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DEFINING AND ADVANCING RESPONSIBLE AGRICULTURAL INVESTMENTS

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Kaitlin Y. Cordes leads the Columbia Center on Sustainable Investment (CCSI)'s work on investments in land and agriculture, as well as its work on the intersection of human rights and international investments. At CCSI, Kaitlin conducts and supervises research; trains government officials, civil society representatives, and others on sustainable investments in agriculture; develops tools and resources; and provides advisory and technical support on responsible and sustainable investments. Prior to joining CCSI, she worked with the Africa Division of Human Rights Watch, and served as an advisor to the UN Special Rapporteur on the right to food (Olivier De Schutter).

Responsible agricultural investments are needed now more than ever. Entrenched food insecurity, a growing population with increasingly resource-intensive diets, and changing temperatures, extreme weather events, and other climate change effects all pose significant challenges to our food systems and our ability to adequately feed and nourish current and future generations. Responsible investments in agriculture and food systems are, and will continue to be, crucial to meeting these challenges.

Farmers have a critical role to play in promoting responsible agricultural investments. Indeed, as the backbone of our agricultural systems and as one of the main sources of investment in agriculture, farmers are and should be at the vanguard of these efforts. At the same time, farmers—particularly small-scale producers and smallholders—also stand to benefit from more responsible investments.

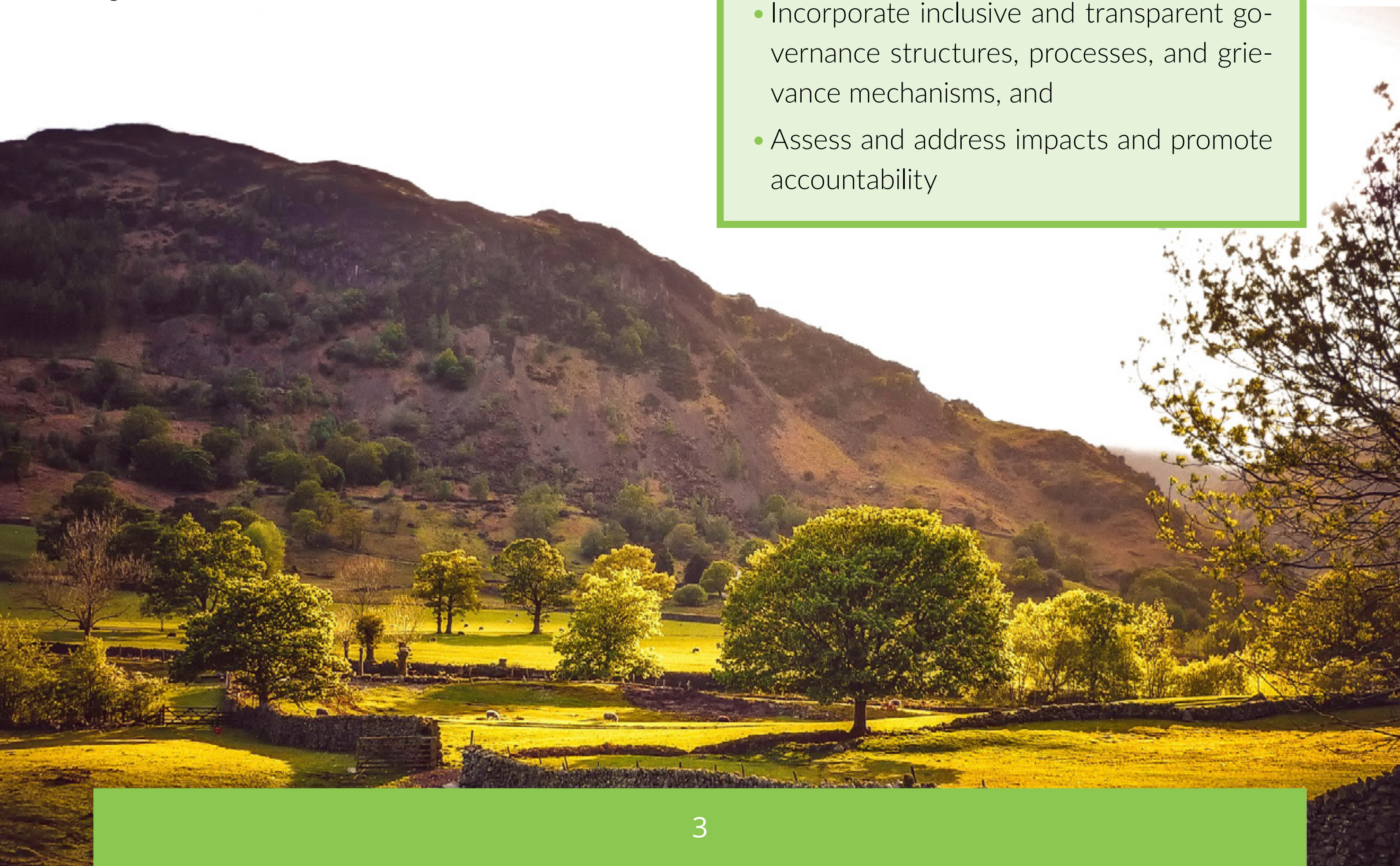
> Farmers have a critical role to play in promoting responsible agricultural investments

