

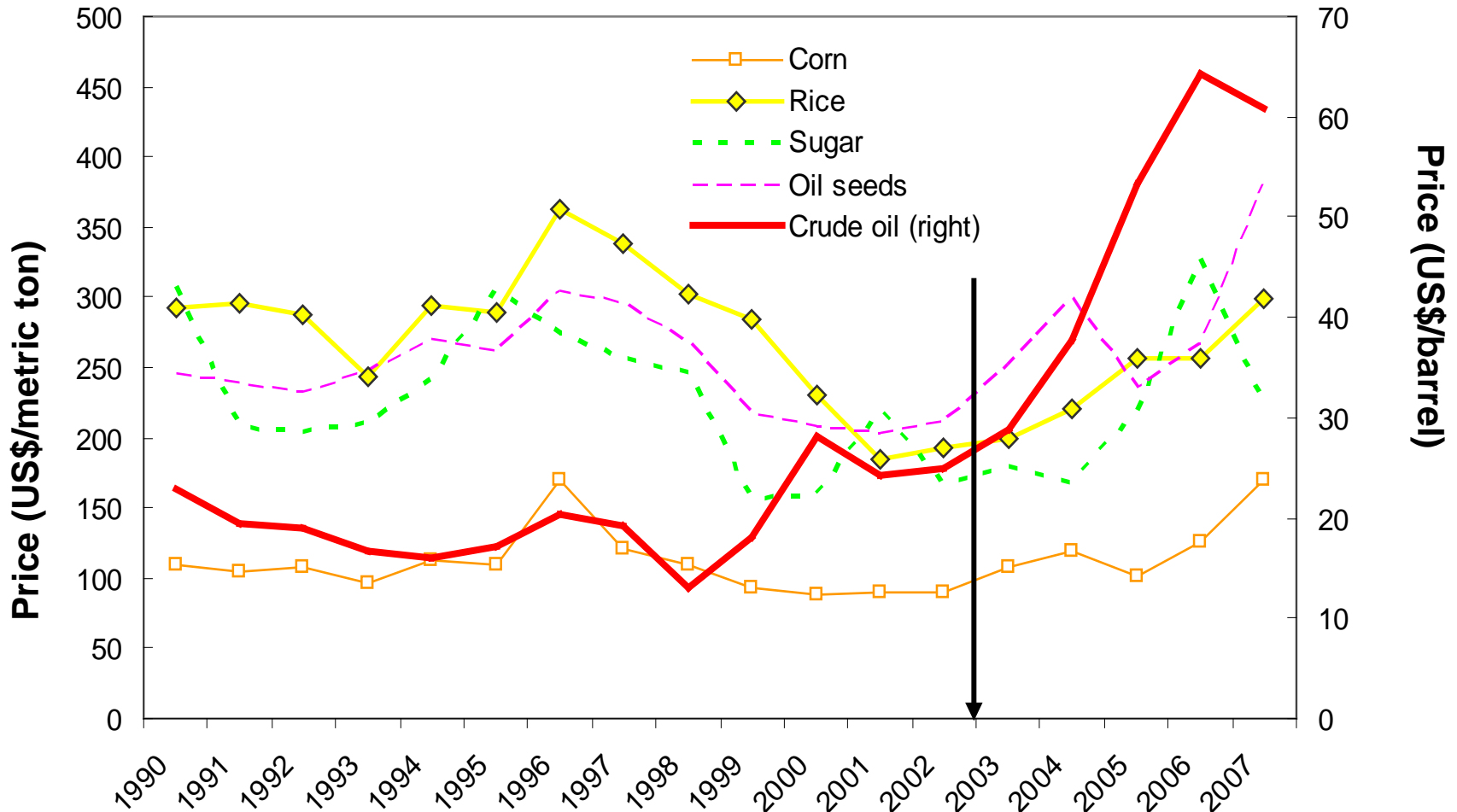


Sustainable Commercial
Agriculture, Land and
Environmental (SCALE)
Management Initiative

*Achieving a Global Consensus
on Good Policy and Practices*

John E. Lamb
Agribusiness Team Leader
Agriculture and Rural Development Department
World Bank

When prices for major food products began to rise in 2003, and peaked in 2008..



Source: World Development Report 2008

...international agencies reacted quite quickly to mitigate the effects on vulnerable populations

- ❑ UN Secretary General's **High-Level Task Force for the Global Food Crisis** established Berne, April 2008
- ❑ **UN Comprehensive Framework for Action** was launched at the UNGA in September of 2008
- ❑ Priority given by all partners to **fundraising by/for WFP for humanitarian assistance**
- ❑ Agreement reached on:
 - **Need for rapid financing** to countries to support policy changes
 - **Social protection**
 - **Risk mitigation** using financial tools, physical hedging
 - **Maintain productive capacity** in short run
 - 👉 **Transition to longer term food production viability**

...and the World Bank Group took the lead via the GFRP

- ❑ Global Food Crisis Response Program was approved May 29, 2008 as **umbrella** for providing rapid Bank support for a comprehensive response to the crisis
- ❑ **Provides balance** between short run food stabilization and measures to ensure countries able to cope better in medium term, including longer term action and lending to enhance **agricultural productivity**
- ❑ GFRP seeks to:
 - **Minimize threat of rapid unforeseen increases** in food and agricultural input prices to poor people
 - **Help clients avoid short term responses that are counterproductive** in the longer term by offering advisory assistance

Key elements of the GFRP

- ❑ **Fast-tracking of up to \$1.2 billion of Bank resources:** existing country envelopes, re-programmed funds, regional IDA funds where appropriate, a new \$200 million trust fund from IBRD surplus (Food Price Crisis Response Trust Fund)
- ❑ **Greatly expedited procedures for rapid response** by streamlining Bank approval procedures

Key elements of the GFRP (cont.)

- ❑ **Component 1: Food price policy and market stabilization**
 - Examples: Support for grain stock management, improved use of market-based instruments to manage food prices, tax and trade policies

- ❑ **Component 2: Social protection actions to ensure food access and minimize the nutritional impact of the crisis on the poor and vulnerable**
 - Examples: Cash transfer program (CCTs, food stamps), school feeding, targeted food supplements and micronutrients

Key elements of the GFRP (cont.)

- **Component 3: Enhancing domestic food production & marketing response**
 - Seed and fertilizer supply and market development
 - Rehabilitation of small-scale irrigation
 - Action research and CDD support for post-harvest loss reduction
 - Strengthening access to finance and risk management tools

- **Component 4: Implementation support, communications and monitoring and evaluation**

Progress to date under the GFRP

- ❑ **\$916 million in 40+ Board-approved projects in 31 countries since May 29, 2008**
- ❑ **\$734 million of this has been disbursed (80%)**
- ❑ **\$258 million from Bank in firm pipeline in 9 countries**
- ❑ **Overall, \$1.174 billion in Bank funds approved and planned in 36 countries worldwide**
- ❑ **Additional pipeline of \$187 million in external trust funds (Australia, Russia, EC) directed to 17 countries**
- ❑ **GFRP grew into a \$1.4 billion effort targeted to 44 separate countries**
- ❑ **Recently it was extended another year with a revised ceiling of \$2.2 billion**

Concurrently we were aware of the possibility of increased speculation around land and commodities

October 2008

GRAIN Briefing

SEIZED!

The 2008 land grab for food and financial security

October 2008

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Page last updated at 13:16 GMT, Wednesday, 19 November 2008

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Daewoo leases African plantation



South Korean firm Daewoo has unveiled plans to plant corn on one million acres of land in Madagascar, to sharply cut its reliance on US imports.

Daewoo is leasing the vast tract of land - half the size of Belgium - for 99 years and hopes to produce 5 million tonnes of corn a year by 2023.

It will use South African expertise and local labour on the plantations.

Asian countries have been trying to ensure access to food supplies after grain prices soared earlier this year.

Daewoo will also grow palm oil on another 300,000 acres of land leased in Madagascar.

