

Trends & impacts of international agricultural investment & PRINCIPLES FOR RESPONSIBLE AGRICULTURAL INVESTMENT

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Investment in developing country agriculture

AMONG THE MOST EFFECTIVE WAYS TO REDUCE POVERTY & HUNGER

Hunger & poverty
←
→
Low levels of agro-investment



SOFA 2012

Political commitment & more investment needed

Investment in developing country agriculture

FARMERS AT THE CENTRE

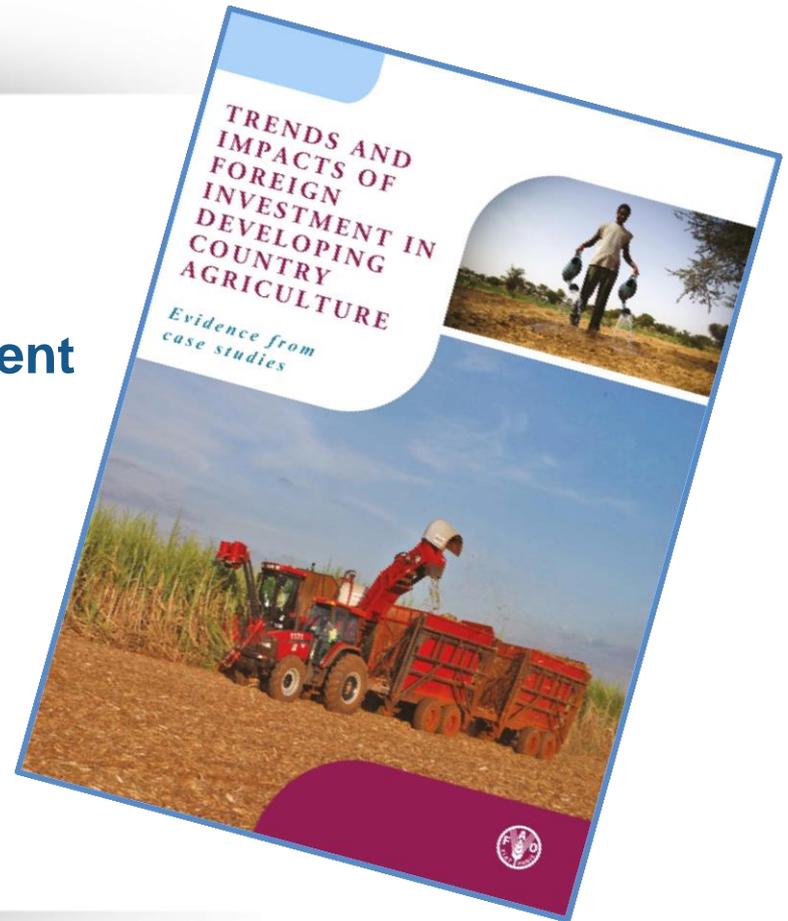
Farmers, the largest investors in agricultural production

Strategic public investment & enabling environment

Domestic & foreign private, small-scale & large-scale investment along the value chains



