

LARGE SCALE INVESTMENTS IN LAND: DÉJÀ VU OR NEW DEVELOPMENT OPPORTUNITY

MONDAY, MARCH 2
1:30 – 3:00



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Large Scale Investment in Land: What is Really Happening?

ARD, ENV, SDV, DEC, PROFOR

in collaboration with

IIED and FAO



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Media Attention

The image shows a screenshot of the BBC News website. At the top left is the BBC logo, followed by 'Low graphics' and 'Help' links. A search bar is on the top right. Below the navigation bar, the word 'NEWS' is prominently displayed in white on a red background, with a 'LIVE' indicator and 'BBC NEWS CHANNEL' text. A sidebar on the left lists various news categories: News Front Page, World, UK, England, Northern Ireland, Scotland, Wales, Business, Market Data, Your Money, Food, Politics, Health, and Education. The main content area features a headline: 'Daewoo leases African plantation' with a sub-headline: 'South Korean firm Daewoo has unveiled plans to plant corn on one million acres of land in Madagascar, sharply cut its reliance on US imports.' The byline reads 'By Song Jung-a and Christian Oliver in Seoul and Tom Burgis in Johannesburg. Nov. 19 2008'. A photograph of a green combine harvester in a field is shown on the right. A diagonal banner across the page reads 'Daewoo to cultivate Madagascar land for free' and includes the 'FT.com FINANCIAL TIMES' logo.



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Civil Society Attention - GRAIN

Seized: The 2008 landgrab for food and financial security

GRAIN

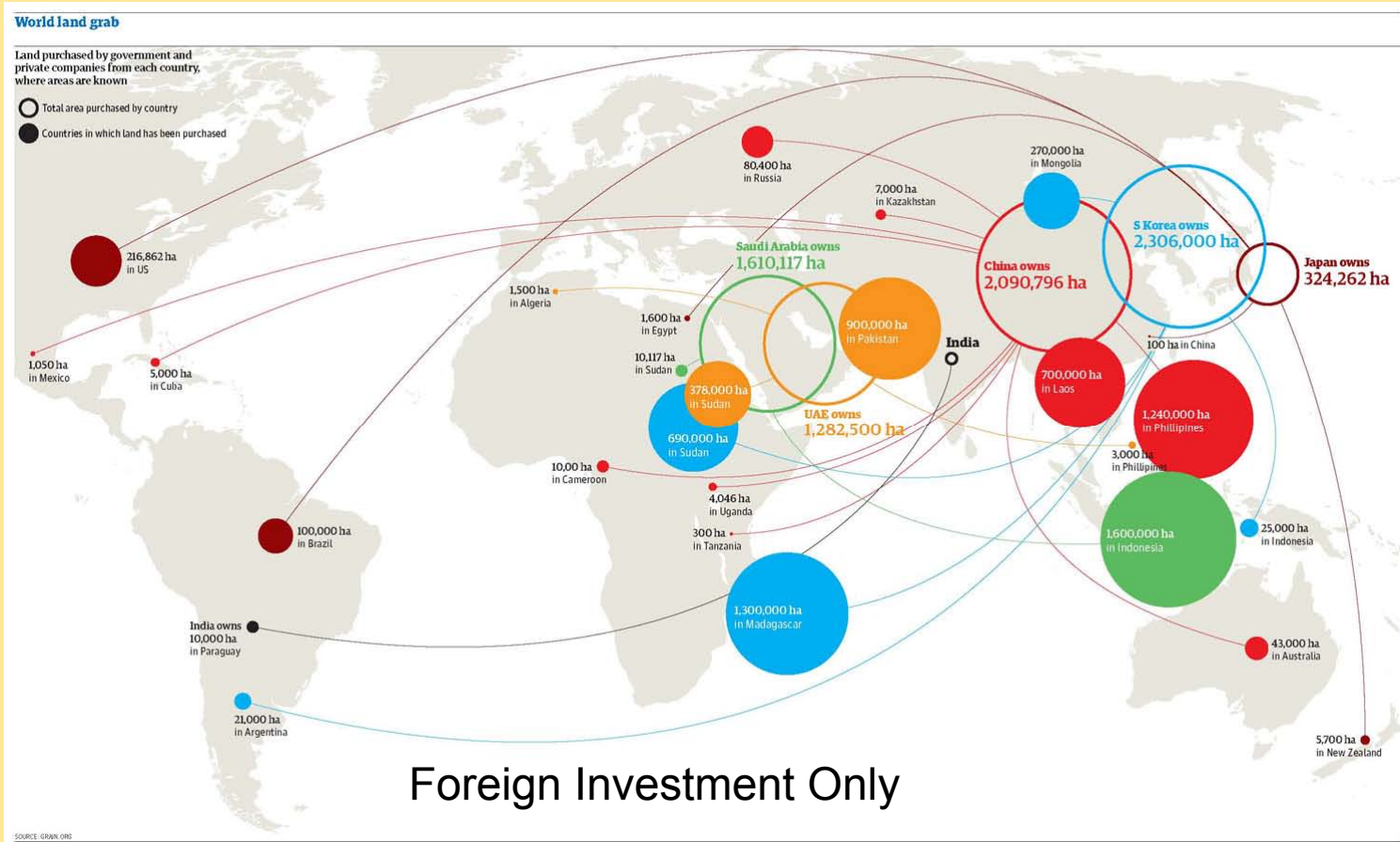
Today's food and financial crises have, in tandem, triggered a new global land grab. On the one hand, "food insecure" governments that rely on imports to feed their people are snatching up vast areas of farmland abroad for their own offshore food production. On the other hand, food corporations and private investors, hungry for profits in the midst of the deepening financial crisis, see investment in foreign farmland as an important new source of revenue. As a result, fertile agricultural land is becoming increasingly privatised and concentrated. If left unchecked, this global land grab could spell the end of small-scale farming, and rural livelihoods, in numerous places around the world.