Asian countries are largely dependent on US corn imports

News Front Page

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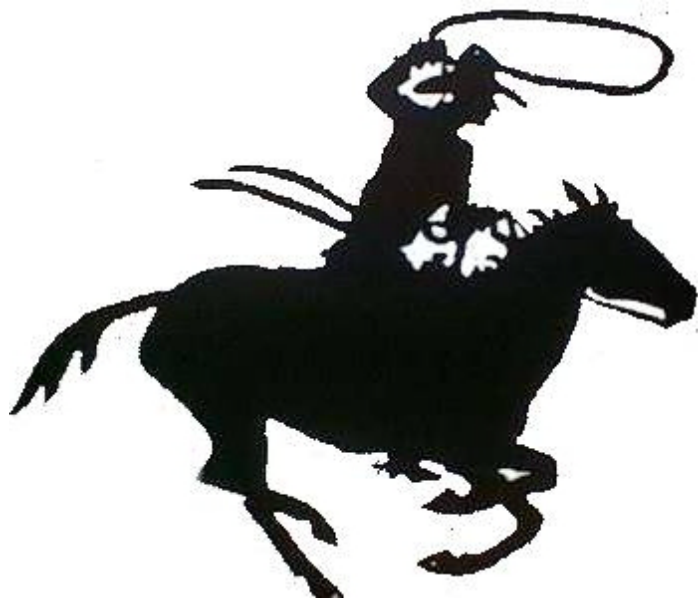
...but we were thinking more about the GFPR and medium-term response until these came out

How to view this?



- Is this something to be alarmed about?
- Or something to welcome?
- Both?
- Neither?

It became clear that this was a moving target...



and that various investor types and motives were involved

Investor class

Apparent motive

☐ Multinationals

- Food companies
- Bio-fuel companies
- Extractive industries

☐ Financial services

- Investment banking
- Private equity
- Hedge funds

☐ Governmental entities

- Sovereign wealth funds
- GLCs
- Leading enterprises

- ☐ Pursuit of competitive advantage in core business
- ☐ Use topside or idle land
- ☐ Land speculation
- ☐ Commodity speculation
- ☐ Diversification of risk/returns
- ☐ National food security
- ☐ Hedge against inflation
- ☐ Better financial return

We wondered how it might affect our Agenda for Inclusive, Sustainable Development

- 1) Sustain and broaden the growth momentum
- 2) Achieve better results in human development
- 3) Integrate development and environmental sustainability
- 4) Scale up aid and increase its effectiveness
- 5) Harness aid for strong, inclusive, sustainable growth
- 6) Leverage IFI support for inclusive and sustainable development

If we were to engage, for what purpose(s)?

- Avoidance of harm, in every sense? **yes**
- Safety net for affected people and places? **yes**
- Build-up of productive infrastructure? **yes**
- Faster agricultural sector growth? **yes**
- Broad, fair distribution of benefits? **hopefully**
- Increase in agri-food exports? **maybe**
- Economic growth in target country? **probably**
- More food security for the vulnerable? **yes**
- Progress on MDGs in target country? **hopefully**
- Help feed the world? **May not be massive enough**

...what roles should we play?

- ✓ Clarify the issues, which are complex
- ✓ Examine historical precedent, extract lessons
- ✓ Get the facts straight, through field research
- ✓ Monitor and report on evolving phenomenon
- ✓ Provide advice to governments on handling it
- ✓ Assess and communicate investment impacts
- ✓ **Assert leadership within the donor community to shape the global response**
- ? Try to influence major investors or originating countries
- ? Show best practices by example



Despite the return of commodity prices, and the global recession, the trend seemed to “have legs”

~20 to 50 million hectares in play, out of potential 200-800 million available*

~\$20-50 billion of capital involved*

~15 initiating countries (GLCs and banks from Gulf States, China, Russia, Korea, Japan, Singapore, Malaysia; financial services firms from EU and US; global hedge and private equity funds)

~15 target countries (especially Sub-Saharan Africa, SE Asia, South America, FSU)

Very hard to be sure because of misreporting, media hype, long time horizons for concessions, use of gross vs net areas, and general lack of transparency



Getting it right on land is critical...

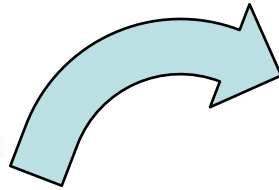
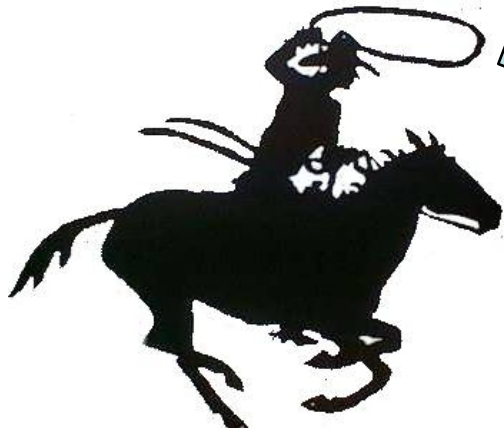


...yet not sufficient



Support of Development Partners	Clearer Commitment of Government	Better Land Policies, Legislation, Governance	More Equity in Distribution	More Secure Land Rights	Better Access	Reduced Vulnerability
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So this is was where we found ourselves
a few months back...



Evolving Thinking: Basic Premises of SCALE

1. Increasing pressure on productive land resources in developing countries emanates from a variety of investor groups with a mixture of motives and purposes.

Evolving Thinking: Basic Premises of SCALE

2. Although there has been simple land speculation, most of the pressure derives from a desire to commercially produce food, feed, fiber or fuel-stock, either directly to profit from agriculture or else to enhance food security or generate energy.

Basic Premises (cont.)

3. These circumstances translate into entrepreneurial activity in agriculture, i.e. agro-enterprise.

Basic Premises (cont.)

4. It follows that constructive engagement should occur with the main protagonists involved in the enterprise or affected by it.

Basic Premises (cont.)

5. It is widely recognized that agro-enterprise has been the main driver of accelerated agricultural growth in developed countries as well as many emerging countries.

Basic Premises (cont.)

6. Modern agro-enterprise--done well-- achieves increases in value added mainly through improved productivity and competitiveness.

Basic Premises (cont.)

7. Value added in agriculture tends to increase with use of improved genetics and other technology, greater intensification, greater use of inputs and machinery, improved post harvest handling, better access to markets, and more professional management.

Basic Premises (cont.)

8. While some small-scale agricultural enterprises (e.g. for labor intensive crops) can raise value added on small production units, most modern agricultural enterprises must pursue scale economies to justify increased investment and a higher cost structure.

Basic Premises (cont.)

9. Market expectations--for more volume and consistency of supply of regulatorily-compliant product that meets buyer specifications--also favor greater scale.

Basic Premises (cont.)

10. Nevertheless, for developing country situations, there are other considerations such as better allocation of company capital, leveraging core competitive advantages, benefits of specialization, risk management, and political correctness—that favor some mix of own production (i.e. nuclear farm or processing plant) and outsourcing (e.g. via contract farming).

Basic Premises (cont.)

11. However achieved, rapid agricultural growth has been shown to significantly contribute to economic growth in developing countries.

Basic Premises (cont.)

12. A judicious combination of capital deepening, scale economies, better access to technology and markets, good management, and use of outgrower schemes that do not distort the economics of the particular enterprise can also improve rural prosperity in developing countries in an inclusive manner.

Basic Premises (cont.)

13. Improved rural prosperity is not only driven directly and indirectly by increases in agricultural income and employment, but also through induced effects in the rural space, i.e. through non-farm rural enterprise

Basic Premises (cont.)

14. However, aside from a boost in private investment, achievement of rapid agricultural growth requires a significant increase in public investment in technology development & transfer, productive infrastructure, and supporting public services

Basic Premises (cont.)

15. Yet even where public and private investment both increase substantially, there are significant challenges that must be actively managed in a collaborative manner to maximize positive outcomes from more rapid agricultural growth, and to minimize the negative possibilities.

Basic Premises (cont.)

