

Agricultural Investments: Inclusive models and policy enablers



Workers on a sugarcane plantation in Zambia.
© Gary John Norman | Panos

Emily Polack, IIED

Asian Farmers Association for Sustainable Rural Development (AFA),
Philippines, June 2013

Overview

- In light of the ‘global land rush’
- Inclusive models
 - Research design (assessing inclusivity, outcomes and impacts)
 - Gender dimensions
 - Shapers and enablers
- Lessons and policy implications

The global 'rush for land'

Land grab or development opportunity?
Agricultural investment and international land deals in Africa



Lorenzo Cotula, Sonja Rebera Leonard and Ja

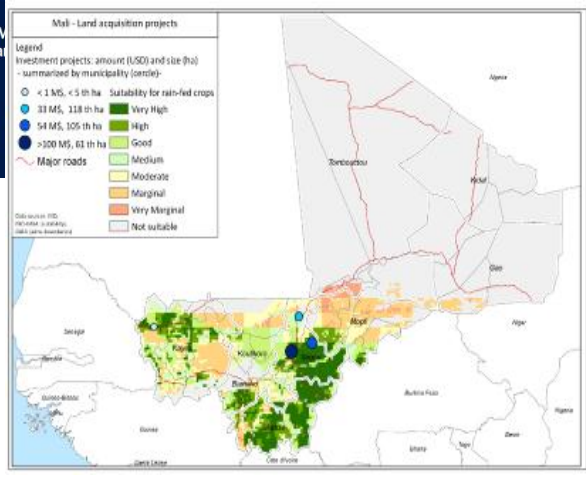


Trends mapped and alarms raised, but precise figures still hard to obtain



The global land rush: what the evidence reveals about scale and geography

In developing countries, millions of people depend on land for their food and to acquire large tracts of land for this vital resource. A growing geography, players and key characteristics on media reports and some on la cannot be compared due to the differing criteria for what makes analysis is critical. But while exact i indicates that land acquisitions are so we urgently need to get on with



Agricultural land acquisitions: a lens on Southeast Asia

Recent years have seen 'land grabbing' emerge as a big issue in media houses across the world, with reporters quick to write about deals involving millions of hectares, particularly within Africa. Yet large-scale land acquisitions are not a purely African phenomenon. Other parts of the world are also subject to the global land rush. Home to emerging economies with rapidly growing populations, Asia has become ever more of a focus for investors with the rise of international agribusiness companies are booming. And land change in land ownership and use is already taking place. Set against a backdrop of insecure rights and weak land governance, acquisitions here are posing significant threats to local livelihoods and environments alike.

Since the turn of the century, Southeast Asia has increasingly become an 'investment hotspot' attracting the interest of ever more private companies and individuals who see huge potential in the region's emerging and 'frontier' markets. Between 2000 and

Philippines, there have been reports of individual deals with investors of this size.

Investing in neighbours

Country	Source: World Bank (2010), 2004-09	GTZ (2009)	IIED/FAO/IFAD (2009), 2004-09	Media sources as reviewed by GLP-PO (2010), 2008 on
Ethiopia	1,190,000		602,760	2,892,000-3,524,000
Ghana			452,000	89,000
Liberia	1,602,000			421,000
Madagascar		1,720,300	803,414	2,745,000
Mali		159,505	162,850	2,417,000
Mozambique	2,670,000			10,305,000
Sudan	3,965,000			3,171,000-4,899,000

Interrogating 'agricultural investments'

- What models increase value for both investors and local producers/communities?
- Country case studies
 - with FAO and IFAD
 - Ghana, Mali, Malaysia, South Africa, Zambia
 - Conducted by in-country research teams
- Research design
 - Inclusive models framework
 - Outcomes and impacts
 - Law, policy and institutional dimensions



Inclusive models framework

Ownership	<ul style="list-style-type: none">• Ownership of business• Control over key project assets (land, processing facilities, etc)
Voice	<ul style="list-style-type: none">• In project design• In business decision-making: who decides, who participates, what information access, grievance mechanisms
Risk	<ul style="list-style-type: none">• Distribution of production, marketing and other risks
Reward	<ul style="list-style-type: none">• Sharing of costs and benefits