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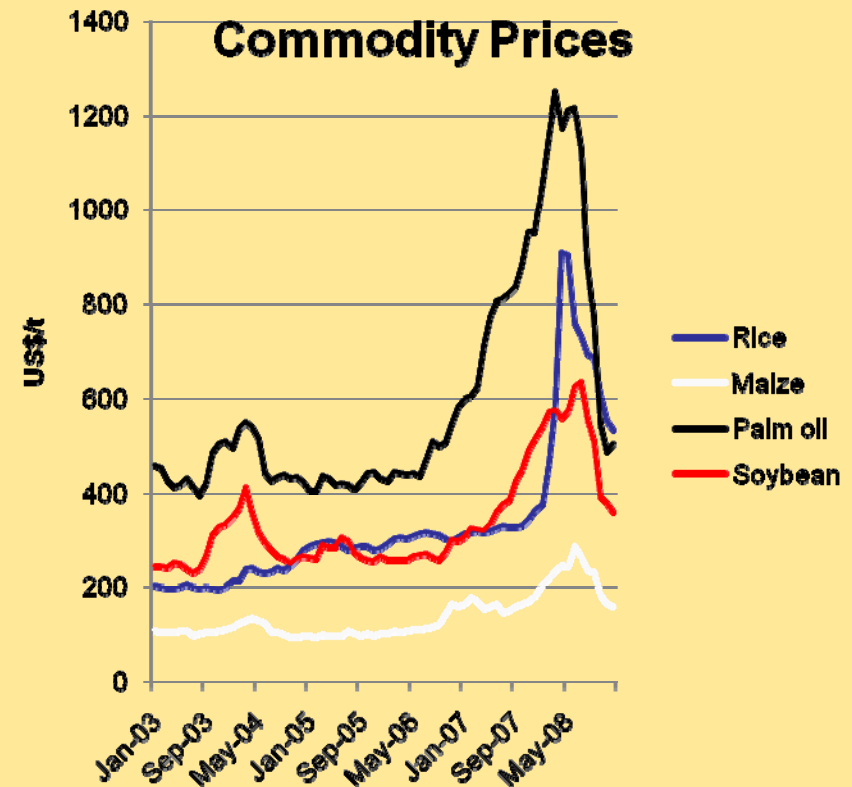
GRAIN's Land Grab Map



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What are Major Drivers—Demand Side

- The scramble for biofuels
 - Domestic and exports
- Food security
 - FDI by food importing countries with Yuans & Dinars to invest
- Domestic investors
- Expectations of payments for avoided deforestation?
- Speculation?



But Why Large Scale?

- Déjà vu--“plantation crops”—sugarcane, oil palm, jatropha?
 - Well established reasons to favor large scale (plus outgrowers)
- New technologies and management tools
 - ICT, precision agriculture, remote control (Agadi Farms)
- Global farming by Wall St
 - Altima –IFC venture
- From ‘small is beautiful’ to ‘bigger is better’ thinking
 - Some academics, governments



So What if it is Large Scale?

