PROCEEDINGS OF THE FSN FORUM DISCUSSION No. 44

LAND GRAB OR DEVELOPMENT OPPORTUNITY?

FROM 29 SEPTEMBER TO 20 OCTOBER 2009

Summary available at:
http://km.fao.org/fileadmin/user_upload/fsn/docs/SUMMARY_land_grab_or_development_opportunity.doc

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I. GENERAL INFORMATION

Duration: from 29.09.09 to 20.10.09

Number of participants: 11

Number of contributions: 13

II. INTRODUCTION OF THE TOPIC

Dear Forum Members,

My name is Denis Drechsler and I am the coordinator of the Policy Brief series of FAO's Economic and Social Development Department. Our goal with the briefs is to explain technical issues to a non-expert audience, especially focussing on the policy implications of certain findings in the area of hunger reduction and agricultural development

One of our recent briefs, covering Foreign Direct Investment in the agricultural sector of developing countries, was quite controversial and certainly deserves further discussion. I therefore thought that it could benefit from the knowledge and expertise of the members of the FSN Forum.

As you may know, foreign acquisitions of developing countries' farmland have recently become a focus of concern. Many observers consider them a new form of colonialism that threatens food security of the poor. Others argue that acquisitions could be good news if the objectives of land purchasers are reconciled with the investment needs of developing countries.

Indeed, the agricultural sector in developing countries is in urgent need of capital. FAO calculations show that at least US $30 billion of additional funds are required annually in order to meet international objectives such as the Millennium Development Goals or the World Food Summit target. **International investments in agriculture could thus offer a welcome supplement to other capital flows – but how can their impact be optimized?**

I would like to invite you to share your views on this phenomenon by considering following questions:

- **Do international investments in agricultural land constitute a "land grab", as reported by the international press, or do they instead offer development opportunities?**
- **Do you know of any land deals and their development impact in your country?**
- **Apart from land acquisitions, what other types of foreign investment in agriculture exist? Which ones have worked in the past and which ones have failed?**
- **Should investments be regulated and how? Which international best practices could offer guidance? Is an international code of conduct a viable solution?**

The brief "From Land Grab to Win-Win", which you may want to read as a background document for this discussion, is based on work done by David Hallam of FAO's Trade and Market Division. I look forward to a stimulating exchange of experiences and opinions.

Denis

III. LIST OF CONTRIBUTIONS

Contribution by Abdul Raziq from SAVES, Pakistan

Dear all,

I want to draw your attention to a very important issue here in Pakistan. The government has decided to give land on lease (with good crop yielding capability) to the rich Arab sheikhs for food production and later on shifting the produced food to their countries. The piece of land is equal to the size double of Hong Kong. Does this make sense in a country where about 20% children are malnourished? In country the food security situation is alarming already. Many families in the country are already sustaining their lives on the aid of world food programs.
The politicians on this issue are silent, except some. This issue is a threat to the food security in the country. Such problems are also appearing in the other parts of the poor world i.e. in Tanzania Masai cattle herders are removed from their lands for making safaris.

Here are some links to understand the issue in real.

- http://pakistaniat.com/2009/09/01/leasing-agriculture-land-foreign/
- http://farmlandgrab.org/7291
- http://farmlandgrab.org/7233
- http://www.pakissan.com/english/issues/no.land.leased.to.saudi.arabia.yet.shtml

My best regards

Dr. Abdul Raziq (PhD)
President SAVES
Organizer of the Pakistan Camel Association

Contribution by Paul Mathieu from FAO, Italy

Please find enclosed a brief summary of a document prepared jointly by IIED FAO IFAD on Agricultural investment and international land deal in Africa, that brings some elements of information and proposals that could be useful to the debate and of interest to the FSN Forum network.