Socio-economic outcomes

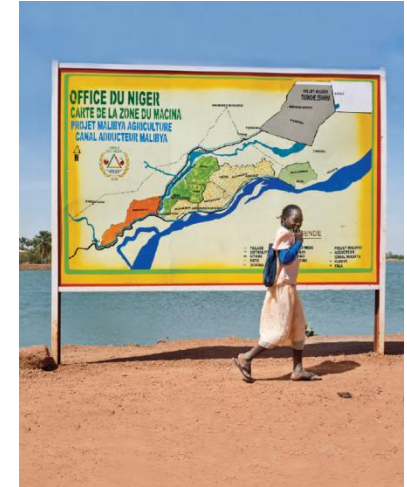
<p>Direct livelihood contributions</p>	<p>Jobs (direct + indirect), supply chain relations and business links Training, technical assistance, inputs, productivity</p>
<p>Public revenues & infrastructure</p>	<p>Total net government take, public infrastructure</p>
<p>Social (and environmental) risks</p>	<p>Impact assessment / management plan & operating standards, natural resource access</p>

Case studies

Ghana	<ul style="list-style-type: none"> • Nucleus estate + outgrowers + packaging facility (mango) • Set of plantations (jatropha) 	Bugri and King
Mali	<ul style="list-style-type: none"> • Processing plant, contract farming, farmer co-op equity participation (jatropha) • Farmers co-op • Two interlocked JVs with govt for plantation and processing (sugarcane) 	Djiré
Malaysia	<ul style="list-style-type: none"> • Govt-landholders partnerships (palm oil) • Company-govt-landholders JV (palm oil) • Outgrower scheme supported by existing plantation (palm oil) 	Majid Cooke, Toh & Vaz
South Africa	<ul style="list-style-type: none"> • JVs with local communities post land restitution 	Lahiff, Davis & Manenzhe
Zambia	<ul style="list-style-type: none"> • Privatised venture, plantation + outgrowers, farmer groups equity participation (sugarcane) • Privatised plantation (various crops + ranching) 	Mujenja and Wonani

Mali – Mali Biocarburant (MBSA)

- Malian company, **dynamic** Dutch entrepreneur, mainly Dutch shareholding
- Biodiesel processing plant, 2500 contract farmers (jatropha), farmer coop (ULSPP) has **equity stake** in company (20%) – 20% in subsidiary since restructure
- Mechanism to ensure **transparent relationship** between the parties Mainly national markets – established supply chain
- Started 2007, early stages, scale-up phase to 2014



- **Land with local farmers** – 2020ha as of 2010 (only 2ha for processing)
- **Intercropping** with food crops
- Generates **carbon credits** for Cooperative (in kind equipment..)
- Development finance involved (business plan, equipment, ULSPP)
- **No dividends yet – farmers impatient**
- **Jatropha nut price 1/6 that of sesame**
- **Risk of side-selling** currently **mitigated** by lack of competing processors

Zambia – Kaleya Smallholder Company Ltd

- Sugar cane - sold to Zambia Sugar Company for processing
- Started as JV between GOZ, CDC and another party in 1980s – later privatised
- **Outgrowers own 13% of company; 25% owned by district cane grower association**
- About 4300 ha on long-term lease, about ¼ for outgrowers (plots 4-6ha including domestic plot)
- **14 year renewable contracts (sub-lease)**
- Equity share gives (KASFA) **representation on the board**
- **Fairtrade** certified – premium for community devt
- Outgrowers (160) – **wage income** x 4 of company employee
- 78 permanent staff (down from over 300 in the 80s) and 250-300 seasonal workers
- Annual public revenues: 155K



Malaysia – smallholder oil palm

	Joint Venture / Partnership model	Outcomes and Concerns
Sarawak	<p>State-based agency partnerships with smallholders – ‘managed approach’</p> <p>Commitment to one cycle of 25 yrs. Loans and technical resources to smallholders, who hold an average of 2.25 ha . Loan repayment 4-7 years through sales. Assured land grant.</p>	<p>Low yields but some profits and deemed more equitable than New Concept model.</p> <p>Profits varied and farmers carry significant risk with some indebtedness reported</p> <p>Some limitations on transparency of accounting reported.</p>
	<p>New Concept Model – tripartite joint venture: Landowners-State-Private Sector 30:10:60</p> <p>Private sector holds 60% equity share. Customary landholders 30 % based on land given to the scheme, although this share is held in trust by state authority. State authority provides 10% capital for its 10% share. 60 yrs.</p>	<p>No direct involvement. Expected to reapply for land after lease. Weak representation and channels for voice for negotiation and weak grievance mechanisms. Some misrepresentations of the scheme reported.</p> <p>Low dividends (livelihood and food security implications). Investors withdrawing. Law suits against government and companies</p>
	<p>Karesa Smallholder Group Scheme v. recent/early days (2010)</p> <p>Land access retained, support from a number of external organisations, and from plantation company, seeking RSPO</p>	<p>“The smallholder-company partnership model puts native communities in the driver’s seat of the agribusiness venture. In this case study, customary landowners have autonomous authority over their land and plantations.”</p>
Sabah	<p>State agency and Dalit communities</p> <p>1718ha plantation. 60:40 profit sharing arrangement (60% to communities)</p>	<p>Monthly incomes gained sometimes below average – used for school fees and unexpected expenses. Provides supplementary income but not sufficient for participants to advance in any significant way. Labourers on the estate mostly Indonesian due to low wages. Negative implications of replacement of swidden with oil palm.</p>
	<p>State agency and Tongod communities</p> <p>30 year agreement. 70:30 shareholding (70% is SLDB)</p> <p>Land title guaranteed at end.</p>	<p>Land in trust during venture. Some weaknesses in space for negotiation. Potential for significant economic gain and livelihood diversification.</p>