16. Spreading the benefits also requires creation of more inclusive, cohesive societies, as well as accountable institutions

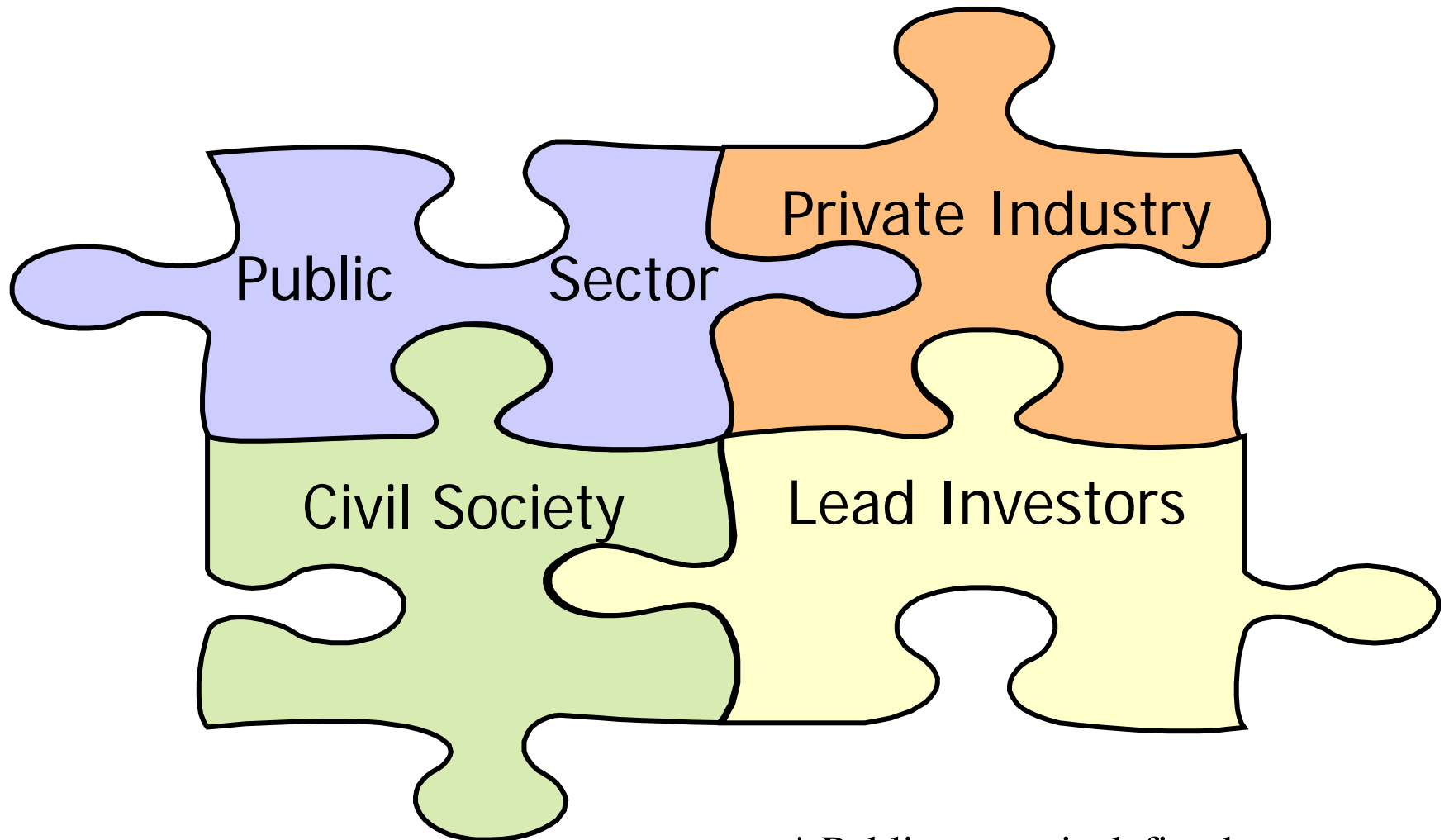
Basic Premises (cont.)

17. Achievement of benefits at all levels for as many people as possible will be enhanced by:
 - (a) a global consensus on core principles; and
 - (b) development of a toolkit for Good Policy and Practice in Land Extensive Agro-enterprise

Basic Premises (cont.)

18. To be effective and lasting, the global consensus must:
- (a) span the public and private sectors, as well as civil society;
 - (b) be adopted voluntarily by leading enterprises; and
 - (c) be managed by a recognized body or secretariat that is seen as impartial

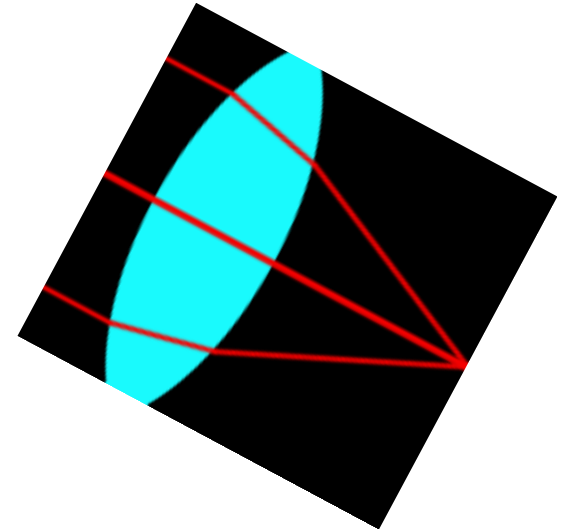
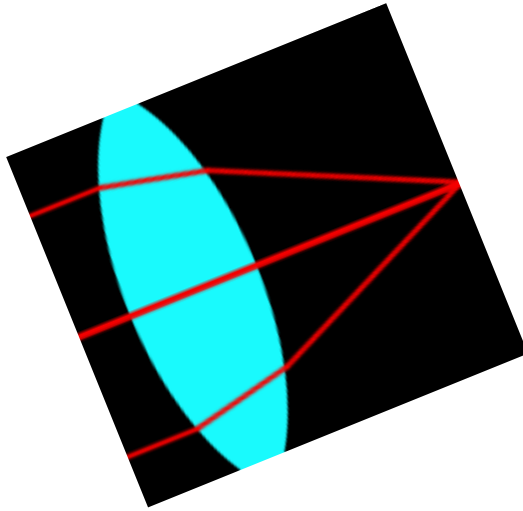
To solve the puzzle,
this is what we think needs to happen



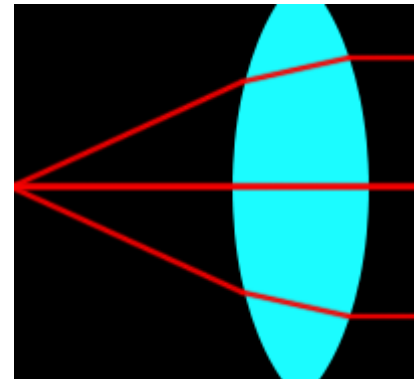
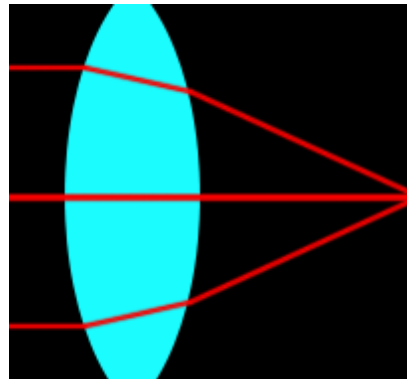
* Public sector is defined to
include donors

Yet before a broad consensus can be achieved,
the main sets of actors need to focus and converge