The full document can be downloaded from http://www.fao.org/nr/tenure/infores/newpubs/en/

"Large-scale land acquisitions for agricultural investment: risks, opportunities and responsibilities for Governments, investors and smallholder farmers"

Abstract presented at the CTA Briefing on "Land access and rural development: new threats, new opportunities" (Brussels, 25.02.09)

A number of new trends and changes combine their effects to put new pressures and demands on land worldwide. They include: climate change and carbon trading; plantations for biofuels; sovereign funds investment to produce food to be exported (to the country supplying the capital for the new investments). These changes and their combined effects on the economy, on the value and the scarcity of land create serious economic *opportunities* -that can be positive for all- as well as real *risks,* mostly for the rural poor and the customary users of lands affected by new large scale investments in land. A major responsibility of the State, including through land policies, will be to maximise the positive opportunities for the global benefit of the whole nation

and to avoid the risks of uncompensated loss of land rights for current land users and holders of land rights.
FAO and IFAD with the technical collaboration of IIED have begun to work on this issue in late 2008, in order to better understand the land tenure implications and impacts on land access for rural people in recipient countries, focussing on Africa. The aim is to provide information that can eventually be used by countries and other actors to better inform negotiations and contracts, and identify key factors that can make the investments more pro-poor and contributing to sustainable rural development.
Preliminary analysis and previous work by FAO and partners indicate that:

- Risks and opportunities are high for all and interlinked, with the need to address risks of uncompensated land loss for small and family farms who do not have legally documented land rights;

- Well informed, well negotiated and balanced contracts between Governments and investors, and between investors and communities are key to the outcome;

- A range of options are available for the type of contracts, the type of agricultural development to be promoted, and even how to make land available for export oriented agricultural growth;

- Win-win situations between investors and communities can be designed, under certain conditions;

- Rural small-holders and family farms must be integrated in the plans and negotiations, and should be fairly compensated when involuntary displacement may occur;

- Massive and affordable programmes for legalization of customary land rights, and good governance in land tenure and land administration are key actions to minimize risks and optimize benefits of such investments.

Paul Mathieu
FAO Italy

Contribution by Edward Mutandwa from Rwanda

Dear All,

I would like to respond to this interesting and thought provoking subject by Denis.
My opinion is that foreign investments in agriculture enhance efficiency oriented goals of a nation. I think there is evidence from Sub-Sahara from numerous schemes eg in the area of irrigation, where productivity has been increased sometimes two fold because of use of better agricultural innovations (I am collating the evidence). But, efficiency oriented interventions sometimes have a negative effect on the equity goals of a nation.
By investing in vast tracks of land through foreign investments, this might mean displacing communities to marginalized areas. Take for example, the Zimbabwean case, where Anglo-American invested in a largely successful citrus project (contributing about 5% of the agricultural exports), which are exported to European destinations. It was successful in terms of raising foreign currency but may not be as successful if viewed by ordinary people because the benefits may not trickle down to them. This scenario is the same in the South African case, where foreign investments in agriculture are key to the success of agriculture but where ordinary poor people are precluded. If this is viewed from a socialist perspective, one could say that it is a form of land grab but if viewed from purely economic grounds, then it could be viewed as a development opportunity.

It depends on the ideology of the person looking at the issue. Countries can strike a balance between their economic needs and also equity needs for the benefit of everyone.

E. Mutandwa
RDA, Rwanda

<u>Contribution by Patrick Chatenay from UK</u>

Dear FSN members,

I would like to attempt to contribute to the issues raised by Denis Drechsler and commented upon by Edward Mutandwa.

First, let me introduce myself so that those who may read my notes have an indication of my sources and eventual prejudices. I am French and have worked for over 25 years in the sugar and ethanol industry world-wide, with particular emphasis on the EU and Latin America. My main responsibilities have been in strategy, general management, management accounting and Information Technology. I currently provide consulting services to the sugar and ethanol industry. My formal education consists of an MBA (Columbia University, New York – major: finance), a Master in Econometrics (Université de Paris-X) and a Diploma in Political Science (Institut d'Etudes Politiques de Paris – major: public administration).

Does direct foreign investment in agriculture constitute "land-grab" or a "development opportunity"?

