



Enabling poor rural people
to overcome poverty

Responding to ‘Land Grabbing’ and Promoting Responsible Investment in Agriculture

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The current controversy about large scale land acquisitions by foreign investors has put land rights issues and responsible agricultural investment more visibly back on the global development agenda. It has also raised questions regarding the world's future development trajectory. In both respects, it has opened up important international space for discussion on how to improve land administration systems and investment in agriculture so that the land rights and livelihoods of small-holder farmers, pastoralists and other vulnerable groups are strengthened.

Land grabbing, however, is an issue of concern that is broader than foreign land acquisitions. While, it is important to focus on the potential threats that foreign land acquisitions pose to the land rights and livelihoods of small-holder farmers, pastoralists, indigenous communities and other vulnerable groups, it should not divert attention from the role being played by domestic elites and weaknesses in national land administration systems. Nor should it preclude the possibility that foreign investors could play a constructive role in supporting small-holder farmers.

This article aims to contribute to the current debate by reflecting on the challenges being faced and some of the possible responses. In particular, the article will focus on the recent development of a set of principles on responsible investment in agriculture being facilitated by the World Bank, the Food and Agriculture Organization, the International Fund for Agricultural Development, and the United Nations Conference on Trade and Development, as well as some of the associated challenges.

The nature and scale of the concern – there's no smoke without fire

Global estimates of the amounts of land in which a foreign interest in acquisition has been expressed in recent years range from 15 to 20 million hectares, although some observers believe the figure is a lot higher. Most of the land being considered is in Africa and Latin America and parts of Asia. It would seem that most land is already owned *de facto* by rural communities under a range of diverse tenure systems, although in many cases these rights are not registered. Also in many cases, national states consider under-used land as being available for disposal to outside investors. This perception is starting to change in many developing countries. It is increasingly recognised that while some land may be under-used, very little is not owned, vacant or unused.

Although research is being done and the picture is becoming clearer, we still do not have a good sense of the nature and scale of the demand for land and the actual number of acquisitions or long-term leases realised. It seems that many reported land deals have not materialised and of those that have, in many cases only a small portion of the land acquired (sometimes less than 10 per cent) is actually being exploited. At the same time, some deals appear to have gone through with very little public attention. Much of the research that has been done focuses on acquisitions greater than 1000ha or even 5000ha, thereby ignoring a large number of ongoing smaller acquisitions. Research has also tended to focus on acquisitions by foreigners although there is increasing recognition that in some countries (for example, India, Indonesia and Brazil) acquisitions by domestic investors contribute significantly more to a process of land concentration and growing inequalities.

In general, we still have insufficient information on the impacts that realised land deals have had on the livelihoods of rural communities in the affected countries – either negative or positive. Many deals contain promises of financial investment, employment, technology transfers and income generation, but despite their possible positive benefits, the evidence is scant as to whether these have been fulfilled. One challenge in assessing the impacts is that large-scale foreign deals are often part of a wider package of proposed bi-lateral development assistance that could include, for example, investment in large-scale infrastructure, such as ports or hydro-electric schemes. Any assessment of impacts needs to consider, therefore, the wider and longer term impacts on the countries concerned. Nevertheless, research seems to suggest that at least some large-scale acquisitions have not met expectations and, instead, have had a negative impact. At the same time, there is also evidence that some foreign investment in agriculture (typically being smaller deals and not necessarily including land acquisition by the investor) are having a positive impact. More well-documented research on impacts, both positive and negative, is needed.

One area of debate has centred on the legitimacy of foreign land deals – are they illegal and dubious land grabs or legitimate acquisitions? Some critics consider all foreign acquisitions as illegal land grabs *per se*. Given that many large-scale land acquisitions occur in countries where land governance is weak and corruption is high, their legitimacy can be questioned. Even in countries where legal frameworks and land governance institutions are perhaps stronger, it appears that certain deals have not been done transparently. But at least in some cases, it seems that due process has been followed in negotiating the investment. In these instances, proper consultations seem to have been done with legitimate community leaders and real efforts have been made to ensure that the deal does benefit the communities concerned.

An important aspect related to the above is that land grabbing does not only involve foreign deals. Indeed, illegitimate foreign land deals may only be a small part of the land grabbing occurring in many countries. More significant, at least in some countries, are land grabs done by national and local elites, competing land users (for example, pastoralists and crop farmers), and land grabs within families, typically men from women and, where the incidence of HIV/AIDS is high, from widows and orphans. Focusing only on large-scale land acquisitions by foreigners can divert attention from more serious land grabbing in some societies. So, the response to land grabbing has to look more broadly at strengthening transparent, accountable and accessible land administration institutions that protect the rights of vulnerable people against all land grabs.