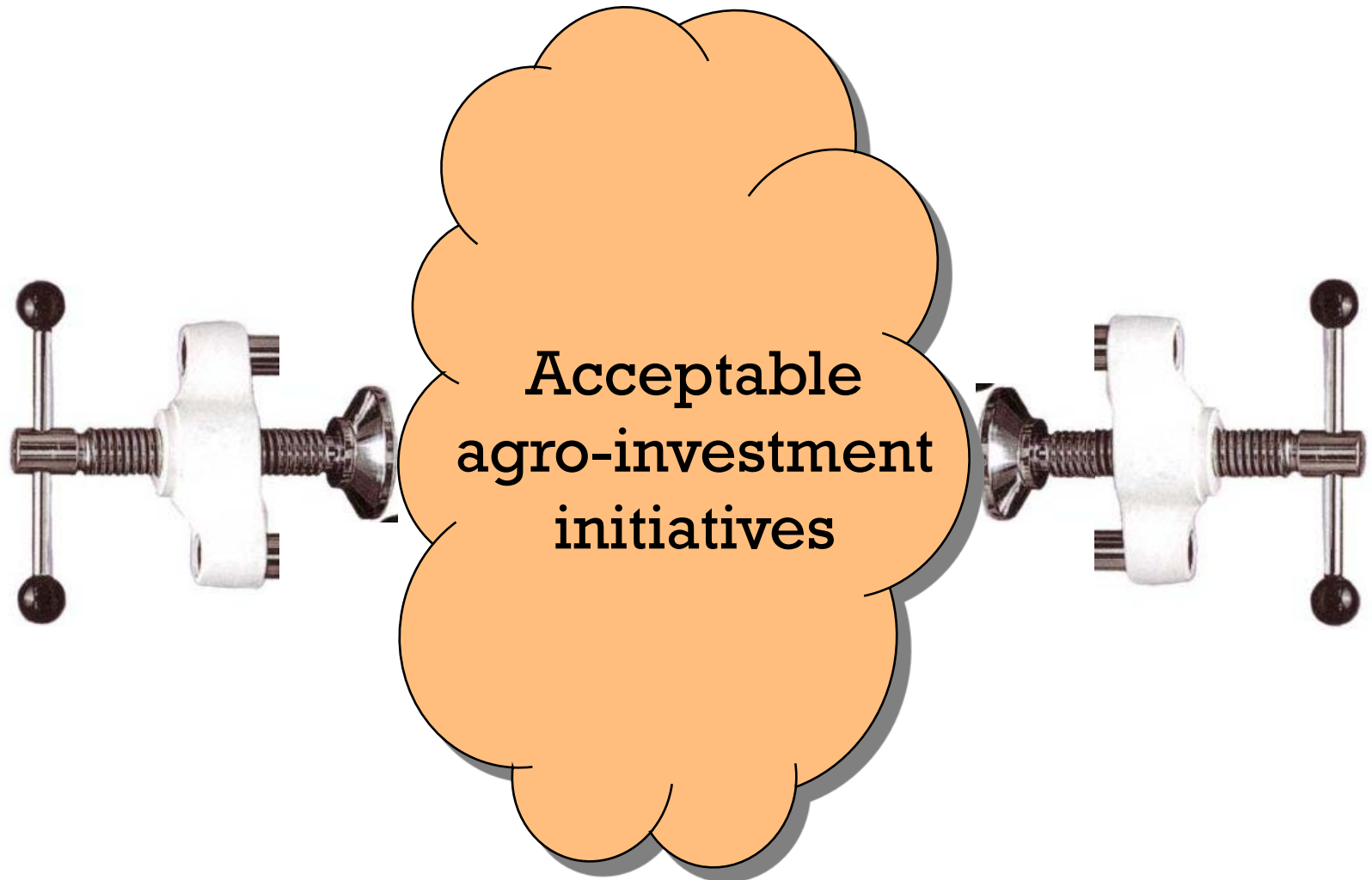
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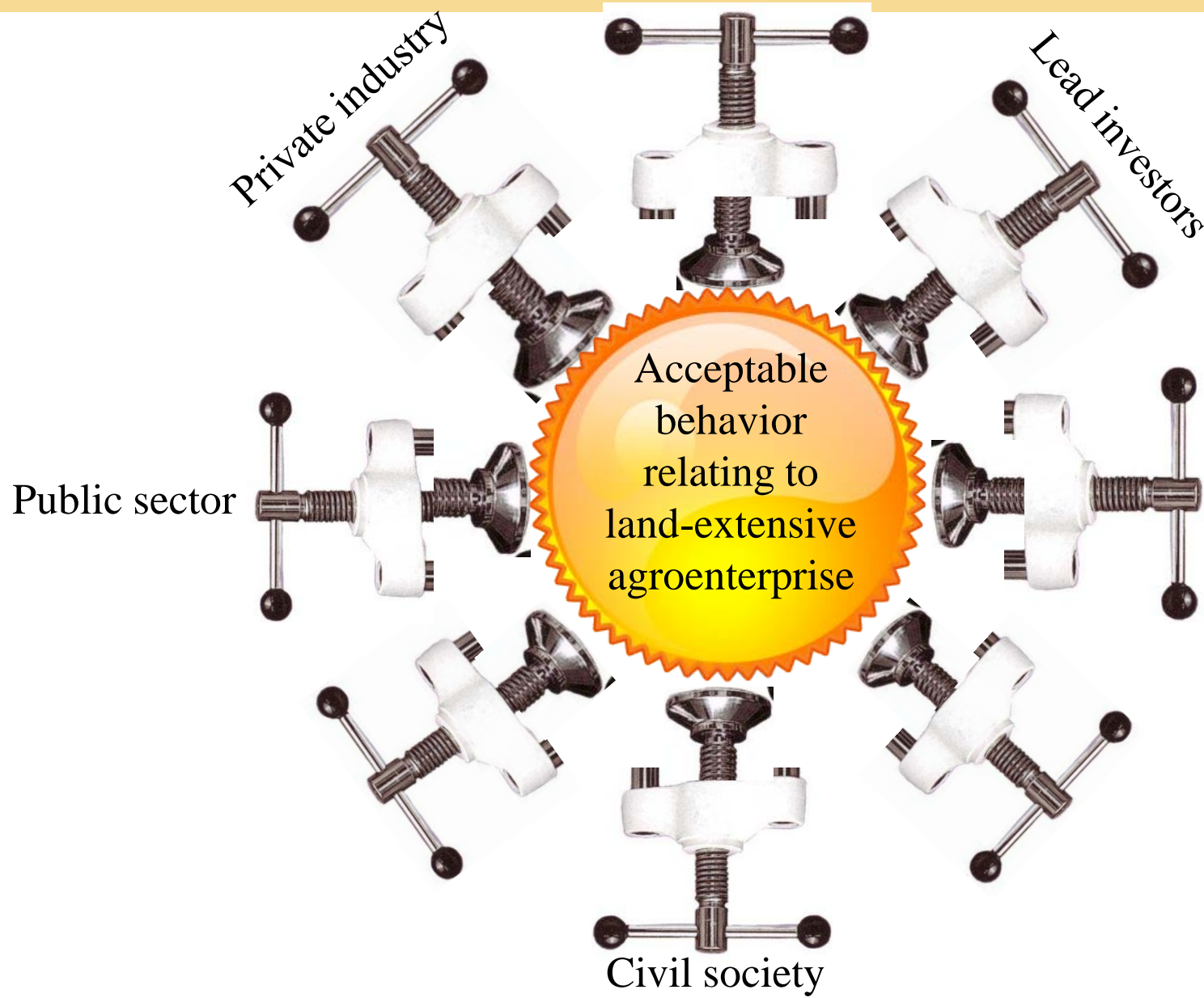
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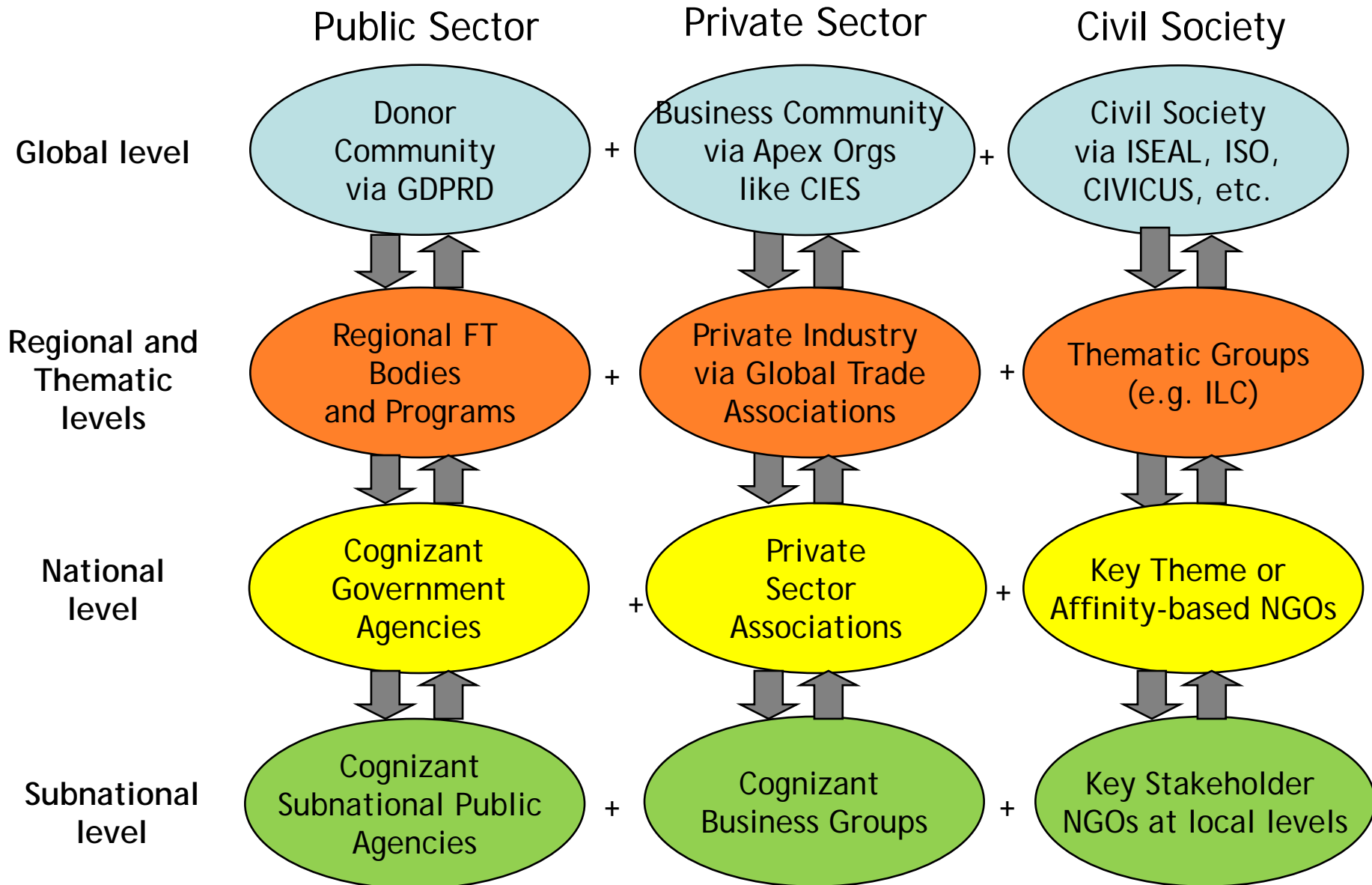
...in order to define the limits of acceptable behavior from their optic(s)