But what should the role of farmers, and farmers' organizations, be? And what does responsible agricultural investment even mean?

The path towards more responsible agricultural investment is complicated by the lack of a globally accepted definition. But while we don't have a common definition of responsible agricultural investment, we do have a set of principles to help guide us. Three years ago, the Committee on World Food Security endorsed the Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI), the result of multi-year, multi-stakeholder consultations and negotiations. The CFS-RAI Principles are not without their critics—particularly from civil society groups that assert, among other things, that the Principles do not sufficiently protect smallholders and other land users from land grabs. Yet the CFS-RAI Principles do provide at least some global consensus on important components of responsible agricultural investment, giving us a useful starting point for understanding what responsible investment in agriculture entails.

According to the CFS-RAI Principles—which are oriented around food security, nutrition, and the right to food—responsible investments in agriculture and food systems:

- Contribute to food security and nutrition
- Contribute to sustainable and inclusive economic development and the eradication of poverty
- Foster gender equality and women's empowerment
- Engage and empower youth
- Respect tenure of land, fisheries, and forests, and access to water
- Conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks
- Respect cultural heritage and traditional knowledge, and support diversity and innovation
- Promote safe and healthy agriculture and food systems
- Incorporate inclusive and transparent governance structures, processes, and grievance mechanisms, and
- Assess and address impacts and promote accountability



Each of the above principles can be unpacked into more specific points. For example, the CFS-RAI principle on cultural heritage and traditional knowledge elaborates that this requires actions such as recognizing the contribution of farmers in conserving, improving, and making available seeds and other genetic resources, as well as respecting farmers' rights to save, use, exchange, and sell those resources (within rules set by national and international law). The elaborations of each principle help illuminate the types of practices that might be considered responsible—although the language leaves some ambiguity, and doesn't always lend itself to straightforward yes/no tests of whether an investment is responsible.

The CFS-RAI Principles also echo a preceding set of guidelines, the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security, in asserting that responsible investments "respect and [do] not infringe on … human rights" and that such investments also "safeguard against dispossession of legitimate tenure rights and environmental damage." The Voluntary Guidelines are also more blunt, stating that "[r]esponsible investments should do no harm."

Although not included in the CFS-RAI, the exhortation to do no harm is, to my mind, critical for responsible agricultural investments. "Do no harm" provides a bright-line rule of sorts by which an investment can be measured. Are legitimate tenure right holders, such as small-scale farmers without legal title, harmed by an investment? If yes, then it's not responsible. Will an investment lead to environmental damage that could have been avoided through more sustainable practices? If yes, then it's not responsible. A hardline interpretation of this rule might seem a bit hyperbolic. Does a minimal amount of harm combined with a whole lot of good taint something as irresponsible? Can environmental damage (however that is defined) be completely avoided when producing certain crops in certain places? Yet a "do no harm" rule is a helpful reminder that serious harms caused by investments are not automatically assuaged by certain positive impacts or the provision of unrelated "benefits." Involuntary displacement, for example, is not rectified by the creation of jobs.