If one regards the amount of accumulated fixed-capital (factories, schools, roads, machinery, electrical grids, etc.) as a good indicator of economic development then foreign direct investment in agriculture must be seen as a development opportunity.
For sure, as with many other sectors (such as, to name but a few, energy, education and airlines), FDI in agriculture can raise sensitive sovereignty, social-impact and environmental issues. Though there is a specific wariness at putting food supplies in foreign hands, other problems associated with large projects, such as the displacement of people, are relevant whether the investment is of foreign or of domestic origin, though a "foreign" label generally makes adjustments less palatable.
This psychological aspect should not be underestimated: my experience of FDI in farmland is that in countries with large uncultivated land reserves such as Brazil opposition to foreign land ownership is muted, whereas countries with limited or densely-populated farmland will find foreign involvement hard to stomach. Though the specific issue of land ownership can be solved through solutions such as long-term leasing, the social impact of large-scale projects will often impede foreign investment. In others words, whether FDI in agriculture is perceived as a "land-grab", depends largely upon pre-existing local conditions. If, as for example in Chile, farming has long been market-oriented and real estate property rights are well-established, foreign land or agro-industry ownership is largely a non-issue.
The alternative is not between "land-grab" and "development opportunity": FDI in agriculture is always a development opportunity in terms of capital accumulation but in some cases it can be seen as carrying significant negative externalities.
If financially viable over time, FDI will provide support for sustainable development with skilled employment, technology transfers, improved communications and productivity gains.
In Africa and Latin America for example, recent expansion of sugar and ethanol production largely takes places on under-used land and carries positive consequences for the communities concerned such as access to clean water, education, better communications and basic healthcare. Fieldwork usually requires a large workforce which means that many lives are affected by such projects. Sudan, Tanzania, Mozambique, Brazil or Peru offer good examples of this. In this industry, coordination between the mill and the feedstock is important so that it is generally preferable that the mill directly manage agricultural operations. This does not preclude

small-holders from supplying a mill – indeed, many new mills incorporate programs to encourage small farmers to supply sugarcane – though it does limit the numbers involved.
It may be wise to distinguish between FDI in agriculture aimed at the domestic or regional markets and FDI in agriculture aimed at exports. When FDI in agriculture is dependent on export markets, it is usually a risky business: no industry can improve productivity at the speed of exchange-rate variations, and agriculture is certainly no exception. (That, by the way, makes one wonder how sensible it is to have multilateral trade negotiations largely focused on setting import tariff levels without regard for exchange-rate variations …). To maximize benefits to the recipient country, I suspect agricultural FDI needs to be largely directed at satisfying domestic markets.

Other-than-land "agricultural" investment opportunities are numerous and varied:

one can think of processing, transportation and marketing activities, of agricultural inputs (services, machinery, fertilizer, plant-protection products, seeds, etc.). All of these, however, require that the agriculture on which such investments are based be financially sound.
This in turn requires sound agricultural policy which, in my experience, is by far the main driver of agricultural development: it sets the conditions under which profits can be made over time. In the current free-market/free-trade consensus, however, "agricultural policy" is generally frowned upon by economists and politicians alike. This attitude is unfortunate because the "physics" of agriculture and food do not lend themselves well to market forces alone: prices will of course adapt to the balance of supply and demand, but going without food for more than 48 hours "is not an option". Indeed, agricultural output takes many months and in some cases many years to respond to demand. Also, with many times more sellers than buyers, commodity food markets are skewered against producers: their productivity gains translate quickly and totally into lower prices (something not true of branded food products) as the example of coffee abundantly illustrates since 1992.

"Should investments be regulated?"

Yes, of course, but more important is to protect investments over time: if foreign investors are putting assets on the ground, they wish them still to be there in 10, 20 or 40 years. If the risk of a wash-out is high, high returns will be required: this in turn will both severely curtail the number of feasible projects and, through higher prices, penalize consumers – a scenario unfortunately often seen in Africa. Legal and fiscal security and stability is paramount for investments in agriculture because, by nature, they are long-term.