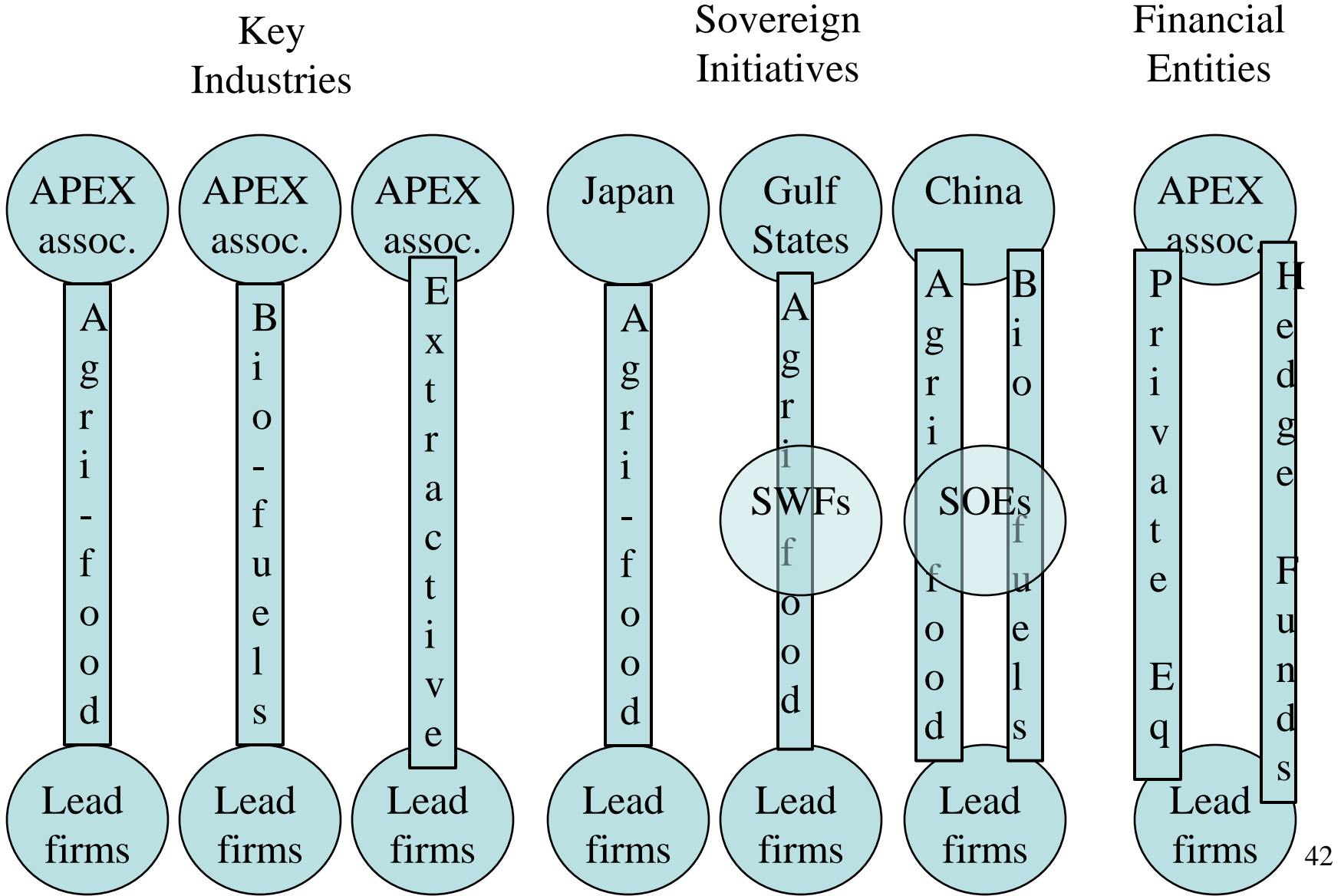
...then the four sets of actors need to reach a workable consensus on boundaries



Building broad consensus will be a complex process, involving many actors and levels



Engagement with the investor side is complicated by the reality of “verticals”



Consultations thus far with the public sector

- Roundtable on Large-scale Farming in Africa
(DC, October 2008)
- Conference “Land Governance In Support of the MDGs: Responding To New Challenges”
(DC, March 2009)
- FAO-UN Hi-Level Conference on Agriculture and Agro-industries in Africa
(Vienna, April 2009)
- African Presidential Leadership Roundtable
(Berlin, April 2009)
- AU Land Policy Process
(Addis, April 2009 and June, 2009)
- International Seminar on Land-grabbing
(Utrecht, July 2009)

Consultations thus far with the private sector

- Practitioners' Meeting on Large-scale Farming in Africa (DC, October 2008)
- *WBI Workshop on Inclusive, Sustainable Agribusiness (DC, April 2009)
- World Halal Forum (Kuala Lumpur, May 2009)
- APEC Business Advisory Council (Brunei, May 2009)
- Private Investors in Africa Roundtable (DC, June 2009)
- *Sustainable Agricultural Supply Chain Summit (Chicago, June 2009)
- *EAP Regional Agribusiness Trade & Investment Conference (Singapore, July 2009)

*included representation
from prominent global NGOs

What instruments might be available to encourage good practices and improve outcomes?

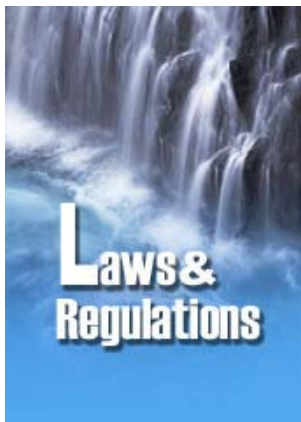
CONTROLS

- Better policies (e.g. FDI codes)