Another way of thinking about responsible agricultural investments is in the context of sustainable development. Sustainable development is now meant to be a priority of all governments, which unanimously adopted the Sustainable Development Goals (SDGs, also known as the 2030 Agenda for Sustainable Development) in 2015. Many of the 17 SDGs are relevant to responsible agricultural investments, from the goals of no poverty and zero hunger to the goals of gender equality and responsible consumption and production. Efforts by governments, the private sector, civil society, and other stakeholders to achieve these goals hold the potential to promote more responsible agricultural investments in practice, while responsible agricultural investments can help in achieving these goals.

At the Columbia Center on Sustainable Investment, we focus on how international investments contribute to sustainable development. Sustainable development has three key components: economic growth, social inclusivity, and environmental sustainability. Applying those factors to investments in agriculture, we can define sustainable investments in agriculture as those that contribute to economic growth and poverty alleviation, that are socially inclusive and respectful of human rights, and that are

environmentally sustainable and ecologically sound. This more concise definition aligns with the visions laid out in the CFS-RAI, the Voluntary Guidelines, and the SDGs.

Understanding responsible and sustainable agricultural investment is only the first step; the real work is in advancing such investments, and facilitating and implementing them in practice. What role can and should farmers and farmers' organizations play in this regard?

The CFS-RAI Principles, noting that farmers can be smallholders or business enterprises, lay out specific roles and responsibilities for each. Without listing them all here, smallholders can apply the Principles by, for example, using natural resources sustainably and efficiently, strengthening their resilience, and acting with due diligence to avoid infringing on human rights. Farmers' organizations representing smallholders can help improve their access to inputs, services, markets, and other essentials in order to strengthen their capacity to invest responsibly. The roles and responsibilities of farmers that are business enterprises also include acting with due diligence to avoid infringing on human rights, as well as things such as conducting due diligence before engaging in new arrangements, conducting equitable and transparent transactions, and respecting legitimate tenure rights.

Regardless of farm size, farmers around the world—and the organizations that represent them—have the power to advance responsible agricultural investments. Combined with efforts by governments and other stakeholders, the actions taken by farmers and farmers' organizations can help to meet the critical challenges posed by our current food systems, paving the way for a future in which farmers, farmworkers, land users, and eaters all thrive.

COLLABORATION AMONG COMPETITORS:

FOUR WAYS AGRICULTURAL LENDERS WORK TOGETHER TO SUPPORT FARMING COMMUNITIES

Will McAneny
ASSOCIATE AT ROOT CAPITAL,CAMBRIDGE, USA,
A FARMING FIRST SUPPORTER

By bringing hundreds or thousands of smallholder farmers together and connecting them to global markets, small- and medium-sized businesses can offer a powerful pathway out of poverty. When these businesses thrive, the livelihoods of farmers also improve, and rural communities prosper. But all too often, agricultural businesses face obstacles that others don't—first and foremost, they lack adequate access to credit and to the training needed to manage it effectively. Microfinance institutions don't offer the loan sizes these businesses need, and commercial banks often view them as too risky or costly to serve. Some call this market segment the "missing middle" of agricultural finance.

But when these enterprises are able to access capital and training, they gain the resources they need to create positive impact in their communities. They can pay farmers earlier and offer them better prices for their crops. They can hire more people in regions with chronic underemployment, and offer them careers that last. And they can facilitate access to other services that improve farmer livelihoods, such as agronomic training, affordable farming inputs, and small loans.

There are hundreds of thousands of these businesses and an estimated 450 million smallholder farmers in the world. Root Capital can only reach a fraction of them. Fortunately, we're not alone.

