholders, including: employees; outgrowers; previous users of the land; persons resettled; community leaders; government officials; residents near the investment; non-government organizations and so on.[21] This exercise was aimed at establishing the range of issues which affect the developmental impact (positive and negative) of agricultural operations, as a preliminary to full-scale, case study-based research in a subsequent phase of research.

These interviews were conducted in an open-ended, confidential fashion, allowing stakeholders to raise the issues that are important to them. Stakeholders were asked what positive or negative impacts they had experienced as a result of the investment; what recommendations they had for the investor, host government, or anyone else; what scope the interviewee had to raise those issues with the investor; and finally were invited to raise any other issues which the interviewee wished to make known to researchers.

This approach was taken because (a) the intention was to elicit the issues and get some sort of "qualitative weighting," without assuming that the results are definitive (the findings will be used to partly establish the parameters and framework for later work); and (b) by asking for details of actual situations, interviewees can respond concretely not formulaically; and the interviewer is able to tease out issues during the discussion. This approach was in line with the taxonomic or bottom-up framework undertaken in this project. It enabled interviewees to speak about the issues relevant to them, rather than assuming that certain issues are relevant in all cases.

Stakeholder interviews were conducted on a confidential and anonymous basis. Individuals were assured that their anonymity would be guaranteed and that information obtained through interviews and discussions would not be passed on to the government or the investor.

External stakeholders were identified by a range of techniques. Desk-based research prior to the field visit was conducted to identify particular groups likely to have been affected by the investment. Host country governments and World Bank country offices

21 For 3 out the 39 investors, no stakeholder interviews were possible.

facilitated introductions to some stakeholders. The investors also helped to identify relevant stakeholders, but researchers insisted that the investor was not present during the stakeholder interviews. Often stakeholders were identified on the ground by surveying the area surrounding the site of an investment or through the recommendations of stakeholders themselves. It was not uncommon for interviews to be set up *in situ*, spontaneously.

Researchers sought to obtain views from a broad cross-section of the community. Members of particularly vulnerable groups were not to be neglected. The scope of vulnerable groups varies in different communities, but could include women; specific ethnic, caste, or religious groups; pastoralists; individuals without secure tenure rights; landless people; and poor, independent farmers.

In spite of this extensive effort, time constraints did not allow for an in-depth assessment of the impact on all potentially affected stakeholders during this phase of the project. As such, the views from stakeholders represent a snapshot at one particular point in time of a limited sample of persons affected by the investments. The focus was on those at or close to the site of the investment. But local communities may have moved away due to the investment long before our researchers arrived. More extensive field work is necessary to study the complete impact of investments on all possible stakeholders and to trace that impact over a period of time. This is intended for the next phase of the research. The results presented here are thus a first cut of the emerging issues and an indication of what needs to be analyzed in greater depth through further field work.

METHODS OF ANALYSIS

The write-ups of company questionnaires and stakeholder interviews were imported into Nvivo, a software package designed for the analysis of large amounts of qualitative and quantitative data. This allows the researcher to classify (or "code") the data according to particular themes (for example, employment, resettlement, prices for outgrowers, and so on). Each company questionnaire and critical incident is assigned various attributes (for example, crop type, size of land allocation, sex of interviewee). Once the data are coded in this way, queries can be set up to interrogate the data (for example, what have female employees of palm oil investors said about education?). A systematic qualitative analysis was conducted through aggregation, disaggregation, comparison between investments, comparison between investor and stakeholder views, and so on. The interrogation of data in multiple ways, viewing information from different angles, is intended to generate more robust findings.

Nvivo has also been used to facilitate the quantification of qualitative socioeconomic and environmental impacts described during the stakeholder interviews. Whenever a stakeholder mentioned the investment as having an impact, this was coded as either positive or negative. The structure of the stakeholder interviews implied that little subjective judgment on the part of the researcher was required—interviewees are asked explicitly what was positive and what was negative about the investment in question. When combined with the coding by themes and by attributes (as described above), queries were run to compare how positively or negatively particular themes were perceived by particular stakeholders or types of investor. In this way, one can see quantitatively that, for example, employment was the most positively perceived impact of investments, whereas land issues were the most negatively perceived. This combination of quantitative and qualitative analysis is intended to further strengthen the findings presented in this report.

In addition to the first-hand data obtained, media, civil society, and other reports on each investor were consulted. A number of interviews were conducted with NGOs working on relevant issues, such as land rights or the environment, in the countries visited. These materials helped inform the thinking of researchers, improved understanding of local contexts, and provided another lens through which to view information obtained in the field work.