Furthermore, the current wave of land acquisitions has to be placed in an historical context of land dispossession, ongoing competition for land by a range of stakeholders, and anticipated trends. While there is renewed concern about land grabbing, the trend is not new. Land dispossession of small-holder farmers, pastoralists, indigenous peoples and other rural communities has been a continuous process over centuries of foreign and internal colonisation, as well as post-independence land grabbing. In analysing the recent increase in demand, some researchers focus on the last five years, others the last 10 – 15 years, but generally it is important to look much further back. Looking to the future, the recent increase in competition for land is linked to a rapid increase in global population growth and associated shrinking of the planet's natural resource base. The world's population is expected to increase by almost 50 per cent in the next 30 years – from about 6.5 billion to 9.2 billion people. The demand for land, therefore, is unlikely to diminish in the future.

A range of stakeholders from civil society, governments of both investing and recipient countries, and inter-governmental organisations have expressed their concerns about the possible negative impact which the increased demand and competition for land and water is having on the land rights and food security of rural people in developing countries. This demand has sometimes resulted in a range of land grabs at the expense of small-holder farmers, pastoralists and indigenous peoples. All land grabs need to be vigorously opposed, in particular those involving very large land acquisitions and that are dispossessing entire communities and peoples. Nevertheless, it is important to recognise that not all investments in agriculture by outsiders are illegitimate. Some have followed due process and can provide positive benefits for rural communities.

Towards more responsible investment in agriculture

Rapid population growth, changing consumer patterns, climate change, a shrinking natural resource base and continued extreme poverty and vulnerability in rural societies, especially in the developing world, require a major shift in the approach to development and a significant increase of investment in agriculture in the developing world. There is a need to advocate for increased investment in agriculture, focusing on promoting and supporting small-holder farmers, pastoralists and artisanal fishers.

The main investors in land and agriculture in the developing world are the approximately 500 million small-holder farming households. They support a third of the global population (more than two billion people) and produce up to 80 per cent of the food consumed in the developing world. These farmers are often amongst the poorest and most neglected in development support and investment terms, yet they play a key role in achieving poverty reduction and food security. Enabling poor rural people to be part of the solution for global food security must be a priority for governments, the international development community and any other investors. Women play a critical role in agricultural production in developing countries where, in most cases, they make up a substantial majority of the agricultural

workforce. Hence, their economic and social empowerment is also essential. The main assets which small-holder farmers and pastoralists typically have are land, labour and their creativity. Often what they need is secure land, water and other natural resource rights, capital investment, expertise, appropriate technology and access to markets.

Governments in developing countries have a principal responsibility for fostering the development of small-holder farmers and pastoralists through comprehensive agricultural development programmes. Yet, in general, they lack sufficient finances and/or their policies and investment tend to favour large-scale farmers. Globally it is estimated that there is a short-fall of at least US\$14 billion per annum of investment in agriculture by the international development community and governments in the developing world. This is a critical shortfall for both food security and poverty alleviation. While every effort needs to be made to increase government spending in agriculture, private sector investment can also play a key role in meeting this short-fall.

There is often a negative perception regarding private sector investors, especially amongst representative organisations of small-holder farmers and indigenous communities. This is not without reason. Some outside investors have not engaged sufficiently with communities in which they are investing, and some communities have generally seen little or no benefits from such investments. Many of the investments that can be considered more exploitative may not involve any land acquisition. Instead, they may involve, for example, illegal logging and fishing or monopolistic control over agricultural inputs or markets. However, outside private investors come in all shapes and sizes. Some may be blatantly exploitative profiteers, others might be innovative entrepreneurs and some are driven by a strong sense of social responsibility.

Socially responsible private sector investors can play a significant role in providing much needed capital for appropriate technologies and access to export and domestic markets. Often these investors are relatively small-scale and tend not to be considered as seriously by governments as large-scale investors. Also, government focus is usually on investment that promotes export markets. While these markets can offer opportunities, local and national markets are generally more important for poverty reduction, food security and economic growth.

One approach to increasing sustainable private sector investment in agriculture is to promote mutually beneficial partnerships between small-holder farmers and private sector investors, preferably partnerships that do not require large-scale land acquisitions. Such partnerships typically can take the form of out-grower schemes, contract farming or joint share equity schemes, with outside investors focusing mainly on providing expertise and other support in agro-processing or improved access to markets. The success of such partnerships and the real benefits to small-holder farmers and rural communities more generally, depends on the level of ownership, voice (governance), risk sharing and benefit sharing between partners.

It seems that at least some serious investors in agriculture increasingly look for mutually beneficial and sustainable partnerships (it makes good business sense). And, in at least some cases, small-holder farmers are prepared to negotiate if they see a real benefit, are properly consulted and well informed of the implications and potential risks. Any land relinquished in such deals should be done preferably on a temporary basis (for example, through a lease agreement) and should not be on the scale being seen at the moment.

Establishing mutually beneficial partnerships require sustained support by a range of service providers (government, civil society and private sector). Particular attention needs to be given to empowering small-holder farmers and rural communities to be able to engage on equal terms with outside investors. There is also a need to monitor the implementation of agreements so as to ensure that the anticipated benefits are realised. Mutually beneficial partnerships are possible but they require effort and time.