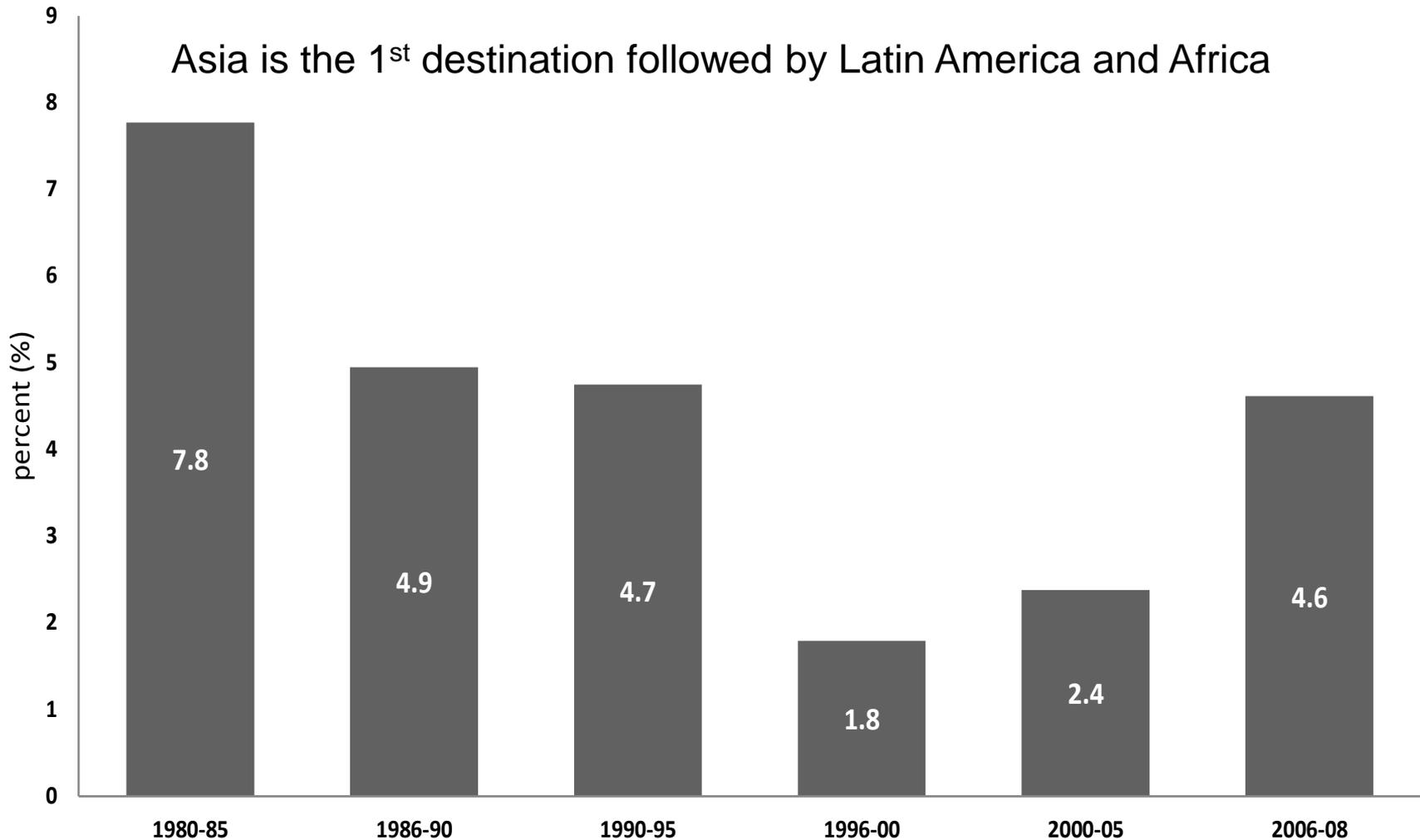
Trends and impacts of foreign investment in developing country agriculture



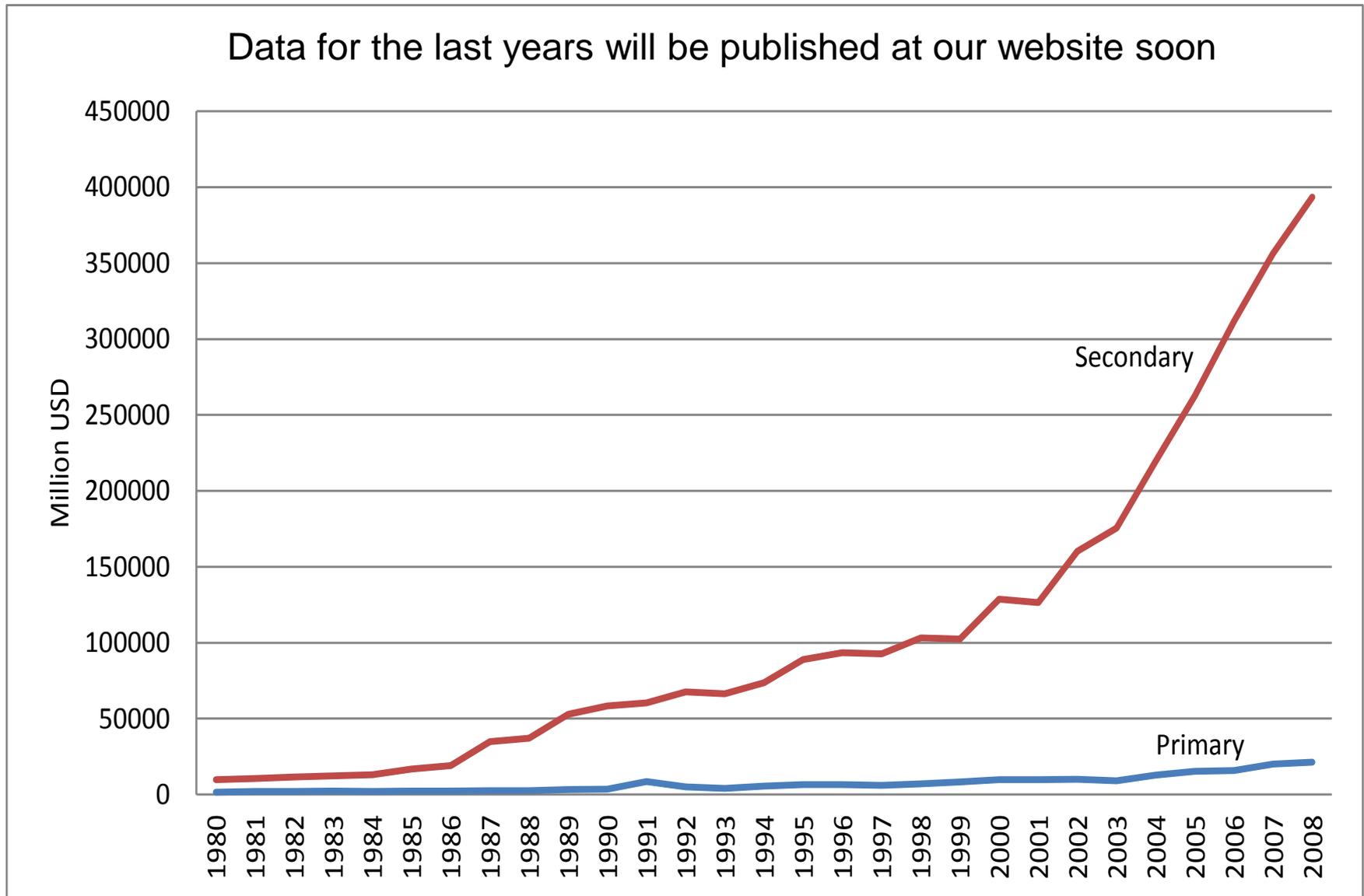
Trends in agricultural FDI to developing countries