Patrick Chatenay
Canterbury, UK

Contribution by KV Peter from Kerala Agricultural University, India

Developing countries like India face colossal problems of ever growing population, natural calamities and aftermath of hegemony under foreign rule.
With tenancy abolished in majority of states, land for dwelling is not just available. The average farm size is also low compared to developed countries. More over about 65% of Indians (700 million) depend on land for farming to meet his requirement for food. Still 280 million go to bed with just one meal a day. Any attempt to grab the farmers land under what ever names of so called development by replacing local people will be fought with all the power under the command of the people.
The story of Nandigram in West Bengal under the rule of the leftist is a case which speaks volumes about people's resistance to land grab and acquisition. Foreign investment is welcome in education and technology transfer but not to acquire land. Public corruption so rampant, people's faith in the intentions of investment is getting eroded. The recent spurt in violence reflects people's reaction to the deviations taken from Gandhian principles so relevant to India.' What India wants is not mass production but production by masses'. March to prosperity and

progress may be slow but the cultural and civic values of India are time tested. Gandhi mentioned India lives in Villages' but the divide between villages and cities is getting wider and wider. The invisible seizure of India by high cost technologies is a matter to be pondered.

Prof KV Peter Ph D
Former Vice-Chancellor
Kerala Agricultural University

Contribution by Raul Q. Montemayor from the Federation of Free Farmers Cooperatives, The Philippines

Dear Members,

I would like to contribute to this discussion by identifying the major motivations for undertaking overseas farmland investments in Asia, and by assessing the actual or potential effects of these investments on recipient countries in the region, with particular emphasis on small farmers in the Philippines. Moreover I would like to provide some recommendations for managing this trend so that it can approximate a win-win situation for all parties concerned.

Although foreign investment in agricultural ventures is not exactly a new phenomenon in Asia, the recent period has seen a distinct spike in the number, scope, and magnitude of investments by foreign entities in farmland and agricultural ventures overseas.

Investor's motivations and modalities

Investors motivations are both commercial and food security related.

On the commercial side, agribusiness opportunities abound in Asia and globalization and the gradual removal of both trade and investment barriers at the international level have made it easier for companies to relocate their supply bases and to pick production areas where they can enjoy optimal tariff and other trade-related incentives for both their imported inputs and exportable products.

A second significant driver of overseas farmland investments is related to food security concerns that have emerged relatively recently:

- The 2008 global food crisis and warnings that similar crisis situations could recur in the near future have led many countries, particularly those with limited production assets and food sufficiency capabilities (such as the Gulf states, Japan, and Korea), to find new ways to secure access to food for their own populations.
- Additionally, the increasing incidence of food contamination, animal diseases, and foodborne toxins have prompted food safety-conscious countries like Japan to curtail imports of vegetables and other vulnerable farm products from traditional foreign suppliers. In turn, Japanese agribusiness firms have been encouraged by their government to directly undertake and supervise the production of these commodities in foreign countries.
- A related stimulus to foreign investments in agriculture has been the biofuel craze as the relatively large tracts of land needed for biofuel feedstock generation led some countries and investors to look abroad for suitable production sites, while preserving their own land for food production.

There are several modes by which a foreign entity can undertake overseas farmland investments, also depending on constitutional and other regulatory limits on foreign ownership of land existing in the countries.

Leasing: because of these constraints, existing for instance in most countries in Asia including the Philippines, the easiest and most common mode by which a foreign entity can undertake overseas farmland investments is by leasing land. Many Asian governments have facilitated this investment modality by entrusting ownership of large tracts of public land to certain state agencies, which in turn lease them to foreign corporations.

Joint venture: A variation of this modality is for the foreign entity to enter into a joint venture or similar business partnership with a domestic corporation. This may allow easier access to land, while potentially enabling the partnership to reap tax and other incentives normally enjoyed only by domestic enterprises.
Combination of these two models also exists.

Issues and Concerns

Foreign agricultural investments have generally been welcomed, and often encouraged, by governments in recipient countries as these investments can potentially provide funds and expertise that would otherwise be unavailable. Moreover, in some cases, foreign land investment offers have come with promises for official development assistance, concessionary loans, and the guaranteed supply of fuel or minerals.
There are clearly many significant benefits that can be gained from the investments of foreigners in agricultural ventures in typical Asian countries as they can have high economic multiplier effects and may generate much-needed employment, tax revenues, technology transfer, and other economic returns. Also, investors often upgrade local infrastructure.