Actions for opposing land grabbing and promoting more responsible investment in agriculture

Much can and is being done by various stakeholders to promote responsible investment in agriculture and to oppose land grabbing. Governments have a key role to play in promoting responsible agricultural investment and in developing transparent, accountable and accessible land administration institutions that can recognise and defend the rights of rural communities and especially of the most vulnerable households. Social mobilisation by community leaders and civil society organisations to oppose land grabbing in general and by outside investors in particular, is essential. Land grabs (not only those by foreigners) and their negative impacts need to be documented and disseminated by researchers and the media - as do good examples of sustainable and mutually beneficial partnerships between outside investors and rural communities. Civil society and private sector service providers can play a key role in empowering rural communities and in strengthening good land governance. Socially responsible investors have a role to play in influencing both governments and other investors. One area of social mobilisation that is often neglected but could be highly effective in shaping investment is mobilising consumer sentiment in developed countries in support of socially responsible investment. Inter-governmental, multi-lateral and bi-lateral organisations have a role to play in supporting the above.

Among the actions that can be taken particularly by inter-governmental organisations is the development of guidelines or principles, for good land governance and responsible investment in agriculture. There are several initiatives underway in this regard but two that have gained more attention recently are: i) the process of developing “Voluntary Guidelines for Responsible Governance of Tenure of Land and Other Natural Resources”, which is being initiated and facilitated by the UN’s Food and Agricultural Organisation (FAO), with the support of a wide range of stakeholders, including IFAD; and ii) the process for developing “Principles for Responsible Agricultural Investment”, which is being facilitated by the World Bank, FAO, IFAD and UNCTAD.

The “Voluntary Guidelines” are an outcome, in part, of the 2006 International Conference on Agrarian Reform and Rural Development. They aim to strengthen land governance by providing guidelines to governments, international development organisations and other concerned stakeholders. To some extent they build on and, hopefully, will reinforce the African Land Policy Framework and Guidelines initiative, being led by the African Union Commission, the UN Economic Commission for Africa and African Development Bank, and endorsed by a Summit of African Heads of State in June 2009. The Voluntary Guidelines process is relatively advanced with various ongoing regional and special interest consultations taking place. It is expected that the Voluntary Guidelines will be endorsed by government representatives in 2011.

The “Principles for Responsible Agricultural Investment” follows a more iterative process in the sense that it is a platform for dialogue and consultation rather than a set of hard and fast “rules” to be followed. A draft set of principles have been proposed as a “discussion note to contribute to an ongoing global dialogue” and preliminary consultations have begun. As they stand, the principles proposed are:

- (i) existing rights to land and associated natural resources are recognized and respected;
- (ii) investments do not jeopardize food security but rather strengthen it;
- (iii) processes for accessing land and making associated investments are transparent, monitored, and ensure accountability by all stakeholders, thereby improving the business, legal, and regulatory environment;
- (iv) all those materially affected are consulted and agreements from consultations are recorded and enforced;
- (v) projects are viable economically, respect the rule of law, reflect industry best practice, and result in durable shared value;
- (vi) investments generate desirable social and distributional impacts and do not increase vulnerability;
- (vii) environmental impacts are quantified and measures are taken to encourage sustainable resource use while minimizing and mitigating negative impacts.

As with the “Voluntary Guidelines”, the “Principles” aim to give guidance and a framework for discussion for governments, inter-governmental organisations and civil society organisations. They

could become a common reference framework but there are no plans for submitting them to any formal approval by governments or other bodies.

Although different in nature, both initiatives have grappled with the purpose and nature of the outcomes they are trying to realise. Experience has shown that mandatory regulations or other similar documents requiring obligatory compliance are more difficult to negotiate, take longer to agree, are sometimes diluted as a result and are often more difficult to enforce. Hence, the respective facilitators believe that voluntary guidelines / principles would be more appropriate as they could be developed with greater multi-stakeholder engagement in a relatively short space of time and, hopefully, with stronger statements. While it is recognised that neither Voluntary Guidelines nor Principles are enforceable in themselves, they can mobilise support against bad practices and for good practices. They can also draw on or refer to existing mandatory treaties, laws and codes, etc for enforcement.

In both processes, the respective facilitators have been concerned that the focus should not only be on the issue of large scale foreign land acquisition. As suggested above, good land governance needs to protect the rights of rural communities, especially vulnerable people against all land grabbing as well dealing with issues of corruption, transparency, accountability, affordability, etc. And responsible investment in agriculture is preferably not about large scale foreign land acquisitions. Instead it is about promoting sustainable agriculture, reducing poverty and meeting the world's food needs, especially the food needs of the rural poor in developing countries.

Conclusions

Land grabbing is an issue of concern broader than foreign land acquisitions. A range of actions are therefore required to address the threats and challenges we face. Governments in developing countries have a key role to play in fostering the development of small-holder farmers and in ensuring responsible investment in agriculture, with the support of international development partners and civil society organisations. Private sector investors - whether small or large, domestic or foreign - can play a positive role too. Social mobilisation is essential, but so is responsible governance in land administration. Guidelines and principles alone will not address the challenges being faced. Engagement in the process of defining them, combined with social mobilisation and some considered tactical alliances could, however, meaningfully maximise the opportunity which the concern about land grabbing has created for those concerned with the prosperity of small-holder farmers in the developing world.

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