



Global investment in agriculture and large scale land acquisitions : Risks, opportunities and implications for rural development

Presentation at MOFA
(The Hague, December 16, 2009)

Paul Mathieu - FAO
with inputs from : H. Liversage (IFAD),
H. Selod and World Bank team

THE CONTEXT: actors, local and global

Various actors with different aims and strategies, unequal resources, capacities and powers

- ❖ International actors, looking to obtain land : States, Sovereign funds, TNC, Investments Funds, speculators
 - ❖ National actors: recipient States and their constituencies, parliament, civil society, national private investors (small, medium, or large scale), speculators, intermediaries (brokers), peasant organizations.
 - ❖ Local producers: small scale, family farms, pastoralists. Mostly with no formal, written title of ownerships.
-

CONTEXT: the processes

- ❖ Capital looking for land, at various levels.
 - ❖ Increasing competition for land (ownership and access).
Land becoming a global asset and coveted good
 - ❖ Long term structural global change_ Anticipations
“when the river turns, the crocodile turns too”
 - ❖ Rising scarcity and monetary value of agricultural land.
 - ❖ Anticipations
-

Increased demand for land for food production.

- The latest trend, mainly from land starved Gulf & Asian countries. For example, in 2008-09 it was reported in the media that:
 - Saudi Arabian Hadco acquired 25,000 hectares of land for food production in Sudan & intends investing USD 95 million.
 - Saudi companies intend to invest USD 2,5 billion on several hundred of thousand hectares of “unused” agricultural land to grow cereals.
 - Qatar is negotiating with the Government of Kenya to lease 40,000 hectares of uncultivated communal & grazing land in the Tana River delta for food production.
 - China intends purchasing or leasing “unused” farm land for food production in Congo, Kenya & Uganda.
 - Indian firm Varun tried to lease 400.000 ha of land in Northern Madagascar for rice & palm oil.
 - In Sudan, an American entrepreneur is reported to have gained leasehold rights to 400,000 hectares of fertile land in Southern Sudan which would be largest known private land deal in the world.

How much land is available?

- Global land area = 13.5 billion ha in total: 8.3 billion ha = grassland / forest, 1.6 billion = cropland.
- ± 14 million ha is being used for biofuels.
- Excluding forest & protected land, 250 - 800 million is potentially available for expanded crop production, 80% in Africa & Latin America, of which ½ is in Angola, DRC, Sudan, Argentina, Bolivia, & Colombia.
- In Mozambique: only 9% of 36 million ha of arable is currently used for crops & the GoM believes it is possible to bring into crop production 41 million ha of “underutilised” land.
- In Tanzania: ±4% of 45 million ha (2 million) of arable land is used for crops & GoT proposes that another 2 million ha could be utilised for biofuels.
- Most land available in Africa is considered marginal but much could be suitable for biofuel production. However marginal land is often a major source of livelihoods for the rural poor, especially women and for pastoralists.

Stakes : whose land ?

Rural poverty, rural people and land in SSA

- ❖ ±73% of people in SSA live in rural areas, 90% of agricultural production is done by small-scale producers who have access to, on average, ±2 ha of cultivated land.
 - ❖ De jure the state owns most land but + 80% of rural land is untitled and de facto owned under diverse tenure systems • Women tend to have weaker land rights but are the main producers.
 - ❖ Pastoralists use 40% of all land in SSA.
 - ❖ While land may be under-utilised, very little is not owned, vacant or unused.
-

Different Environments for Land Acquisition

- Private land markets (if they exist)
 - Purchase (minor)
 - Large-scale leasing in Latin America and FSU
- Investment facilitation agencies
 - When “public land” or customary
- Direct acquisition from communities
 - with/without consultation with customary rights’ holders
 - often with implicit government support

7

Broad Streams of Land-Based Investments

- Investments in sparsely populated areas with good agricultural potential and poorly defined land rights
 - Guinea Savannah of Africa
 - Forested areas of SE Asia, Congo
 - Cerrados of Brazil
- Investments that incorporate and consolidate existing small(er) farms with (semi) private property rights
 - Pools de Siembra in Argentina Pampas (rental)
 - Collective farms and redistributed land in Ukraine
- Improvements in low productivity land
 - Pastures to crops in Brazil, installing irrigation in Mozambique