In 2014, agricultural lenders from around the world—Alterfin, Oikocredit, Rabobank's Rabo Rural Fund, ResponsAbility Investments, Root Capital, Shared Interest Society, and Triodos Investment Management—founded the Council on Smallholder Agricultural Finance, a pre-competitive collaboration designed to promote industry standards, responsible lending practices, and social and environmental impact. Since then, Global Partnerships and Incofin have become members and AgDevCo and Impact Finance joined as affiliates.

In the three years since CSAF's founding, we've seen the impact of this network unfold in real time. Here are four ways that collaboration among CSAF members is building a stronger ecosystem for financiers and farmers alike:

1 Common Standards. Earlier this year, Root Capital and the other CSAF members announ ced the adoption of jointly-developed environmental, social and governance (ESG) principles in an effort to promote responsible lending to agricultural businesses across the globe. By performing ESG due diligence well, CSAF members can verify that the businesses they finance are meeting basic social and environmental standards. This also benefits the businesses themselves, who can share the fact that they meet these standards with other potential lenders.

2 Shared Learning. Reflecting on CSAF's first joint training on ESG due diligence, Root Capital representative Faina Rozental remarked, "The room practically hummed with energy…I was struck by the sheer volume of insight that came out of just three days of having client-facing professionals from different backgrounds in the same room." It's rare that actors that are technically competitors can come together to share common experiences and best practices. By encouraging this collaboration, CSAF members ensure that they can continue to better manage risk and improve the services they offer.

3 Client Experience. When we share common experiences, challenges, and key learning outcomes with fellow financiers, we don't just learn how to function better as lenders. We also learn how to better serve our client businesses. To give an example, at the training mentioned above, Root Capital shared a monitoring template that allows CSAF members to track the volumes of coffee or cocoa our clients purchased from their producers. Now, when businesses receive financing from multiple CSAF members, they only need to fill out a single common monitoring evaluation, saving their staff a great deal of time. CSAF members, in turn, can easily see the amount of coffee or cocoa our clients buy with the money we loan them—allowing us to quickly identify and react to trends like inventory changes or price spikes.

4 Market Growth. In 2013, the founding members of the council disbursed a combined $362 million in loans to agricultural businesses. In 2016 alone, CSAF lenders collectively disbursed $682 million to 765 businesses that source from 2.3 million farmers. Over our combined decades of working in smallholder finance, CSAF members have learned hard truths about what works and what doesn't. By sharing what we've learned, we don't just benefit in the short term by using those experiences to refine our models and learn how to better manage risk. We also hope to strengthen the sector in the long term by paving the way for future lenders to meet the need that still remains.

All CSAF partners are motivated by a vision of a thriving, sustainable and transparent financial market that meets the needs of agricultural businesses and generates long-term benefits for smallholders. As long as we're all facing the same sector-wide challenges—climate change, poverty and food insecurity among farmers, and youth migration, to name a few—agricultural lenders have nothing to lose from sharing the strategies and tools we use to make that vision a reality. By working together, we can strengthen our own business models, better serve our client businesses, and maximize those business' potential to unlock opportunities for millions of farmers.

INCLUSIVE SME INVESTMENTS LEVERAGING FARMERS

Sonja De Becker
PRESIDENT, BOERENBOND, LEUVEN, BELGIUM

The agricultural sector worldwide must attract further investments, most notably in South Asia and Sub-Saharan Africa. Demand for food and non-food agricultural products will continue to rise driven by growing populations, higher incomes and changing diets. Furthermore farmers need to respond to climate change and other environmental challenges. Inclusive public and private sector investments promoting farmers' participation in markets and value chains as entrepreneurs can facilitate and leverage the farmers' investments, contributing 2 to 4 times more to poverty reduction than in other sectors.

Investment indicators

However, most agriculture investment indicators are showing a downward trend, with a hiccup in the wake of the surge in commodity prices in 2007-08.

Between 2001 and 2015, governments allocated a low (less than 2%) and progressively declining share of their central government expenditures to agriculture. This suggests a public underinvestment in the sector. Developing regions experienced the largest downward trend.