A major opportunity

- Opening of land abundant and remote regions
- Export development
- New industries--biofuels
- Employment generation
- Technology transfer

But with significant risks

- Lack of attention to existing land users
- Undermine governance
- Short-term interests
- Negative environmental externalities



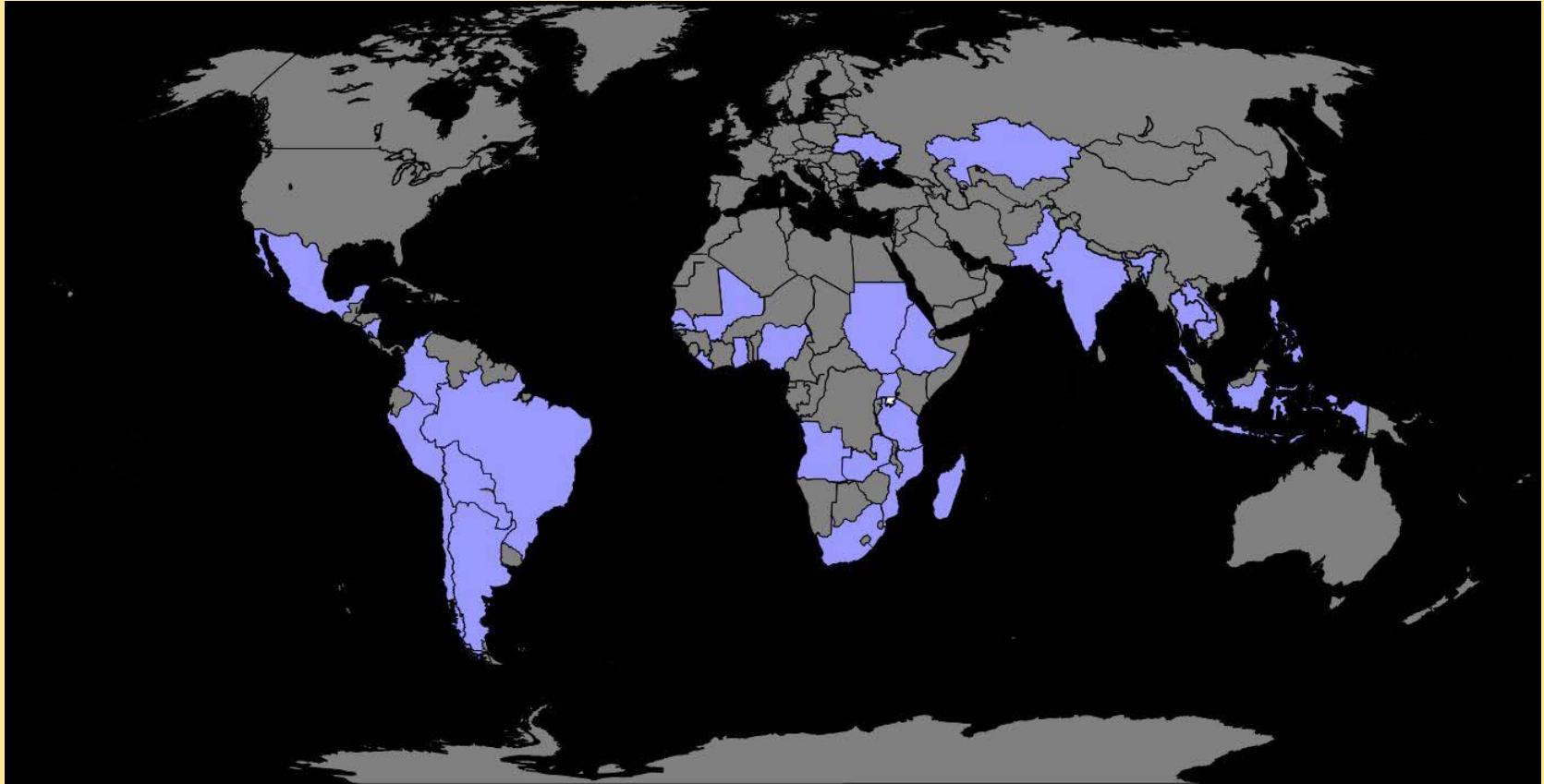
The Study will Address Four Questions

1. What is really happening on the ground?
 - Quantification and characterization of investment projects.
2. Is the policy, legal and institutional environment adequate?
 - Diagnosis of gaps and capacities
3. Are these sound investments?
 - Financial and economic analysis of projects
4. What about social and environmental impacts?
 - Analysis of positive and negative impacts



The Countries Selected (30)

(based on activity level, region, nature of land markets)



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Two Phases

■ Phase 1

- National (or state)
- Inventory of projects and policy review
- Being piloted in eight countries

■ Phase II

- Field based for a subsample of projects and countries
- Project specific financial, economic, social and environmental assessments