8

QUESTIONS - CONCERNS

- ❖ **Who decides? - who benefits?**
 - ❖ Is this beneficial for development?
- for poverty alleviation?
 - ❖ Winners and losers: beneficial to all actors involved ?
 - ❖ Risks and opportunities?
- particularly for rural people and small producers currently using the lands?
 - ❖ How to minimize the risks and maximize the opportunities and benefits for all ...but primarily for the rural poor?
-

Opportunities and Risks

A MAJOR OPPORTUNITY

- Land development, incl. in remote regions
- Export development
- New industries -biofuels
- Employment generation
- Technology transfer

WITH SIGNIFICANT RISKS

- Loss of land rights
- Corruption
- Speculation
- Negative social and environmental externalities
- Food insecurity

MINIMIZING THE RISKS

Risks and possible losses:

- ❖ Loss of land (i.e. loss of long term control over land, for countries and for communities)
 - ❖ More food insecurity and landless people
 - ❖ Land and social conflicts, social instability
 - ❖ Loss of local labour and income opportunities
 - ❖ Corruption, bad governance: private gains at the expense of collective LT interest
 - ❖ Unbalanced negotiations between unequal actors
-

•Maximizing the benefits

Opportunities and possible benefits:

Agricultural sector modernization, stimulating rural economies:

- ❖ Development of non-farm/processing activities
 - ❖ Livelihood diversification and employment generation
 - ❖ Increased agricultural productivity, from improved seed varieties, know-how and new technologies
 - ❖ Infrastructure building > access to markets
 - ❖ Social infrastructure, social services > create greater capabilities and enhance human capital
 - ❖ More public investment in general, from increased public income (taxes or land rentals/ concessions).
-

Responsibilities of the recipient States

Negotiation of contracts, development policies, governance

- ❖ well- informed and well negotiated contracts
 - ❖ flexibility in contractual terms
 - ❖ guarantees that food exports will not be at the expense of local and national food security
 - ❖ good negotiation of benefits and compensations to promote LT development
 - ❖ no excessive rush to contract: land value is increasing in the long term
 - ❖ financial benefits invested (partly) in social investments
 - ❖ external investment : means, not ends ; one element in strategic vision and rural development policies
-

Minimize risks for small farmers : **HOW?**

Secure land rights for small producers:

- ❖ Improved land governance
 - ❖ Massive and affordable legalization of existing land rights
 - ❖ Support to effective, accessible, transparent land administration systems
 - ❖ Community land delimitation
 - ❖ Require local community approval in the granting of land rights to outsiders
 - ❖ Legal empowerment to secure land rights: > education, awareness, capacities to document and assert land rights ;
 - ❖ > affirmative action, legal support to vulnerable groups: poorest, marginal, pastoralists, illiterate populations
-

Options for Community - Investor Partnerships.

- The term partnership is freely used and there some diversity, for example:
 - One – off donation in exchange for land rights - is this a partnership?
 - Lease agreements: an outside investor leases land from a community.
 - Purchase agreements: an entity agrees to buy a certain amount from farmers in an area, which may entitle them to tax breaks.
 - Contract farming: an outside investor purchases the harvest from farmers at pre-arranged quantities and prices. Outside investor may provide credit, inputs and technical advice.
 - Nuclear estate / out-grower scheme: similar to contract farming but an outside investor has a core estate for crop development and / or for securing a guaranteed supply.
 - Joint equity venture: an outside investor and farmers have joint share-holdings in a company.
- Partnerships should be defined as long-term, mutually beneficial relationships.