One common concern has been the large-scale and long-term displacement of small farmers from their land. Even when leased public land is largely unoccupied, farmers and landowners on adjacent private plots are invariably targeted and lured into leasing their land as the agribusiness firms expand their operations and look for areas that are already cleared and arable. Additionally, once foreign investors signify their intentions, it is inevitable that local speculators and opportunists will take advantage of unsuspecting landowners by surreptitiously acquiring control, if not outright ownership, of the latter's land so that they can later resell the rights over the properties and make huge capital gains. There have also been many reports of small landowners being pressured and intimidated into involuntarily leasing their land. In some parts of the southern Philippines, local agents of palm oil agribusiness investors have been suspected of hiring goons to harass uncooperative landowners.
Also, many settlers who have been innocently cultivating land for generations still do not have firm titles to support their occupation, and could easily find themselves suddenly eased off their land by investors and prospectors who have managed to secure legal titles.

Further problems are the special accommodations given to overseas farmland investments that often contradict domestic policies and program thrusts. Many projects have been criticized for ceding control of large tracts of productive land to foreigners while the countries themselves are chronically short of food supplies and dependent on imports to feed their populations. Particularly controversial are cases where the resultant products are to be exported out of the country, or where land is converted from rice, corn, or other staple crops to vegetable, horticulture, and other commodities that may arguably be of higher value but are not deemed essential for local food security.

Some of the benefits expected from overseas farmland investments may also not materialize, or may be offset by costs and damages to local communities and economies. Large-scale plantations, for example, usually employ intensive cultivation practices that may lead to irreversible land degradation, water pollution, and long-term environmental damage. Massive doses of inorganic fertilizers and inputs, deep plowing, radical recontouring of soils, and year-round planting could eventually render the land barren, infertile, and essentially unusable by the time the lease contracts expire.

Another common concern is the clear one-sidedness of many of the contracts by which farmers and landowners have ceded control pf their land to foreign agribusiness investors. Some of the long-term lease agreements, for example, exempt investors from any meaningful liability in case their agribusiness ventures prematurely fold up. Some even include a clause obligating the lessors to pay the investors for any permanent improvements that stay on the land, such as irrigation canals, at the time the lease contract expires.

A final concern is the welfare of the small farmers and landowners who have leased or committed the use of their land to foreign agribusiness enterprises. Many were enticed with lump-sum five-year rental payments ranging from $500 to $1,000 per hectare; assuming a farmer has leased two hectares on average, this rental payment would amount to a measly $0.50 to $1.00 per day. Arguably, even a low-technology farmer could easily generate as much if not more income per day from his own efforts on his own two-hectare farm.

One can only speculate about how much more wealth and output small farmers could generate if they were provided with just the basic levels of support by their government, and about the opportunities in life they and their children have missed out on by opting to cede their land to investors and consequently being relegated to workers, if not squatters, on their own property.

In addition, the promise of full-time employment with agribusiness ventures is not guaranteed. Farmers may be too old, or their children may not qualify for work on the plantations. Agribusiness firms are usually highly mechanized, have low labour-to-land ratios, and will always be on the lookout for ways to cut costs, including those of labour.

Recommendations

Overall, while overseas farmland investments can and do bring substantial economic and other benefits to local communities, there is no assurance that small landowners, contract growers, and other rural residents will get an equitable and commensurate share of the benefits from these investments. International land investments must provide concrete and lasting benefits to local landowners, rural communities, and the recipient country on the whole.

Firstly, governments need to craft and adopt clear policies that will take into full consideration the overriding interests of the country, including its food security, rural development, and poverty alleviation objectives, and also the long-term environmental sustainability of its land and natural resources. Clear land-use policies and regulations can then be laid out together with guidelines for foreign investment in domestic agricultural ventures.

Secondly, foreign investors must strictly adhere to the country's labour, environmental, and land use rules and other such regulations, and should be firmly dealt with if they fail to do so. They should follow restrictions on what types of plantation crops can be planted in certain areas; rules on what they need to undertake to protect the land, water, and other environmental resources in the areas they operate in

Thirdly, given that much of the land targeted by foreign agribusiness investors is owned and/or occupied by small farmers and settlers, there is clearly a need to provide legal assistance to ensure that local landowners and land users are not lured into one-sided contractual agreements.