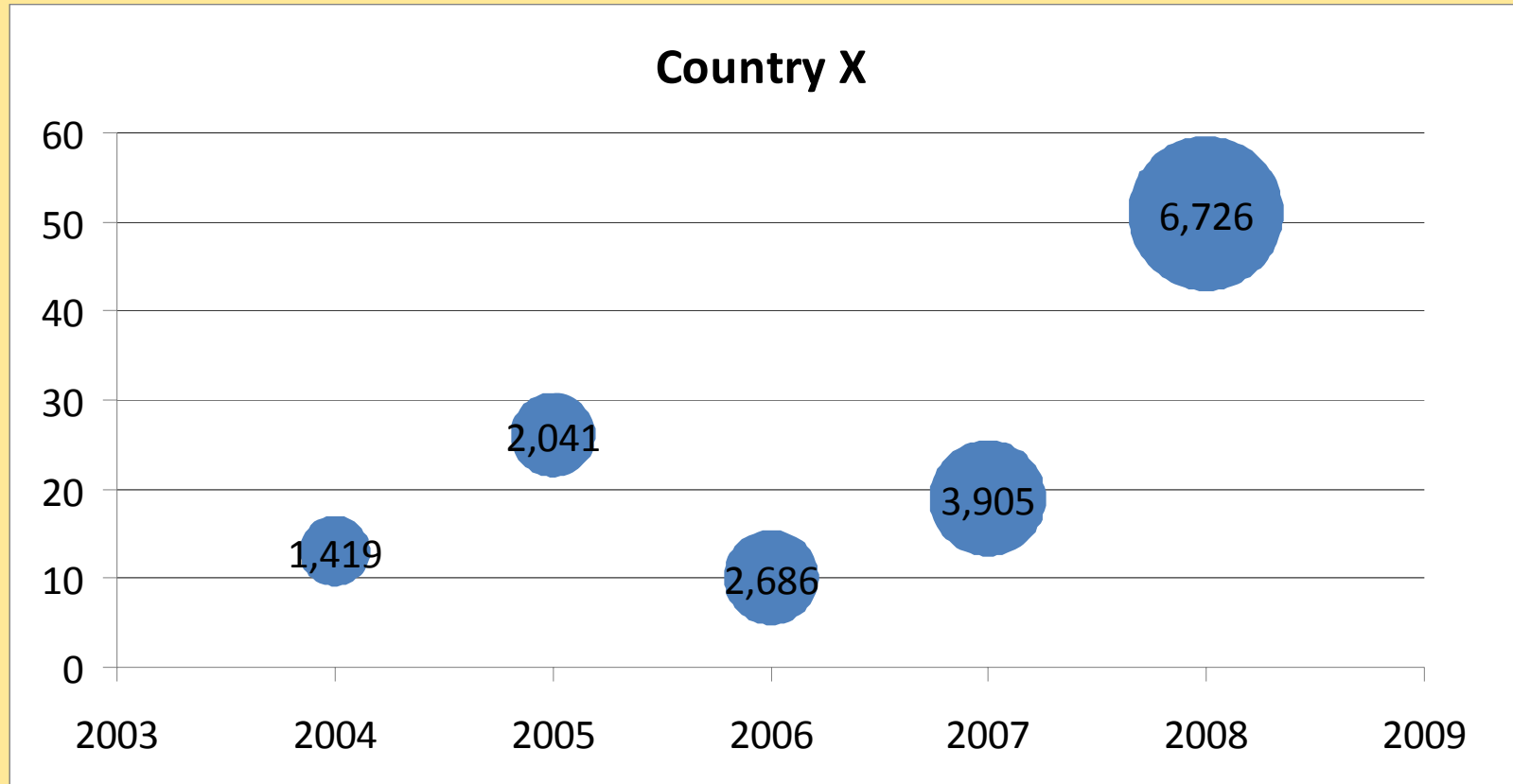


1. The Project Inventory

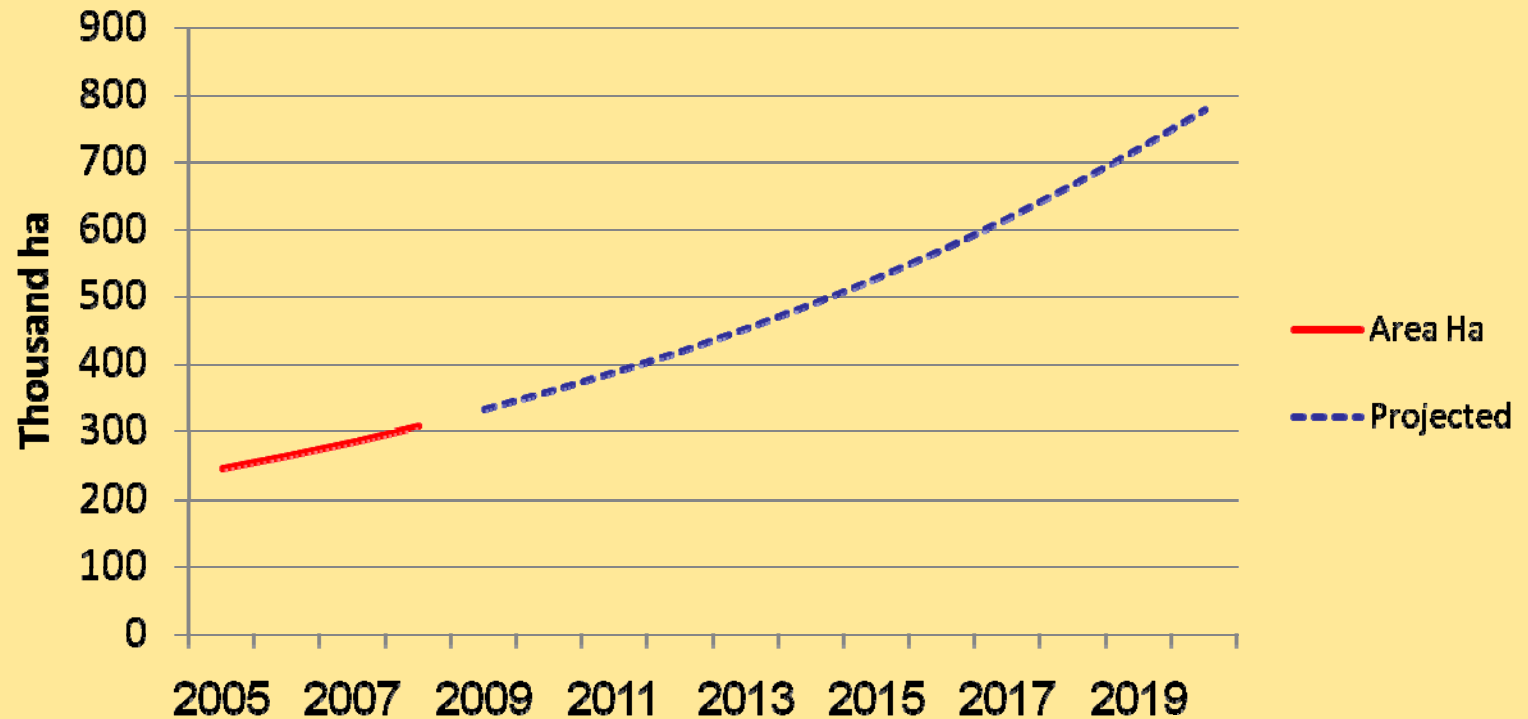
- A country-specific database:
 - Of investments and proposals involving land acquisition (> 500 - 5000 ha)
 - Ha, crops/enterprises, type of investor, outgrowers?
 - Status of investment
 - Pipeline, approved, under implementation
- Uses a variety of sources: investment promotion agency, ministries of land, NGOs and other key informants
- Geo-referenced to facilitate economic, social and environmental impact analyses



Number of Applications for Agriculture (and average hectares)