Seven Key Areas Emerging from Work to Date

1: Transparency & Accountability	Processes for accessing land and arrangements regarding investments are transparent and ensure the accountability of all stakeholders.
2: Food security	Investments do not harm food security at the country- or household levels and wherever possible take active steps to enhance it.
3: Land rights	Existing rights to land and associated natural resources are recognized and respected.
4: Economic viability	Investments are economically viable and robust to changing economic conditions.
5: Social Impacts	Investments generate desirable social and distributional impacts.
6: Environmental sustainability	Environmental impacts are quantified and measures taken to minimize risks and mitigate negative effects.
7: Consultation & Participation	All those materially affected are consulted and represented fairly in negotiations.

Processes for accessing land and arrangements regarding investments are transparent and ensure the accountability of all stakeholders

- Make information on pending requests and allocated land publicly available– exhaustive, up to date...
- Incentives to investors (incl. cheap land) should be clear, justified, and compliance checked (job creation, tech. transfer)
- Streamlined screening of investors
 - Mozambique: moratorium, proposal for 2-stage process with relevant information
- Transparency & accountability can benefit all parties

17

Existing rights to land and associated natural resources are recognized and respected (1/2)

- Unrecognized customary occupation (“vacant land”) + “state-owned land” facilitate land grab.
Need for:
- Recognition and demarcation of land rights (especially group right)
 - Mexican *ejidos* (1,777 have joint ventures with investors, \$568 million)
- Direct negotiations with local users preferred to expropriation
 - ...contrary to China, Ethiopia, Nigeria, Sudan, Tanzania, and Zambia
 - Peru: limits on expropriation cause investors to negotiate

18

Existing rights to land and associated natural resources are recognized and respected (2/2)

- Mechanisms to transfer land should be clear, transparent and simple
 - Public land: auctions, lease collected, audits
 - Private land: agreements
 - Need for policies to strengthen governance structure of groups

19

In the end: the ultimate question

RD or RD ?

Rural Development or Recipe for Disaster ?

RD > food security , rural poverty alleviation;
> intensification; diversification of rural activities and incomes.

Or RD? : more young people unemployed, starving, unable to plan and hope for a decent life, tempted by violence, illegal migration; civil conflicts, political instability etc.

FAO's Role

Advise and support Governments

- ❖ to assess situations & analyze the options
 - ❖ to make well-informed responsible decisions :
 - > to minimize risks and maximize opportunities
 - > food security , rural development, rural poverty alleviation
 - ❖ multi-disciplinary and inter-Dept work
 - ❖ UN collaboration (IFAD, UNCTAD, WB)
-

WHAT DOES FAO DO?

Guidelines on :

- ❖ Land leasing ; Land tenure and rural development
- ❖ Good governance in land tenure and land administration
- ❖ Compulsory acquisition of land and compensation
- ❖ State and public sector land management*
* in preparation

Best practices and manuals/ methods for:

- ❖ Community land delimitation
- ❖ Legal empowerment to secure the land rights of the rural poor
- > <http://www.fao.org/nr/ten/english/publications.html>

Voluntary Guidelines for Responsible Governance of Land and Natural Resource Tenure

<http://www.fao.org/nr/tenure/voluntary-guidelines/en/>

WHAT DOES FAO DO (2)?

Information and decision tools

- ❖ Data bases on land-use and soil degradation :
- ❖ Decisions Support Tools on biofuels investments (in collaboration with UN-Energy), including land tenure aspects and implications for local communities.

Studies (with IFAD, World Bank, IIED):

- ❖ Impacts of international investments in agriculture
 - ❖ Land grab or Development Opportunity? (IIED FAO IFAD)
 - ❖ “Large scale land acquisition for agricultural production”
(WB with FAO IFAD)
-

Discussion Points

- 1. Large agricultural investment and large agricultural schemes - Can they lead to rural development ? What are the main risks? How to minimize the risks of failure and make it work for development?
 - 2. Secure land rights for small scale family farms: experiences, lessons learned and ways forward. What have we learned and what can be done?
 - 3. Good land governance and good governance in general: is it a necessary condition for rural development? How to promote sound (or not too bad) governance of land tenure and land administration?
-

Credits

Harold Liversage, IFAD: Slides # 4, 5, 15

World Bank team (K. Deininger & H. Selod): Slides # 7, 8, 10, 16 >19