Data for the last years will be published at our website soon

Asia is the 1st destination followed by Latin America and Africa



Trends in agricultural FDI to developing countries



Impacts of agricultural FDI to developing countries

- **Caution in interpretation of data**
- **But a growing body of empirical evidence**
- **High variability of impacts**
- **High variability of determinants**



Inclusive business models for “win-win-win”

- Local benefits when farmers control land and are included in decision making
- *Job creation, value addition, higher incomes, higher productivity ...*
- Potential benefits for responsible outside investors:
- *access to agricultural products and good relationships with communities, without risks & controversies of acquiring large land areas*



Large-scale land acquisitions

- **Mega-land deals** particularly risky in countries with fragile institutions and poorly protected land rights

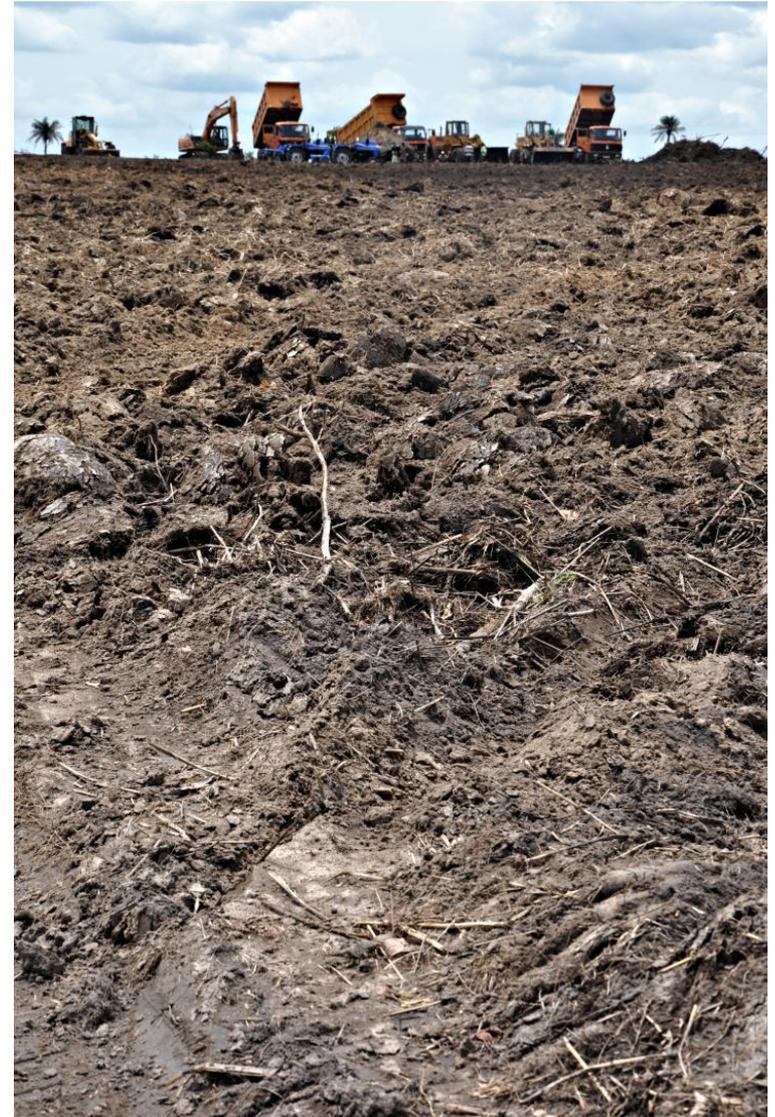
→ *job generation, but with caveats*

→ *displacement, loss of livelihoods
environmental damage, conflicts*

- For investors with a long-term perspective, due diligence is crucial

→ *overlapping land claims, conflicts, delays
& reputational damage can lead to
incalculable costs*