While total development assistance increased over time and development flows to agriculture increased in absolute terms, the share to agriculture fell to 5 % in 2014 and remains lower than the 9% share in the mid-1990s.

The Agriculture Orientation Index (AOI) provides a measure of the relative importance commercial banks place on financing this sector. In 2015, agriculture received about 2.9% of total credit from domestic commercial banks, while the agriculture sector contributed to about 4.3% of Gross Domestic Product, resulting in an overall AOI of 0,7. This means that the agriculture sector receives a credit share less than its economic contribution and agricultural producers received a lower share of credit than producers in other sectors. In general, developed countries tend to have a higher AOI than developing countries. This may reflect the fact that agriculture is dominated by larger producers, more commercial production, greater collateral, and higher degrees of mechanization. the AOI was lowest for many sub-Saharan African countries, starting with Togo (0.01%), Niger (0.02%) and Guinea-Bissau (0.02%). This may reflect a larger prevalence of smallholders and producers with little to no collateral to secure formal financial sector loans.

From 1997 to 2011, Foreign Direct Investments (FDI) inflows to agriculture, forestry and fishery (AFF) increased from $1.2 billion to $1.7 billion, with significant year-to-year volatility. FDI inflows are largely aimed at resource control, mostly land.

Inclusive investments in local agro-food SME's

In addition to the size of investment flows, their quality is of crucial importance both for their impacts on markets and overall development. There is growing evidence that, with adequate initial support, inclusive models that involve local farmers as business partners without transferring land rights generate more profits and developmental benefits than other models.

The CFS-RAI principles set the scene for inclusive investments

in agriculture and food systems and appeal to all stakeholders. The OECD-FAO Guidance for Responsible Agricultural Supply Chains provide further guidance specifically for enterprises operating in the agricultural sector, although the farmers' perspective is still lacking in the document.

Local SME's operating along the agricultural supply chain act as aggregation points for subsistence farmers and emerging SME commercial farms. When engaging in equitable and transparent transactions generating shared value they can leverage those farmers to a model of entrepreneurial and commercial farming.

Two major issues must be highlighted in this context. Investing in the agricultural supply chain to leverage agricultural investments may deepen the intrinsic power imbalance in the agro-food chain. SME financing in developing countries is perceived as high risk and is hence underserved, commonly referred to as the missing middle in agriculture finance.

FO's and PO's to keep the balance

Farmers' organisations (FO's) are crucial actors when it comes to balancing power relations in the agro-food chain. They advocate for regulation taking into account the farmers' perspective and the specificity of the agricultural sector, they can negotiate pre-competitive self-regulation at inter-professional level and strengthen the entrepreneurial capacity of their members. Therefore it is crucial that public and private donor support strengthening the capacity of farmers' organisations continues to go alongside with an increased investment focus on SME's in the agro-food chain.

Producer organisations (PO's) or cooperatives are instrumental in setting a standard of fair dealing with farmers resulting in a fair share of the added value going to farmers. They serve as an essential reference to best practice for private actors in the agro-food chain. Furthermore, producer organisations or cooperatives strengthen the negotiation power with private businesses up- and downstream the value chain. An increased investment focus on SME's in the agro-food chain must therefore aim for a right balance between investments in PO's or coop's and private SME's.

Both elements contribute to a balanced dialogue, medium to long term partnerships and a fair outcome for all parties involved. Although farmers are often reluctant to engage in contractual relations they are instrumental in consolidating and enforce the outcome of eventually inclusive business models. The Unidroit/FAO/IFAD Legal Guide on Contract Farming gives an excellent overview in this regard. Contracts are the ultimate key to access credit in the absence of other collateral.

Serve the missing middle: blend

SME financing is perceived as high risk. However, evidence shows that investors' risks are lower in the agricultural sector - notably when investing in agricultural cooperatives - compared to investments in other sectors. Furthermore, growth perspectives are promising, especially in Africa and Asia. Hence, it is not the sector as such that inhibits agricultural investments in developing countries.