As a general rule, leases, contract growing arrangements, and similar contracts could be checked by appropriate government agencies or private assistance or legal advisory firms before they enter into force

While these investments can provide tangible benefits, and steps can be taken to ensure that they do so, the hard work remains for governments to assume and execute their responsibility of building the roads, putting up the irrigation, delivering health and education services, and

providing other basic infrastructure and services that will enable farmers to generate profits from their farms and rear their families out of chronic poverty.
These masses of small farmers—not foreign entities—are the real and most strategic investors that governments should encourage and support.

Raul Q. Montemayor
National business manager of the Federation of Free Farmers Cooperatives, Inc. (FFFCI)
Vice president of the International Federation of Agricultural Producers (IFAP)
Philippines

Contribution by Nidhi Tandon from Networked Intelligence for Development, Canada

In response to the comprehensive and helpful note by Patrick Chatenay, I would welcome his comments on the following issues: if we are agreed that there is need for transparency and oversight, how can we be assured that this in fact takes place? From the little I know, working with women farmers in the Caribbean and in Africa, their access to land is being curtailed by, for instance, Taiwanese appropriation of land in St. Kitts for bio-ethanol production. Or worse, women farmers are being marginalized altogether by land deals that are promoting an export-led food economy, and 'eating into' the subsistence farming that the sub-Saharan Africans depend on. If women and their families are marginalized from land, this effectively disenfranchises them further, and their voices are but hoarse whispers of distress.

What should we be doing, what CAN we really be doing, to ensure that the rights to land, or at least land tenure, are protected for those who depend on this very land for their daily living?

Nidhi Tandon

Contribution by Patrick Chatenay from UK

Dear Colleagues,

I would like to thank Nidhi Tandon for characterizing my note as “helpful” and attempt to answer the questions she raises.
First, please understand that I have no specific insight into the relationship between independent women farmers and FDI in land. It is evident, however, that FDI can result in access to land being restricted or denied to others interested in farming including, of course, the women farmers Nidhi mentions.
As I mentioned in my previous note, local conditions existing before FDI in land takes places will largely determine the extent of “collateral damage” to existing land stakeholders. In some cases, preventing such damage will simply preclude any FDI in land. I assume, however, that in many more cases some mitigation can be factored in the FDI project if it is still, on balance, positive for development: laws can require a % of land acquired to be set-aside for independent farmers and for existing farmers to be employed full or part-time by the FDI venture. Nidhi touches upon the important issue of export-oriented agriculture displacing subsistence farming. Personally, I believe the agricultural priority of any government should be to achieve as much food autonomy as physically possible and that extreme caution should be exercised when introducing export-targeted agriculture in areas that already experience a deficit in food production.

Patrick Chatenay.

Contribution by Martin Fowler from Uganda

Dear All

I am not sure if this press item would help to enliven the discussion (and provide a current example of the topic under discussion).

Yours,
Martin

Kuwait firm eyes farmland in Southeast Asia*

DUBAI, Oct 7 (Reuters) - A Kuwaiti investment firm, affiliated to the Gulf state's sovereign wealth fund, has approached governments in Southeast Asian countries to invest in underdeveloped farmland, its chief financial officer said.
Kuwait China Investment Co's (KCIC), an asset management firm, had a long-term strategy to invest in the agricultural sector, but no deals were imminent, Faisal Nawaz told Reuters.
"There is a lot of farmland in Far East Asia that is either undeveloped or underdeveloped," Nawaz said in an interview late on Tuesday.
"Our proposition to the governments is that we can help them develop the infrastructure and develop the farmland and we will then take a share of the produce."
Kuwait has said it is interested in investing in agriculture and farmland in both Asia and Africa as it looks to diversify food sources.
The world's fourth-largest oil exporter has been looking at investing in the Far East to help diversify its revenue away from heavy reliance on oil exports.
Nawaz said KCIC saw itself as an "ambassador" for Kuwait to seek out opportunities in the agricultural sector, although deals could still take as much as three years to conclude.
KCIC had approached governments in Vietnam, Cambodia and Laos, Nawaz said.
"Vietnam will always be there," he said. "They are very open to suggestions, willing to work with us ... Cambodia, Laos are two other countries we have approached and we are seeing a good reaction."
The firm's managing director said in July it was looking to invest in Asian agribusiness and farming projects producing crops such as rice, wheat and corn for purely commercial reasons.
"It's a model which is difficult to put a timeline on because we are in discussions with multiple governments and unless we can find the right proposition ... whether it takes two years or three is difficult to pin down," Nawaz said.
The desert state, which imports most of its food, sent a delegation headed by the prime minister and included the head of Kuwait Investment Authority (KIA), visited eight Asian countries last year to boost trade ties and discuss food imports.
KCIC, which was established in 2005 with a capital of 80 million dinars ($278.7 million), is also looking at investments in the energy sector and equities and wants to buy stakes in firms in the financial and real estate sectors.
The KIA owns a 15 percent stake in KCIC. Other investors include Kuwait's family-owned conglomerate Al-Ghanim Industries.
Gulf Arab oil exporters have amassed enormous surpluses from an oil price rally that started in 2002 and enabled them to snap up foreign assets to diversify their risk.
In September, Kuwait said it hoped to secure China's approval in the first quarter of 2010 to build a $9 billion refinery and said in May it was looking to raise its stake in the Industrial and Commercial Bank of China (ICBC).