→ *Start relatively small and only expand
when initial social, environmental,
managerial and financial risks are resolved*



No business model works in all contexts



- Regardless of model, benefits take time to emerge
- Strong external support, patient capital and PPP can facilitate mutually beneficial outcomes
- Strong & representative farmer groups increases the bargaining power of farmers and reduce transaction costs

BIG OR SMALL, BE RESPONSIBLE!

Momentum for developing the enabling environment for responsible investment in agriculture?

- National regulatory frameworks are a key determinant, but often mired by lack of resources and political economy factors
- But governments' awareness of risks and opportunities is growing
- Many investors are also aware of the financial risks of irresponsible behaviour and interested in long-term sustainability
- No individual government or entity can address this issue alone

→ International & regional dialogue, cooperation & guidance needed

The emergence of regional & international guidance tools for RESPONSIBLE AGRICULTURAL INVESTMENT (1/2)

Tenure specific instruments include:

- ***Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT)***
- ***Framework and Guidelines on Land Policy in Africa (F&G)***

The emergence of regional & international guidance tools for RESPONSIBLE AGRICULTURAL INVESTMENT (2/2)

- ***Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (PRAI)***
- ***Guiding Principles on Large-Scale Land Based Investment in Africa (LSLBI)***
- ***Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI)***

Principles for Responsible Agricultural Investment THAT RESPECTS RIGHTS, LIVELIHOODS AND RESOURCES (PRAI)

Key elements:

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



Guiding Principles on Large-Scale Land Based Investment in Africa (LSLBI) (1/2)

Fundamental principles:

- 1. Respect human rights of communities, contribute to the responsible governance of land ... including respecting customary land rights...*
- 2. Guided by a national strategy for sustainable agricultural development which recognizes the strategic importance of ... smallholder farmers...*
- 3. Good governance, including transparency, subsidiarity, inclusiveness, prior informed participation and social acceptance...*

Guiding Principles on Large-Scale Land Based Investment in Africa (LSLBI) (2/2)

Fundamental principles:

4. Respect the land rights of women, recognize their voice, generate meaningful opportunities for women alongside men, and do not exacerbate the marginalization of women.

5. Independent, holistic assessment of ... costs and benefits associated with the proposed investment...

6. Member States uphold high standards of cooperation, collaboration and mutual accountability to ensure that LSLBI are beneficial to African economies and their people.

CFS Principles for Responsible Investment in Agriculture and Food Systems (CFS RAI)

Responsible investments:

- 1. Contribute to food security and nutrition*
- 2. Contribute to sustainable and inclusive economic development and the eradication of poverty*
- 3. Foster gender equality and women's empowerment*
- 4. Engage and empower youth*
- 5. Respect tenure of land, fisheries, forests and access to water*
- 6. Conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks*
- 7. Respect cultural heritage and traditional knowledge, and support diversity and innovation*
- 8. Promote safe and healthy agriculture and food systems*
- 9. Incorporate inclusive and transparent governance structures, processes, and grievance mechanisms*
- 10. Assess and address impacts and promote accountability*

Converging views on responsible agricultural investment

- Existing regional and international tools can be seen as complementary rather than contradictory.
- They are all based on similar core issues including food security, tenure rights, shared benefits, environmental sustainability and good governance.
- Many of the instruments target particular audiences (such as governments and large scale investors in the case of PRAI and African governments in the case of LSLBI) and particular focus (larger-scale investment in primary agriculture in the case of PRAI and LSLBI).
- CFS-RAI targets all stakeholders and all forms of public, private, small-scale and large-scale investment in production and along the value chains of agriculture, fisheries and forestry.

How should principles be turned into action on the ground?

- To be meaningful, principles must be “owned” and applied by different stakeholders in different national and local contexts.
- Governments may use them when screening existing regulatory frameworks and developing new laws and policies.
- Corporate private investors may use them when developing their investment strategies.
- Civil society may use them in advocacy work, for example when promoting legal reform or responsible business conduct.
- Informed and inclusive discussions on what constitutes responsible investment in agriculture at the national and regional levels are crucial.
- More empirical evidence on what works and what does not work are needed – IAWG is committed to contribute further to this.

Thank you!



[fao.org/economic/est/issues/investments](https://www.fao.org/economic/est/issues/investments)