However, governance and management capacity - be it of farmers, cooperatives or private SME's - needs to be strengthened as this often proves to be the weak spot. Here lays an important role for technical assistance accompanying investments, preferably following a farmer to farmer, entrepreneur to entrepreneur logic.

Financing of technical assistance usually goes through donor money in a preceding phase, with investors stepping in in a later stage. This time lag can be overcome when donors and investors partner up and set up blended financing models. Double impact investors - looking for a financial and social return - tend to integrate the technical assistance in their business model, financing technical assistance of their portfolio by means of a 'social dividend' constituted of a share of the financial return. A step further down the scale, investors can reward donors if the technical assistance they provided was instrumental in the success of their investment. Basically, the donor accepts the first loss, if any and can benefit from any upward potential.

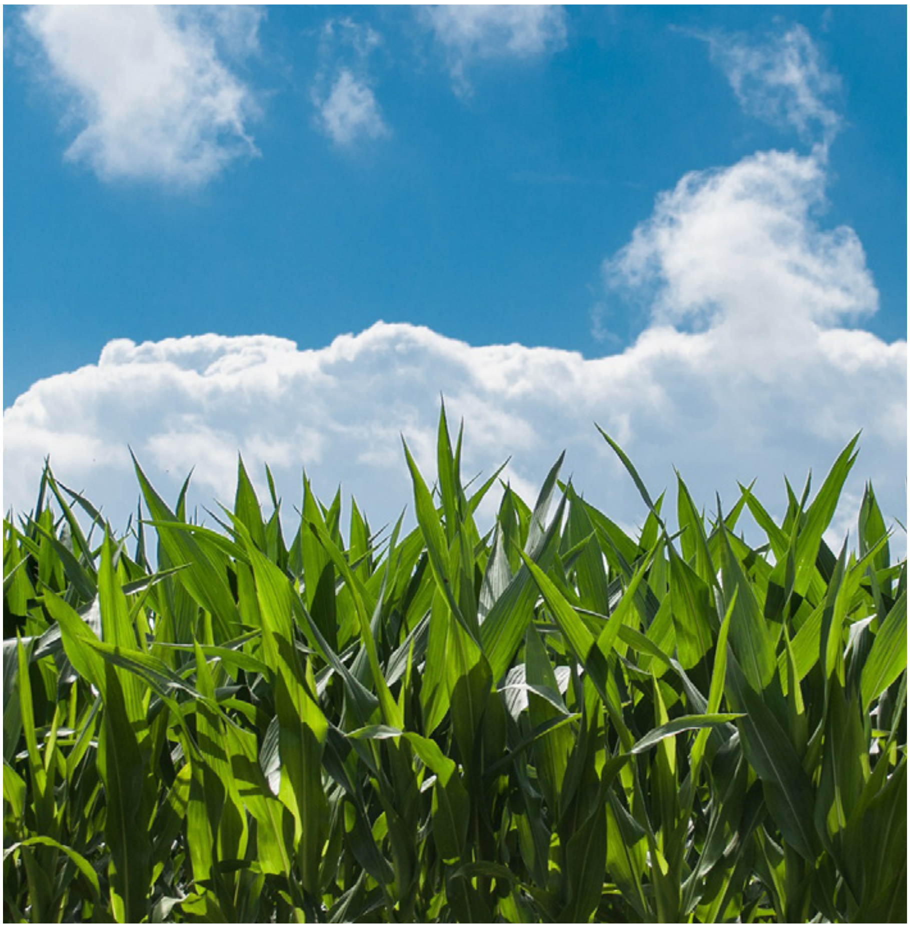
It is clear that serving the missing middle in SME agro-food finance will need bridging the gap between a donor and an investor logic.

Furthermore, the role of commercial banks in financing the agricultural sector and agro-food SME's needs to be strengthened. A lot of investors' attention has gone to micro-finance. But the MFI investment universe seems to be saturated. This is a good opportunity to take the next step and to invest in MFI's that broaden their scope by developing products that fit the needs of SME's, specifically in the agro-food sector.