الهيئة العامة للاستثمار
SAUDI ARABIAN GENERAL INVESTMENT AUTHORITY
SAGIA

- Better requirements



INCENTIVES

- Reputational rewards



penalties



- Co-investment

**“IFC’s Largest Equity Investment in Agribusiness to Increase Global Food Supply”
(February 12, 2009)**

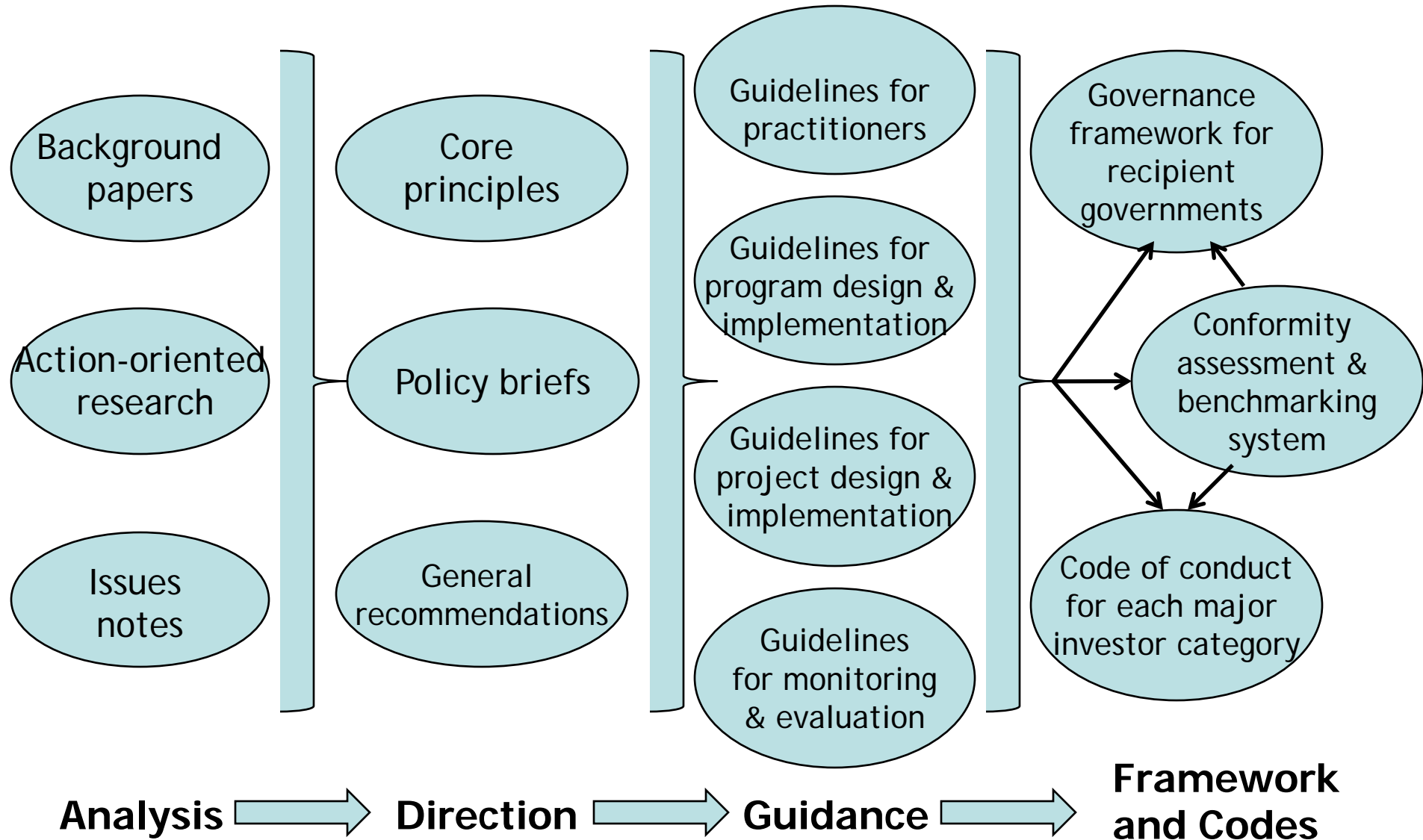
SELF-REGULATION

- Market-driven conformity assessment system, based on benchmarked thematic schemes, managed by major vertical industry clusters and secretariat

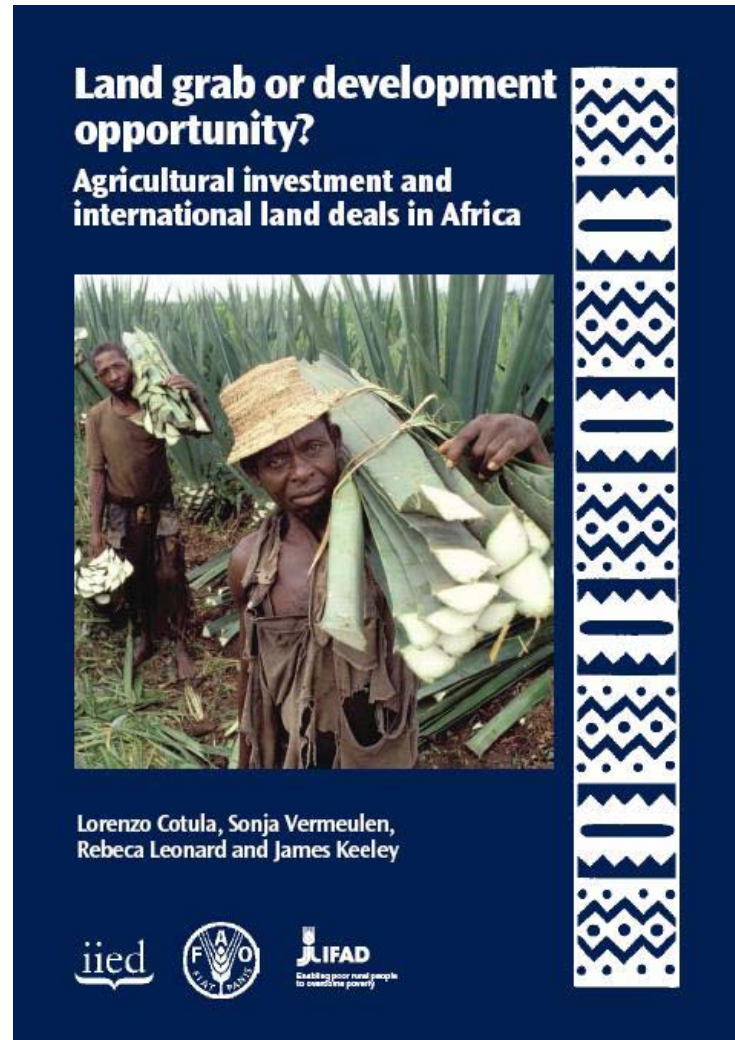


Proposed Structure of Global Toolkit for Good Policy & Practice in Land Extensive

Agro-enterprise



Example of Action Research Published Jointly by IIED, IFAD, FAO



Example of a Land Policy & Administration Note Published December 2008 by the World Bank



Foreign Investment in Agricultural Production: Opportunities and Challenges

BY VERA SONGWE AND KLAUS DEININGER

The recent surge in food and fuel prices has prompted countries with high dependence on food imports to try and lock in future food supplies through direct investment in agricultural production in other countries. The price surges also led to a wave of proposals to invest in biofuels investments in agricultural land. While such investment can provide large benefits, it also carries considerable risks both to investors and citizens in the locality of the investment. To ensure that investments provide broad benefits and effectively contribute to larger development outcomes, enforceable property rights and contractual agreements in many developing countries need to be strengthened. This Note considers how development partners can help countries create the pre-conditions for investment and proposes a governance framework to establish minimum standards for it.

over \$1,037. Between January and March, wheat export prices increased from \$196 to \$440 per ton.¹ Countries' attempts to isolate themselves from these trends through measures such as export restrictions only worsened volatility. The price increases threatened food security and welfare among the poorest, particularly in countries that depend on food imports. In countries where the poor could no longer afford food, and where state budgets could not absorb the costs of increased subsidies, price increases raised the specter of social unrest. Food importers were compelled to explore alternative means of securing adequate food supplies, such as acquiring land or investing in agriculture in countries with abundant agricultural land. Food prices however were not the only force at play in increasing the demand for land. High fuel prices were simultaneously leading to greater demand for plantations on which to grow biofuel crops such as oil palm.

Example of a Policy Brief Issued April 2009 by IFPRI



“Land Grabbing” by Foreign Investors in Developing Countries: Risks and Opportunities

Joachim von Braun and Ruth Meinzen-Dick

IFPRI Policy Brief 13 • April 2009

One of the lingering effects of the food price crisis of 2007–08 on the world food system is the proliferating acquisition of farmland in developing countries by other countries seeking to ensure their food supplies. Increased pressures on natural resources, water scarcity, export restrictions imposed by major producers when food prices were high, and growing distrust in the functioning of regional and global markets have pushed countries short in land and water to find alternative means of producing food.

in developed countries and has often focused on perennial tropical cash crops rather than basic staples. China started leasing land for food production in Cuba and Mexico 10 years ago and continues to search for new opportunities to feed its large population.

More recent transnational land deals are partly an effect of the larger changing economic valuation of land and water. Higher agricultural prices generally result in higher land prices, because the expected returns to land increase when

Examples of a Guidance Note

Published July 2009 by the World Bank

Large scale agro-enterprise and land related investment in developing countries

Guidance note 1: Land acquisition

Introduction

....To assist the parties involved in dealing with this new phenomenon and to allow debate before a final report is available, the World Bank is summarizing results from empirical research in more than 20 countries in a series of guidance notes. This note illustrates key principles in the area of land rights in three areas, namely (i) establishing the appropriate pre-conditions for responsible investment, including the identification of suitable land and the recording of rights to it; (ii) vetting investors and projects, including the processing and evaluation of proposals for land transfers; and (iii) expanding on the modalities of land transfer and enforcement, including increasing transparency and preventing speculation.