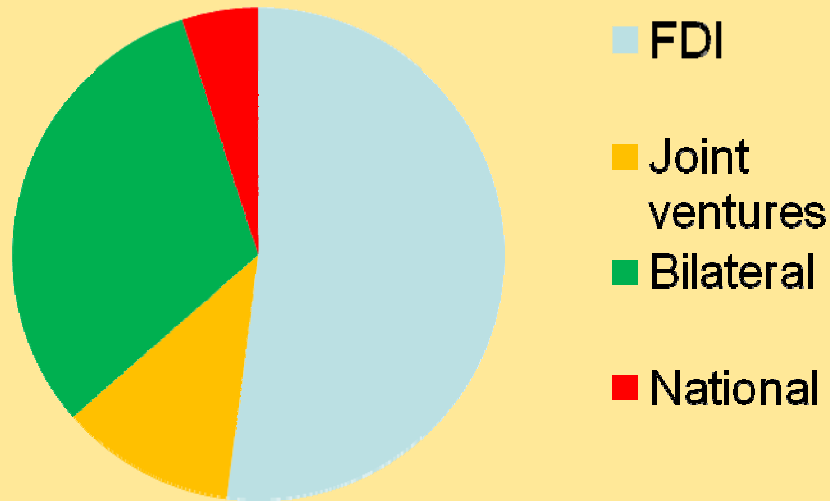


Expansion for Oil Palm for Biodiesel, Colombia

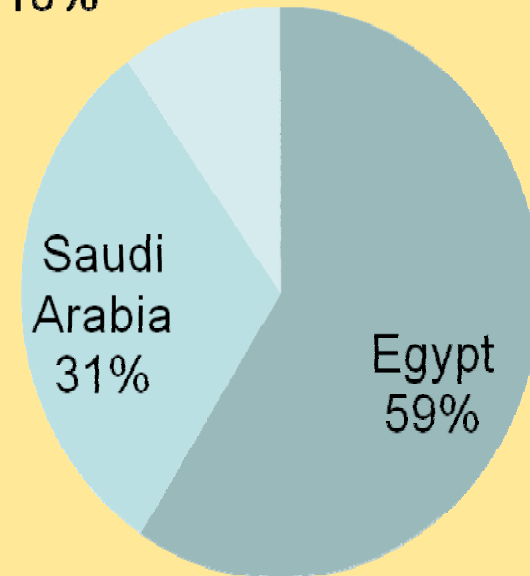


Land Allocation, Sudan

1 million ha, 1998-2002



Other Arab 10% Source FDI



2. The Policy Review

- A diagnostic tool based on the land governance toolkit
 - To identify adequacy of policies, legal frameworks and institutional capacities
 - Based on 42 indicators to assess :
 - the processes through which land is made available
 - the processes through which investments are selected
 - the requirements to carry out and publicize social and environmental impact assessments
 - the institutional capacity to implement these policies



3. Financial and Economic Analysis

■ If a financial analysis is available

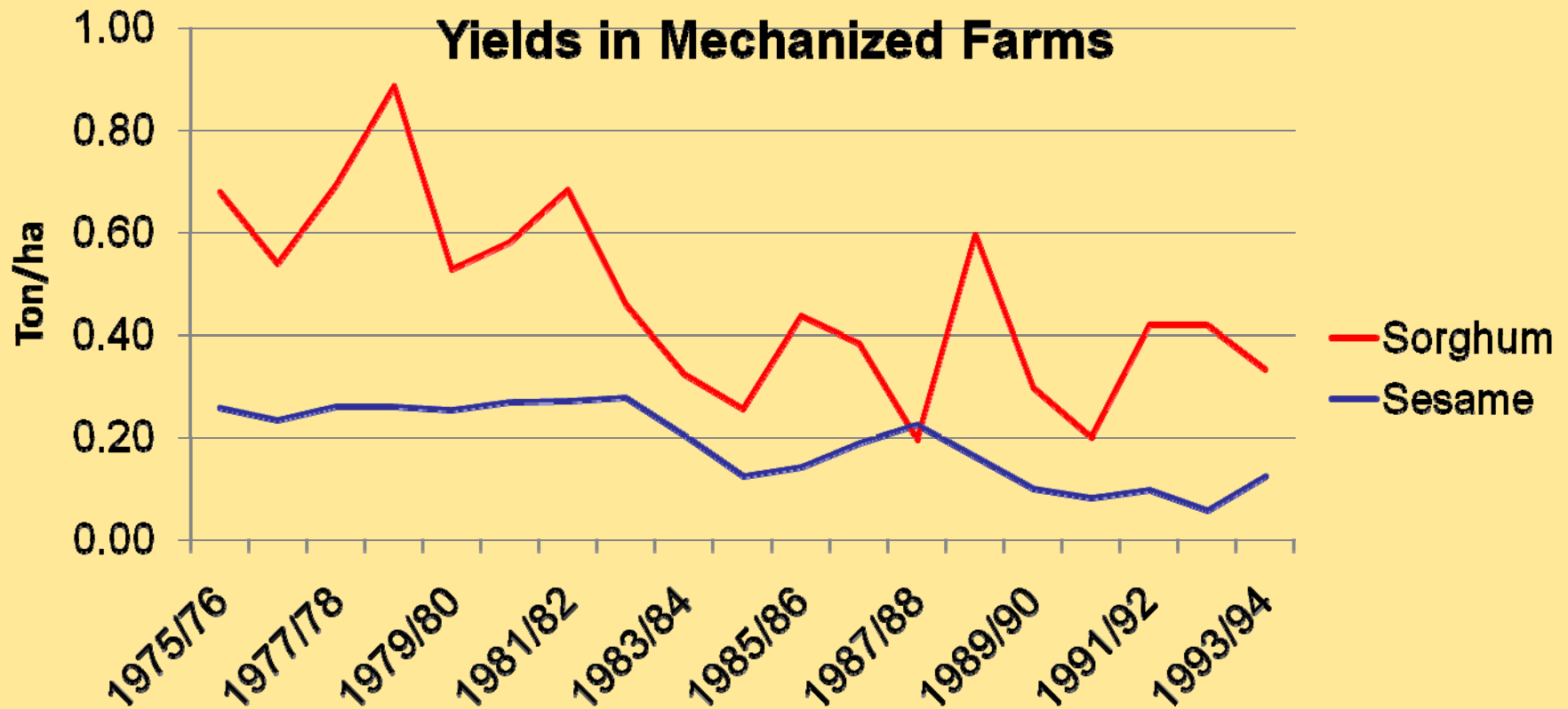
- “Tire check” the yield and other technical parameters
- Realism of price assumptions (2008?)