Contribution by Varinder from the Institute For Development And Communication, India

Dear Friends,

Hope you will be all fine. I am Varinder from India. I am a PhD scholar in Labour Economics and working as a Research Associate at the Institute For Development And Communication (IDC), Chandigarh (India).

The issue of Land Grab or Development? is a very relevant and controversial in India. At the name of development, land is being grabbed by the big industrial houses and even by state for the developmental projects. The adverse consequences of these are the land prices are increasing and mafia is also mushrooming in the small towns or in the periphery of big towns. These people are acquiring the land at low prices and by creating its scarcity, are increasing the land prices. In the small towns or in the surroundings of big towns it is becoming difficult for the common people to get a patch of land for a small house. The unplanned urbanisation means lack of civic amenities and creating other ecological problems. The big urban developmental authorities of state are just white elephants. They have no control on the land prices and on the urban developments.

Secondly, the continuous fall in the agriculture land will adversely affect the food production and other eatables.

Best Regards

Varinder

<u>Contribution by Bhubaneswor Dhakal from New Zealand</u>

Different modes of land grabs and their effects

Dear fellows

From my understanding land grab is an institution where people loss their access to and control over production lands or its resources. To be the land grab as a development opportunity the institutional change requires resulting net positive benefit including improvement of social well being of marginalised groups in society. Some positive changes caused by land grab cannot be called as a development opportunity as long as people loose their access to or control over the resources (net loss of social well being to society).

It is not necessarily to occupy the land for producing and importing commodities in grabbers' countries. The grabbing can be done other ways including intervention in land use policy. For example, many community pastureland areas are planted in forest and access to forest resources are reduced through development intervention of UN agencies, bilateral development agencies and (I) GOs to benefit polluted industries of and luxurious society. The net benefit flows from the forest resources are decreased for poor people. Currently proposed REDD programme (a strategy to give easy disposal to big polluters) is another form of land grab. Environmental bureaucrats argued that the programme rewards society by paying more than what they have got from the forest. If you analyse the impact of the programme taking account of institutional conditions in rural settings of developing countries and multiplier effects the rural society will be net losers. The programme reduces flows of resource which negatively affects local economic activities and further marginalises poor people. Critics often say that some powerful countries through UN agencies, INGos, and bilateral agencies are doing policy intervention for freezing agricultural land use in developing countries and increasing their agricultural market accesses. Therefore the land grab can be done directly and indirectly.

It is not necessary to be foreigners or multinational companies to grab the land. National bureaucrats and elites can grab the lands and put in the use of their interest. In new global environment policy Increasing people's access to and control over the lands is easier on farming land under foreign ownership than forestland under national ownership.

Thank you.
best

B. Dhakal

Concluding remarks by Denis Drechsler from FAO

Dear Forum Members,

Thank you very much for your interesting contributions.

Not surprisingly, we couldn't find a definite answer as to whether international investments in developing countries' farmland constitute a "land grab" or should be perceived as a development opportunity. However, I do believe that we have made some progress in identifying elements that could increase the chances of moving towards a "win-win" situation.