Appendix B POLICIES AND PRACTICES TO MAXIMIZE POSITIVE IMPACTS AND REDUCE NEGATIVE RISKS AND IMPACTS

MAIN POSITIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	INVESTOR
DIRECT EMPLOYMENT CREATION • Job creation main benefit of investments. • Most employees satisfied with pay and conditions.	• Seek job creation and training commitments from potential investors. • Consider business models or crops that create most jobs per hectare of land allocated.	• Ensure adequate living wages are paid. • Train local communities to assist integration into workforce. • Consider gender balance and employment-related gender issues.
ACCESS TO MARKETS FOR OUTGROWERS • Reliable market for farmers' produce contributed to improving livelihoods. • Outgrowers appreciated technical support, access to finance, and higher prices as compared to other buyers.	• Prefer investors with outgrower schemes which have a proven business model.	• Consider how schemes can be designed to reach most marginalized farmers. • Ensure transparent and inclusive price determination. • Resolve the business model before introducing outgrowers.
SOCIAL DEVELOPMENT PROGRAMS • Trend toward social development programs, including social services (for example, education, health, water), rural infrastructure, or improving access to finance.	• Consider investors' social and rural development commitments when prescreening and selecting investors. • Negotiate with investors on the benefits to be provided to the host country.	• Consult on and discuss local development visions when designing social and rural development programs. • Formally committed arrangements. • If financially feasible, set up a dedicated development fund.
FINANCIALLY INCLUSIVE BUSINESS MODELS • Explicit sharing of financial gains with local communities (for example, revenue sharing), effective in forging genuine partnerships.	• Promote financially inclusive business models.	• Consider whether financially inclusive business model can be employed.
FOOD SECURITY • Income effect of direct employment and access to markets for outgrowers. • Some investors had community food programs.	• Consider all food security implications of investment. • Ensure investments are not detrimental to existing sources of food security for example, through reduced land access.	• Ensure adequate living wages are paid and outgrower produce is sufficiently remunerated. • Ensure sufficient land with suitable potential for food crop production is available to local people.
TECHNOLOGY TRANSFER AND INNOVATION • Foreign investors can be instrumental in introducing and encouraging the adoption of new technology and farming practices. • In rare instances, foreign technology transfer had a catalytic effect which generated benefits far beyond the investor.	• Encourage investors with schemes or intention to introduce improved technology or farming practices in an economical and sustainable manner. • Encourage innovation, but not on a large scale.	• New business models, crops, or techniques should be piloted and only employed at large scale once the model is proved and stable.
INFRASTRUCTURE PROVISION • Development of roads, electricity, telecommunications opens up new areas and improves market access.	• Consider infrastructure provision and potential spillovers when selecting investors.	• Allow benefits of infrastructure development to accrue to others.

MAIN NEGATIVE IMPACTS	POLICIES AND PRACTICES TO REDUCE NEGATIVE AND ENHANCE POSITIVE IMPACTS	
	HOST GOVERNMENT	**INVESTOR**
DISPUTES OVER ACCESS TO LAND • Range of disputes from coerced displacement to uncertainty about investor intentions. • Common conflict between formal rights provided to investor and informal rights of previous users of the land.	• Clear regulatory framework for land acquisition approvals. • Consider formalizing local communities' tenure rights under proper registry system. • Encourage business models with low land needs.	• Early engagement with local communities and all land users. • Understand the historical and current use of and rights to land based on own assessments and verification of government assessments.
LACK OF CLARITY OVER LAND ACQUISTION PROCESS • Lack of public information disempowered local communities and hindered ability to hold investors to account.	• Publicize land applications under review and approved, including on investment registry website.	• Consider what information on operations can be made publicly available.
RESETTLEMENT • Despite some well-handled cases, negative experiences of displacement without sufficient consultation, negotiation, or compensation.	• Develop required procedures to follow and standard valuations for compensation purposes.	• Consider leaving communities *in situ* as first option. • Follow a transparent, formal, inclusive, monitored process for resettlement.
LACK OF CONSULTATION AND INCLUSION • Lack of involvement of local communities in decision making and planning led to a sense of exclusion and precluded mutually beneficial solutions.	• Clear regulatory framework on consultation procedures. • Monitor consultations conducted by investors; do not conduct them on investors' behalf.	• Consultations with local communities, including informal users of the land. • Develop continuous dialogue with local communities. • Document all meetings and agreements.
FAILURE TO USE LAND AS EXPECTED • Some investors used a low portion of allocated land, creating tension with local communities and host countries.	• Pre-screen investors to ensure they have capacity to develop land as expected. • Seek commitments for pace of development and retain authority to repossess land not put to use.	• Acquire land in accordance with ability to develop it. • Set expectations about the pace of development through consultations.
FINANCIAL OR OPERATIONAL FAILURE OF INVESTOR • Many investors in operational or financial difficulty. • Most obstacles encountered could have been identified by adequate preinvestment due diligence. • Failure of investment created lose-lose situation for investors, host countries, and local communities.	• Prescreen investors' financial strength, technical abilities, approach to SEIAs and consultations, and commitments for benefits to the host country. • Only approve investments at a pace that matches capacity to prescreen and monitor. • Monitor investors and prepare for failure. • Create an enabling environment for successful investments.	• Consider staging the investment, that is, obtaining a small land allocation initially, only requesting more once the first allocation is running successfully. • Create own business plan and conduct due diligence. • Incorporate findings from consultations and impact assessments into planning.
LACK OF GRIEVANCE AND REDRESS MECHANISMS • Those affected by an investment often did not have sufficient means to raise grievances and seek redress.	• Facilitate and ensure establishment of formal grievance procedures.	• Establish formal grievance procedures open to both staff and external stakeholders.
ENVIRONMENTAL IMPACTS, INCLUDING WATER • Assessment, monitoring, and mitigation of environmental impact, especially impact on water, was generally inadequate.	• Require and monitor the conduct of SEIAs, rather than carry out on behalf of the investor. • Monitor and enforce adherence to environmental and water regulation.	• Undertake appropriate SEIAs. Translate those into EMPs which are enforced through ongoing reporting and monitoring. • Adhere to environmental and water regulation.

Source: UNCTAD-World Bank Survey of Responsible Agricultural Investment Database.

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