



TWENTY-SIXTH REGIONAL CONFERENCE FOR AFRICA

Luanda, Angola, 3-7 May 2010

CONCEPT NOTE : Side Event – Investment in Agriculture

Date: Wednesday 5th May 2010

Time: 09.00 -12.00

Venue: BELAS Conference Centre, Luanda, Angola

During the 26th FAO Regional Conference for Africa which will be held in Luanda, Angola from 3-7 May 2010, FAO in collaboration with the Government of Angola and other partners will convene a side event on Investment in African Agriculture. The objectives of these Regional Conferences which are held every two years in all regions are to bring to the fore and at a high level: the special problems of the respective regions and the priority areas of need which should be taken into account in preparing FAO's Programme of Work and Budget as well as in relation to longer-term programme objectives; to examine the adaptation of the policy objectives of the Organization to the needs of the region concerned; and to undertake consultations on the means by which the countries in the region can help solve their own problems through the use of their own resources, and on the volume and nature of the external aid required to implement their food and agricultural development plans.

This year, given the devastating effect of the food and financial crisis which have served to renew emphasis on support to agriculture and the recent surge of interest in international investment in agricultural land in many African countries, the overall theme of the Conference is dubbed: ***Investment in agriculture to ensure food security in Africa***. Other topics on the Agenda for this year's Conference includes (a) support to the accelerated implementation of CAADP; (b) climate change implications for food security and natural resources management in Africa; (c) high food prices and food security – threats, opportunities and budgetary implications for sustainable agriculture and (d) challenges and opportunities for bio-fuel production in Africa.

The low level of investment in agriculture over decades has meant continuing low productivity and stagnant production in many African countries and this has been identified as an important underlying cause of the recent food crisis and the difficulties these countries are encountering in dealing with it. Additional investments of at least \$21 billion annually (including \$7 billion from the public sector) are needed in Sub-Saharan African countries' agriculture to meet targets for reducing poverty and the numbers of malnourished. African countries' capacity to fill that gap is limited and the share of official development assistance going to agriculture has trended downwards over the years to less than 5 percent. Foreign direct investment therefore has a potentially important contribution to make in financing agricultural investments in African countries.

Some African countries are making strenuous efforts to attract foreign investment into their agricultural sectors. However, it is important that any international investment should bring development benefits to the receiving country in terms of technology transfer, employment creation, upstream and downstream linkages. These beneficial flows are not automatic: care must be taken in the formulation of investment contracts and selection of business model. Appropriate legislative and policy frameworks need to be in place. The much-publicised "land grab" involving the purchase or leasing of agricultural land in African countries for food production is just one

form of investment and one which arguably is least likely to deliver significant developmental benefits to the host country.

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

Building consensus on an international code of conduct

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

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

Recently, FAO, UNCTAD, IFAD, OECD and the World Bank have jointly led a reflection on a voluntary *code of conduct for responsible international investment in agriculture*. They have identified the following seven basic principles that could provide the foundation for the code :

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

The Side-Event

The side event aims to:

- review and pool knowledge and identify priorities for policy, incentives, best practices for sustainable investment and support to African agriculture, issues for further research and the overall investment environment and policy debate
- solicit the views of participants on the proposal of a voluntary *code of conduct for responsible international investment in agriculture* and its basic principles

The side event will bring together policy makers and other government representatives, technical experts, investors, service providers, leaders of farmer organizations and other relevant stakeholders actively interested in the investment in African agriculture. It will provide a forum to exchange information and review the available knowledge about recent investments, to identify the key issues and to explore policy and legislation questions. Case studies on the impacts of recent international investments in the agricultural sector of various African countries will be discussed. Participants will share their views and suggestions on the proposed code and its suitability to African governments, civil society and private sector operators. The report of the side event will be complemented by other FAO related activities to provide an overview of the state of knowledge concerning recent investments, their impacts and their policy implications as a start for further work in this area.

The Agenda for the Side Event is given below.

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| TWENTY-SIXTH REGIONAL CONFERENCE FOR AFRICA |
| Luanda, Angola, 3-7 May 2010 |
| Side Event – Direct Investment in African Agriculture |

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Time: 09.00 -12.00

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DRAFT PROGRAMME

- 09.00 Welcome by representatives from the Angolan government and FAO & Introduction of the objectives of the side-event on (Foreign) Direct Investment in African Agriculture (FAO)
- 09.30 **Presentation of key issues in direct investment in African agriculture** based on a synthesis report of country case studies on recent international investments in the agricultural sector (Presentation FAO)
- 09.50 **Presentation of the principles for a voluntary code of conduct** for responsible investment in agriculture (Presentation FAO)
- 10.00 **Panel discussion:** 4 to 5 invited guests, around 10 minutes each on specific issues in FDI in agriculture, **Chair FAO.**
- 11.00 **Plenary discussion** with the floor and panel of experts (we could ask other pre-ARC identified stakeholders to prepare critical questions to facilitate the discussion?)
- 11.45 Conclusions – issues and recommendations on the formulation of the code of conduct, priorities for further research, policy conclusions
- 12.00 Close