Brief summary of findings

- Extreme diversity of models and combinations thereof, including diverse, evolving emphasis on commercial vs development objectives
- No silver bullet: eg mixed evidence on JVs / equity participation
- Nature of players key – eg role of CDC in MDC and Kascol (expertise, political risk mitigation); dynamic entrepreneur in MBSA, local entrepreneur in Keresia (commitment to local context and working with farmers)
- Job creation seen as key development benefit – but relatively few jobs in operational ventures, downward pressures on wages (eg Zambia)
- Maximising positive linkages with local economy key – supply chain relations, equity participations....
- Not just income concerns – farmers value having control (Zambia, Malaysia)

- Context and crop matter: eg crop perishability, need for processing, transport costs and/or lack of competing processors reduce sideselling risk – contract farming for sugarcane (Mali, Zambia) and jatropha (Mali); existing mill (Malaysia)
- Policy matters – land restitution in South Africa, joint venture policy in Malaysia, roles of chiefs in Ghana
- Addressing transaction costs linked to large farmer numbers – coops (MBSA, Kascol, ITFC), DFI financing, possible role of intermediaries (also quality/reliability assurance)
- Whatever the model, proper community engagement, grievance mechanisms, and realistic expectations key – requires genuine commitment from investors
- Expanded criteria for success – what are all parties looking for?

Gender dimensions

- Significant gender differentiated outcomes – key factor for food security and nutrition considerations
- More inclusive models do not automatically benefit women
- Prevailing social and cultural norms dominate implementation and outcomes – gender *blind* does not mean gender *neutral* outcomes
- Investors: gender or equity policy; understanding local livelihoods, income and employment generation for whom?; rigorous ESIA; crop choice matters; consider all barriers, attention to labour standards.
- Policy dimensions
 - Women's status; family law; inheritance law; gender equality law; women's land access; women and agriculture (access to services and credit); labour laws; participation in decision-making.

Drivers of inclusivity and sustainability

- Control over resources and decision-making
- Equity shares – shared profit/shared risks but also gives a voice
- Environmental management
- Employment – quantity and quality
- Skills and training
- Local institutions
- Technology transfer
- Infrastructure and community development
- Outreach and communication
- Innovative and open partnerships
- Local linkages
- Third party certification

“self-esteem, self-satisfaction, motivation and feeling of ownership” – may be more important to long-term development than more tangible benefits
(FAO, 2012)

Legal and policy implications

Shaping/enabling the models *and* the outcomes

- **Policy Incentives** towards smallholder-oriented investments
 - Investment codes and tax incentives – e.g: for sourcing from small-scale producers; including them as shareholders; including local content clauses;
- **Institutions:** inclusive investment ‘readiness’ (negotiating power, producer associations, transparency mechanisms, partnerships)
- **Bottom-up planning:** LUP and smallholders seeking investors and supply chain linkages
- **The model is not enough!**
- **Legal frameworks, safeguards and public accountability**
 - Accountability (as rights and as power)
 - National, regional and international frameworks (land, agricultural, investment)
 - Protection skewed towards investors
 - Participation, transparency, grievance mechanisms, FPIC
 - Capacity for scrutiny of laws and contracts – legal compliance, social impact?
 - Legal redress mechanisms

Thank you!



Resources:

Agricultural investments

<http://www.iied.org/land-grab-or-development-opportunity>

New Business Models for Sustainable Trading Relationships series.

<http://www.iied.org/new-business-models-for-sustainable-trade>

www.iied.org

Emily.polack@iied.org