Ten Core Principles that should govern land-extensive agro-enterprise investment in developing countries

- 1) View accelerated, sustainable, and inclusive growth in the agriculture sector (broadly defined) as the ultimate goal, while defining and ranking lower level objectives based on national policies or preferences
- 2) Envision and strive for a win-win-win result that enhances national welfare while rewarding private initiative and duly protecting or compensating affected stakeholders
- 3) Market-based incentives and disincentives (e.g. reputational risk) and self-regulation are preferable to involuntary controls, but some safeguards and enforceable regulations are needed
- 4) Work toward and from a global consensus on acceptable conduct among the public sector (governments, international agencies), private sector (representative industry associations, leading firms, and civil society (entities that represent farmers, workers, consumers, neighbors, or relevant special interests))₅₁

continued...

Ten Core Principles (continued)

- 5) Comply with all relevant international treaties or agreements to which the target country's government is signatory
- 6) Treat as fundamental to good business the human rights, labor, environment, and anti-corruption principles set forth in the UN Global Compact (see next page)
- 7) Honor the rule of law and applicable regulations at the national level and below (while respecting customary rights as well)
- 8) Maximize transparency (while recognizing reasonable levels of confidentiality necessary to protect proprietary information)
- 9) Follow a broad-based participatory process within the target country and area, paying special attention to the rights, resources and responses of communities and populations impacted by the proposed investment
- 10) While taking global best practices and guidance into account, recognize that national and local customization is necessary

According to the Global Compact (www.unglobalcompact.org) businesses should....

❑ In the Human Rights area:

1. Support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

❑ In the Labour area:

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labor;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

❑ As regards Environment

7. Support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

❑ With respect to Anti-corruption

10. Work against corruption in all its forms, including extortion and bribery.

Guidelines for Practitioners

- 1) Attitudes, perceptions and feelings in the host country especially greatly affect the success and sustainability of such programs and projects
- 2) It is important to identify all major stakeholders affected or interested, to understand their evolving positions, and to build them into decision-making
- 3) Identify winners and losers, and under different scenarios quantify gains and losses as data permits
- 4) Good communications all around are crucial
- 5) Know your partner well before committing, conducting due diligence in their home country and abroad, and devoting time to face-to-face contact


Practitioner Guidelines (cont.)

- 6) All parties to a deal should have some “skin on the table” to ensure a sense of shared destiny
- 7) There are risks on all sides that must be understood and managed within the limits of uncertainty
- 8) It is not possible to anticipate all contingencies, so build some flexibility and procedures for mid-course adjustment into all deals
- 9) Markets and marketing matter greatly to success (if you “build it”, they may not come!)
- 10) Make sure the desired end-scale and rate of scale-up match the capacity of all parties to execute

Practitioners' Guidelines (cont.)

- 11) Break very large projects into more manageable pieces, carefully sequenced to build on success
- 12) Create milestones tied to “cure” procedures and in the extreme, penalties for non-performance
- 13) There should be an exit strategy in case of failure
- 14) Safeguards are important but not enough
- 15) Don't rush to close
- 16) Put it all in writing (because people change and forget!)

Example of a Checklist for Project Design by the World Bank (Outline of Key Topics)



1. Do you really
know the investor?

2. Enabling Environment
3. Infrastructure
4. Land
5. Labor
6. Inputs

7. Market Access,
Linkages, and Marketing
8. Feasibility and Viability
9. Distributional Effects
10. Externalities
11. Risk Management
12. Safeguards
13. Governance and
Administration

continues...

Checklist for Project Preparation:

1. Who is your development partner?

- ___ What person or entity is the investor?
- ___ Who do they really represent?
- ___ What are they offering? (capital, technology, access to market, mgt, etc)
- ___ What has been their track record?
- ___ What type and share of benefits are they seeking to capture?
- ___ What are they willing to share?
- ___ What collateral investment or other benefits do they offer?
- ___ How credible are they and their business plan?

Checklist for Project Preparation

2. Enabling Environment

- ___ How supportive is government at the national, provincial, local levels?
- ___ What are the attitudes, perceptions and feelings of affected communities?
- ___ Is there sufficient overall political consensus?
- ___ How conducive is the business climate?
- ___ How competitive is the investment code?
- ___ Does the agricultural investment code (if any) deal with this appropriately?
- ___ Where does the country stand in terms of IFC's "doing business" indicators?

Checklist for Project Preparation

3. Infrastructure

- ___ How distant is the site from major cities?
- ___ How good/long is access by road or rail?
- ___ Is the country landlocked?
- ___ How far is the area from major seaports, river ports, airports?
- ___ Do irrigation/drainage systems exist?
- ___ Where will required power come from, and how stable is the source?
- ___ Are there any usable collection, packing, cooling, storage, processing facilities already in place?

Checklist for Project Preparation

4. Land

- ___ What total and specific areas are available?
- ___ What is the agro-ecology of these areas?
- ___ What types of soils are found, and are they degraded or contaminated in any way?
- ___ How much surface or ground water is available for agricultural purposes, of what quality, and from where?
- ___ What is the apparent productive potential?
- ___ What is the historical and current land use?
- ___ Who owns, has claim to, or holds traditional rights to this land?
- ___ Can rights to use be obtained, and if so, under what conditions, and at what price?
- ___ If current owners, tenants, squatters, or herders must be displaced, how would they be treated and react?

Checklist for Project Preparation

5. Labor

- ___ How abundant is local agricultural labor?
- ___ Is there enough labor to handle seasonal peaks?
- ___ Given the activities being considered, would temporary labor have to be imported?
- ___ How competitive with best practices are the regulations governing domestic, migrant, and imported labor?
- ___ How do nominal labor rates compare with alternative countries or zones?
- ___ What is the apparent labor productivity?
- ___ Is skilled labor readily available for the agricultural activities of interest?
- ___ Are experienced farm and plant managers available?

Checklist for Project Preparation

6. Inputs

- ___ Is competitive technology for production, post-harvest handling and processing available for this situation?
- ___ Have high yielding genetics for the product(s) of interest been trialed successfully in this source area?
- ___ What is the availability and cost of required water and power?
- ___ Are the necessary agrochemicals readily available?
- ___ Is there sufficient local manufacturing capacity for the required amount of boxes?
- ___ If inputs are lacking locally, is duty-free temporary import of foreign inputs allowed?
- ___ Can satellite farmers obtain production credit on reasonable terms?

Checklist for Project Preparation

7. Market Access, Linkages, and Marketing

- ___ Are there any restrictions on movement of agricultural products within the country?
- ___ Have exports of target products been restricted or blocked at any time in the past five years?
- ___ Can import permits for intended destination markets be obtained?
- ___ Are the marketing channels into target markets already established and well functioning?
- ___ Will this program or project build on domestic sales or exports for which realized comparative advantage is already evident?
- ___ How competitive is this source area in terms of quality, condition, consistency of supply, compliance with standards?

Checklist for Project Preparation

8. Feasibility and Viability

- ___ What is the range of possible gross and marketable yields?
- ___ What is the range of possible prices?
- ___ What are likely fixed and variable costs?
- ___ What are likely gross margins and operating profits?
- ___ How certain is it that the projected volumes can be marketed as planned?
- ___ If it goes well, how fast can the project or program grow?
- ___ What is the expected financial rate of return to the particular project?
- ___ What is the expected economic rate of return to the program?
- ___ What could go wrong?

Checklist for Project Preparation:

9. Distributional Issues and Effects

- ___ What are the expected net returns for associated farmers?
- ___ What will be the direct employment effect in terms of numbers of full-time equivalent jobs and payroll?
- ___ Will the program/project open new markets (that others can benefit from)?
- ___ How much/what share of production will stay in the country?
- ___ How much/what share of value added will accrue to the country
- ___ How much/what share of net profits will remain in the country?

Checklist for Project Preparation:

10. Externalities

- ___ To what extent will the program/project improve food availability?
- ___ Will the program/project reduce price volatility for staple crops?
- ___ Will the investor(s) introduce best practices and leading technology?
- ___ What will be the main contributions to improved productive infrastructure (that may benefit others)?
- ___ How significant are the likely indirect and induced effects on the local or regional economy?
- ___ How much/what share of foreign exchange will come back to the country?
- ___ What will be the main contributions to improved community or rural infrastructure (that will benefit others)?
- ___ What positive or negative impacts on gender can be expected?
- ___ Will the program/project have unacceptable impacts on natural resources (land, soils, water, air, forests, wetlands) or biodiversity (flora, fauna)?
- ___ Will the program/project have unacceptable impacts on historical, cultural or aesthetic values?