■ Economic analysis

- Particular focus on opportunity cost of land in existing uses
 - Often use zero cost of land!
- Take account of large incentive/subsidies provided by government
 - Biofuel mandates, infrastructure,

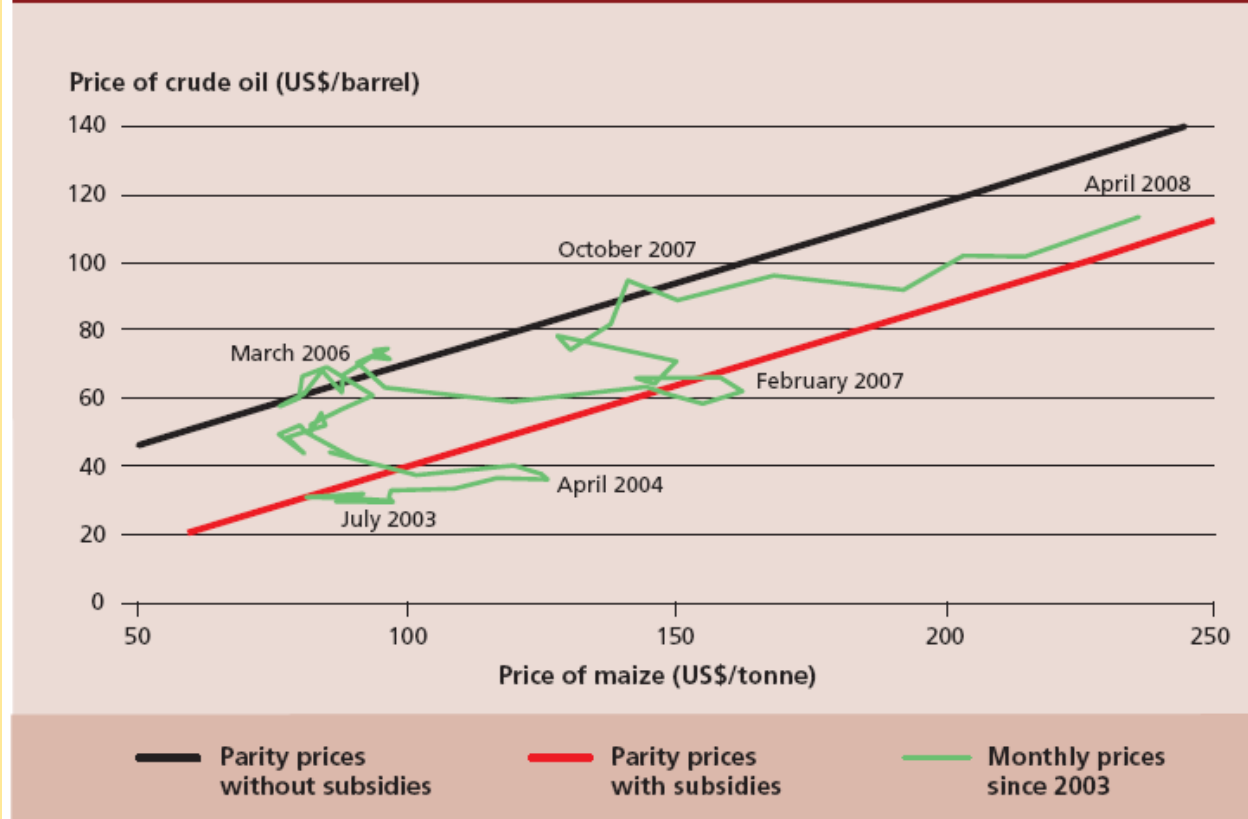


Large-Scale Farming and Poor Yields in Sudan



The Tricky Economics of Biofuel

FIGURE 13
Maize and crude oil breakeven prices and observed prices, 2003–08

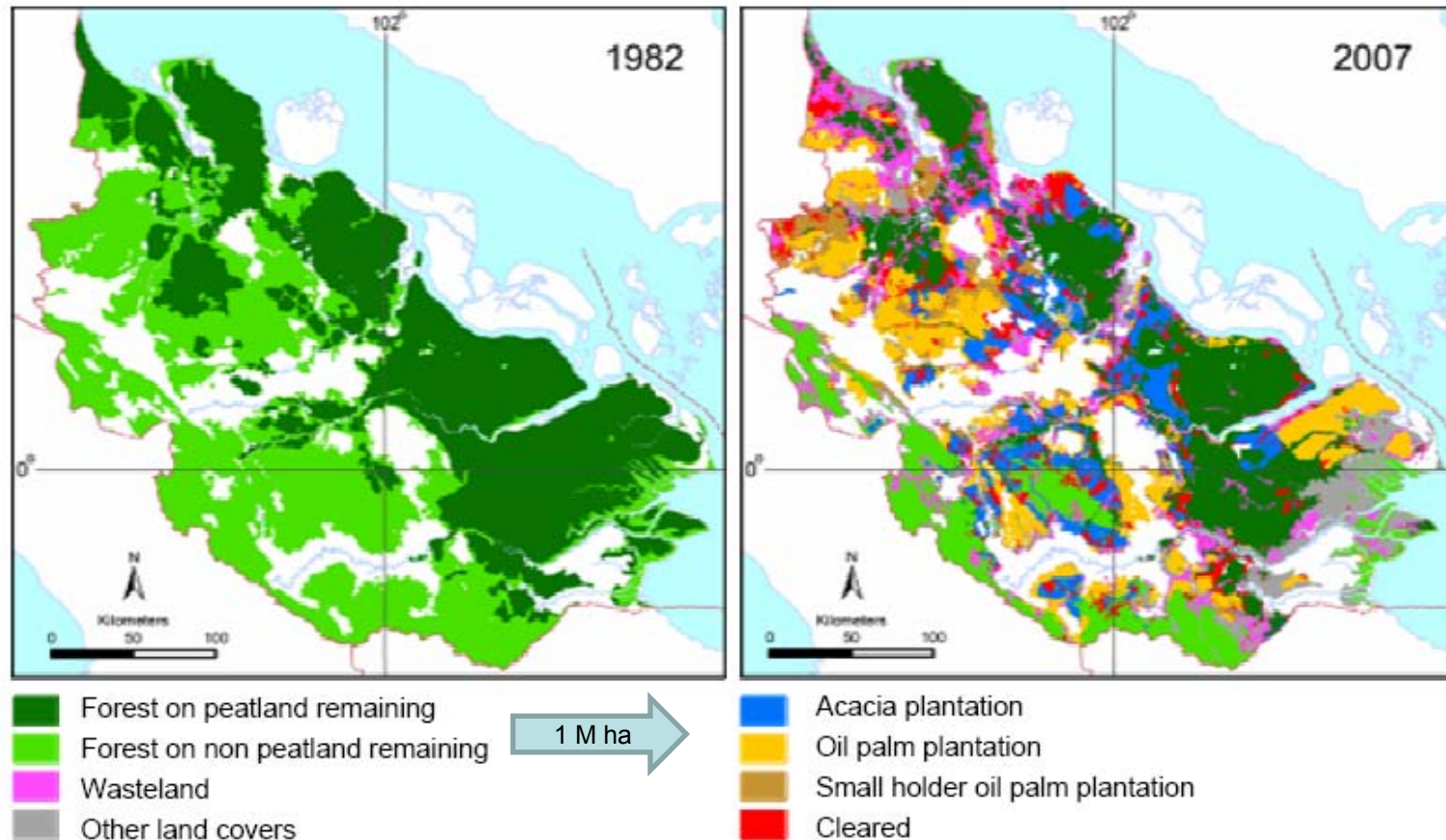


3. Environmental Assessment

- For a subset of investment proposals, the study will examine
 - Safeguards in place
 - What environmental considerations were taken into account
 - Features of the project design to mitigate environmental impacts
- Review of actual/potential indirect effects
 - Land expansion elsewhere due to prices, lack of regulations
- Use of geo-referenced data



Impacts of Large Scale Farming and Forest Plantations, Riau, Indonesia



4. Social Impacts

■ Analysis of the macro context

- Existing social, political and historic situation
- Key land and natural resource tenure issues related to disadvantaged groups

■ Analysis of specific investments

- Process of consultation
- Social impact assessment process
- Compensation mechanisms and arrangements with local communities
- Benefit sharing



A Worst Case Scenario!

- “Various studies indicate that in many cases the expansion of palm cultivation has been conducted with serious human rights violations, including forced displacement, massacres, threats, land confiscation and murders”

Social impact analysis, Colombia, 2008



The Product

- Empirical
 - Some in-depth country studies
 - Global data, trends and drivers
 - Overall assessment of benefits and risks
- Policy guidance
 - Good practice guidelines and examples
- Timetable
 - Phase 1—March/April
 - Phase II—May-Aug
 - Synthesis—Sept--Dec



Expected Findings (Hypotheses)

- New wave of large-scale farming and forestry investments that will continue even with lower commodity prices
- New drivers and new actors are leading to some very large investments with major new development opportunities
- Most countries have significant policy and regulatory gaps in land policies to effectively manage these investments
 - Capacity constraints for processing applications, enforcing safeguards, monitoring social and environmental impacts
- Lack of transparency results in rent seeking and undermining of good governance
 - The 'natural resources curse'



Help!



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