Specifically, participants to this discussion highlighted that the impact of foreign investments very much depends on local conditions. If countries have well-established land rights and functioning enforcement mechanisms, for example, foreign acquisitions of farmland are unlikely to be perceived as a "land grab". People in such countries are used to selling off farmland, because they know that they can achieve a fair market price for their assets. The situation is different where deals are done behind the backs of those most concerned – the owners or squatters of the land that is for sale. Displacements or inadequate compensation for assets are clearly one of the main risks of large-scale land investments.

Not least in view of the capital needs of developing countries, foreign investments in agriculture can clearly constitute a development opportunity. Improved infrastructure, new production techniques and better input factors promise higher yields that are urgently needed in food insecure developing countries. However, one critical question is whether these improvements also trickle down to the local population. A better regulatory framework needs to increase inclusiveness and ensure that everybody benefits from potential improvements.

Some questions have been answered; others remain to be investigated further. As for FAO's contribution, we will continue monitoring the extent and impact of large scale foreign acquisitions of developing countries' farmland. Finding better rules and regulations for these transactions will equally remain on top of our agendas as we continue our efforts to define an international code of conduct. With more empirical evidence, maybe we could even revisit this discussion in the near future.

Thanks again, and best regards,
Denis

Additional insighs by David Hallam from FAO's Trade and Market Division

What should be the minimum set of principles and measures to coordinate the large-scale transnational land acquisitions and leases at international level? Should international organisations lead the process?"

1. **The basic background facts:**
    - developing country agriculture is in direct need of investment and foreign investment could help meet investment needs and provide broader developmental benefits
    - but international concerns have been raised by recent foreign large-scale land acquisitions over impacts on small farmers and food security and there are fears that local concerns are not emphasised in investment contracts and international investment agreements and that domestic law is inadequate to redress this imbalance

2. **What is needed to ensure that foreign investments bring benefits for all concerned and that potential negative impacts are avoided/minimised?**
    - foreign investments need to be guided to contribute to meeting the investment priorities of receiving countries
    - developing countries need to have in place appropriate policy and legal frameworks to maximise developmental benefits and minimise risks of foreign investments
    - investors and governments need to be aware of and take into account the concerns of stakeholders in receiving countries

3. **What can be done internationally to meet these needs?**
    - gathering and dissemination to all concerned of information concerning developing country investment requirements and priorities
    - gathering and dissemination to all concerned of information concerning best practices in policy and legal frameworks
    - formulation and implementation of international codes of conduct/guidelines to guide the formulation of international investments for the benefit of all stakeholders and to provide a framework to which national regulations, international investment agreements, global corporate social responsibility initiatives and individual investment contracts can refer
    - international organisations can best lead these processes because of their capacity and experience in collection and dissemination of information, their economic and political independence and their experience in formulation and implementation of international codes of conduct/guidelines (eg the Volountary Guidelines for Responsible Governance of Land)

4. **What are the international organisations already doing in these respects?**
    - Roundtable on Responsible Agricultural Investment held at UN General Assembly, 23 September sponsored by FAO, UNCTAD, IFAD and World Bank
    - creation of a "knowledge platform" to collect and disseminate information and joint research concerning the nature, extent and impacts of foreign investment and best practices in law and policy
    - development of an evidence-based code/guidelines, consulting all other stakeholders including governments and civil society

5. **What is the current thinking of FAO, World Bank, UNCTAD and IFAD on a minimum set of principles to be reflected in a code of conduct/guidelines?**
    - *land and resource rights*: existing rights to land and natural resources are recognized and respected
    - *food security and rural development*: investments do not jeopardize food security and rural development, but rather strengthen it
    - *transparency, good governance and enabling environment*: processes for accessing land and making associated investments are transparent, monitored, and ensure accountability by all stakeholders
    - *consultation and participation*: all those materially affected are consulted and agreements from consultations are recorded and enforced
    - *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
    - *social sustainability*: investments generate desirable social and distributional impacts and do not increase vulnerability
    - *environmental sustainability*: environmental impacts are quantified and measures taken to encourage sustainable resource use while minimizing and mitigating negative impacts.