Checklist for Project Preparation

11. Risk Management

- ___ What are the main natural risks (i.e. weather, disaster) and how can they be mitigated
- ___ What are the main technical (i.e. supply chain) risks and how can they be mitigated?
- ___ What are the main market (i.e. price, access) risks and how can they be mitigated?
- ___ What are the main social risks and how can they be mitigated?
- ___ What are the main political risks and how can they be mitigated?

Checklist for Project Preparation

12. Safeguards

___ Have sufficient environmental safeguards been built into the design of the program/project?

___ Have sufficient social safeguards been built into the design of the program/project?

___ Have sufficient performance safeguards been built into the design and implementation plan for the program/project?

Checklist for Project Preparation

13. Governance and Administration

- Has the public at large been made fully aware of this project or program?
- Have communities in the affected areas been fully consulted and are they on board?
- Have the terms and conditions for investment been adjusted to fit existing law, or vice versa?
- Have terms and conditions been published?
- Is price-setting transparent and reasonable?
- Has an objective body been tasked with managing the program and processes?
- Are there appropriate sanctions for non-performance in terms of execution?

Key Themes for Conformity Assessment

1. CSR (i.e. private governance)
2. PUBLIC GOVERNANCE (in this field)
3. ENABLING ENVIRONMENT
4. GEO-SPATIAL (i.e. area) DEVELOPMENT
5. SOCIAL DEVELOPMENT
6. **LAND POLICY & ADMINISTRATION**
7. SUSTAINABLE AGRICULTURE
8. FOOD SAFETY AND CONSUMER PROTECTION
9. PROGRAM/PROJECT DESIGN
& IMPLEMENTATION

N.B. The number and definition of major themes may have to be modified to better conform to scope of actual public or private standards considered best of class

Illustrative Structure of the Conformity Assessment System

Major Themes	Public Standards	Private Std #1	Private Std #2	Et cetera
1. CSR	GAC	Global Compact		
5. Social Development		ISEAL Alliance	Global Social Compliance Program	
6. Land	FAO Voluntary Guidelines			
9. Food Safety	Codex Alimentarius	Global Food Safety Initiative		

Each theme also has subthemes, some of which are big enough to have specific standards

- 1. CORPORATE SOCIAL RESPONSIBILITY**
 - A. Human Rights
 - B. Labor Standards
 - C. Environment
 - D. Anti-corruption
- 2. PUBLIC GOVERNANCE**
 - A. Supply-side Approaches (e.g. transparency, performance, accountability)
 - B. Demand-side Approaches (e.g. civic engagement)
- 3. ENABLING ENVIRONMENT**
 - A. Investment Codes
 - B. Doing Business Indicators
 - C. Basic Infrastructure and Services
- 4. GEO-SPATIAL DEVELOPMENT**
 - A. Regional Development (inc. river basins)
 - B. Area Development (inc. food zones, EPZs)
- 5. SOCIAL DEVELOPMENT**
 - A. Community Participation
 - B. Gender Mainstreaming
 - C. Protection of Vulnerable Groups
 - D. Labor and Workplace

continues...

Sub-themes (cont.)

6. LAND POLICY AND ADMINISTRATION

- A. Land Policies
- B. Land Use and Management
- C. Land Regulations

7. ECOSYSTEM SERVICES

- A. Maintenance of Natural Assets (Soils, Biota, Streams/lakes/wetlands, Atmosphere)
- B. Support for Production of Goods (Food/feed/fiber/industrial, Manufactured, Life-fulfillment, Future options)

8. SUSTAINABLE AGRICULTURE

- A. Integrated Farm and Factory Assurance
- B. Use of IPM
- C. Use of HACCP
- D. Reliance on Generally Accepted Principles of Risk Analysis

9. FOOD SAFETY AND CONSUMER PROTECTION

- A. Food Safety Management System
- B. Farm-to-Fork
- C. Use of HACCP
- D. Reliance on Generally Accepted Principles of Risk Analysis

10. PROGRAM/PROJECT DESIGN

- A. Feasibility Analysis
- B. Economic Analysis
- C. Financial Analysis
- D. Terms and Conditions
- E. Project Financing
- F. Risk Management

Scope and results of the initial test of the two options

- The initial analysis tested for a subset of themes only:
 - Human rights
 - Labor rights
 - Vulnerable populations
 - Anti-corruption
 - Food safety

- The results are shown in the excel documents enclosed

Screening Filters for Standards Schemes

□ Level 1: Credibility Filter

The eligibility of any standards scheme will be determined by a “Credibility Filter”. The filter determines if the standard has followed essential processes that ensure the scheme is high quality, inclusive, and well-governed

Screening Filters for Standards Schemes

□ Level 2: Content Filter

This determines whether the content of a particular standard addresses necessary issues to ensure relevant outcomes (especially environmental and social) that are consistent with broader development goals

First Option for the Level 2 (Content) Filter

- ❑ “Comprehensive Filters” would seek to balance industry and multi-stakeholder standards with major multi-lateral conventions

- ❑ Under this option, two review categories are recommended:
 - Compulsory - a standard scheme must align with all compulsory criteria

 - “Non-compulsory” - a standard scheme must align with at least 75% of all non-compulsory criteria

Second Option for the Level 2 (Content) Filter

- ❑ The “Streamlined Filters” would set a relatively high hurdle for compliance and be based on higher level objective functions and principles
- ❑ Under this option, all elements would be compulsory
- ❑ While the hurdle set by these filters would be high, some flexibility in interpretation is unavoidable
- ❑ The streamlined filters can be backed up by more detail from the comprehensive filter for interpretation but presented as guidance

Recommendations arising from the initial consultancy on the benchmarking and conformity assessment system

1. Use a Multi-Stakeholder Design Process
2. Establish an Independent Secretariat that Owns the Benchmark
3. Use grant-funding to support the scheme at the outset
4. Help shape the enabling environment

Multi-stakeholder design process

- ❑ For the benchmark scheme to be credible, it must adhere to elements of the “Level One Credibility Filter.”
 - An essential element is multi-stakeholder participation in design
- ❑ Given the issues surrounding Land-extensive Agroenterprise, If stakeholders do not participate in design, the scheme will confront major if not prohibitive risks for success
- ❑ That said, stakeholder engagement possesses major challenges. Typically standard schemes focus directly on industry. This scheme seeks to engage investors and land-owning governments who will both comply with standards themselves and seek compliance from industry.
 - This makes stakeholder engagement more complex. Many standards resist the involvement of government. Others struggle to find ways to engage government

Multi-stakeholder design process (cont.)

- ❑ Conduct parallel, targeted consultation processes with:
 - Key users
 - Create a “business-case” for key users
 - Establish key needs and expectations for key users
 - Frame the expectations that will key users will need to meet
 - Seek buy-in for the design process
- ❑ Voluntary Standards Systems that will in effect serve as the implementers for the benchmark scheme
 - Conduct a similar process as that outlined for key users⁸²

Multi-stakeholder design process (cont.)

Create a bounded, multi-stakeholder process:

- ❑ In a worst-case scenario, stakeholder processes for Land-extensive Agroenterprise could grow large and unwieldy and difficult to resolve. To avoid this scenario:
- ❑ Leverages stakeholder engagement processes that have been used from:
 - Industry standard setters (GFSI, GSCP, and others)
 - Relevant ISEAL members (FSC, Rainforest Alliance, SA8000, Fairtrade Labeling Organization, UTZ Certified, 4C, Better Sugarcane, Soy Roundtable, and others)
- ❑ Form a highly credible, high level, stakeholder advisory body drawn from these experienced and credible entities. The body should include individuals with strong technical design orientation

Independent secretariat

The body that owns the benchmark scheme will perform the following roles...

1. Evaluate standard schemes to determine which “make the cut”
 - ❑ Doing so will challenge the body to engage in and manage questions of standard system harmonization
2. Verification
 - ❑ Ensure the benchmark is being used by key users to make investment decisions
 - ❑ Ensure the implementation and use of the scheme supports grievance and dispute resolution processes
3. Advocacy
 - ❑ Sets target for adoption that will make a difference in the impact of Land-extensive Agroenterprise decisions
 - ❑ Design advocacy strategy and possess ability to implement it
 - ❑ Encourage consistency with key user regulation and policy

Given these roles, it will be highly problematic for the ownership body to be anything other than an independent entity