Intergovernmental cooperation can improve the macro-economic environment as the major risk is still foreign exchange risk – as good as inevitable when investing in local SME's as they operate mainly in local and regional markets.

Second round effects

If SME investments done by public actors, public private partnerships, impact investors and private investors incorporate the respect of the CFS-RAI principles, further specified in the OECD-FAO Guidance for Responsible Agricultural Supply Chains, in their covenants with the investee their investments can generate second round effects. The SME will have to take on an inclusive approach when investing itself and in its relations with its suppliers and its customers. This should result in a balanced sharing of not only value but also of costs, risks and knowledge to the mutual benefit of the famers involved, the SME itself and the initial investors. Hence, an inclusive entrepreneurial approach through the private sector is crucial in meeting the investment need in agriculture answering the call for higher productivity and more sustainability, specifically leveraging subsistence farmers and emerging SME commercial farms to a model of entrepreneurial and commercial farming.



GUIDING PRINCIPLES TOWARDS RESPONSIBLE AGRICULTURAL INVESTMENT

A CASE STUDY IN LAO PDR

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DEPUTY TEAM LEADER;
MEKONG REGION LAND GOVERNANCE PROJECT; VIENTIANE

Background:
The problems of large scale agricultural investments in the Mekong Region

Large-scale agribusiness investment continues to expand in Laos and across the Mekong region. They have been encouraged by governments during the past decade, in the form of Land Concessions. In Laos, more than 450,000 ha have been granted, representing 17 % of the total agricultural land. Although concessions are, in principle, granted on state lands, empty from human occupation, in practice they very often fall on lands occupied by communities with long standing claims and customary rights on land for agriculture, pastures, and village use forests. In Laos, 70 % of the population lives in rural areas and depend on agriculture and naturals resources for its living. Although customary rights are legally recognised by the Lao government, in practice most of these rights are not documented and registered, Land titling covers only less than one third of the plots, and are mostly granted in urban and peri-urban areas. In addition, there is not yet the possibility to register lands which are communally managed under slash-and-burn rotational systems, or as communal pastures and communal forests. As a result, companies often face strong opposition from the communities which are affected by their investments, resulting in lasting conflicts and global insecurity both for local farmers and investing companies.

Ensuring that land-based investments are managed in a sustainable way, and that their benefits are shared equitably, remains a key challenge. The two agribusiness investors visited on the Study Tour obtained large-scale land concessions between 2007 and 2010. They are committed to ensuring socially and environmentally responsible business principles are embedded in their business practices. However, many other investors in Laos do not follow internationally recognised standards of responsible business (known as Corporate Social Responsibility, or CSR; for example, Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT); Principles for Responsible Investment in Agriculture and Food Systems; and others). Most investors either ignore or view CSR as a "non-mandatory concept", and consider that adhering to national laws is sufficient.

A multi-stakeholder initiative

Although understanding of CSR is nascent in Laos, there is a growing interest amongst government, civil society and the private sector of the shared value it can bring to all stakeholders in land use decisions.

In December 2015, a multi-stakeholder group comprising government (the Ministry of Planning and Investment – MPI) , civil society and private sector embarked on a Responsible Agricultural Investment Study Tour. The tour was organised by the Responsible Agricultural Investment (RAI) Working Group, coordinated by a CSO network,

the Land Information Working Group (LIWG) and a local CSO, Village Focus International (VFI), supported by Mekong Region Land Governance (MRLG) project. MRLG is a regional project, supported by Swiss Development Cooperation (SCD), BMZ and Luxembourg, which aims at "securing the rights of family farmers and ethnic minorities access to land and natural resources in the Mekong Region (see more at www.mrlg.org).

Experiences of Agribusiness in southern Laos

The first Company (Company 1) is a local subsidiary of global paper and packaging company. It has been operating a commercial pulpwood agroforestry project in Laos since 2007. The company's predominately eucalyptus plantations covers approximately 3,000 hectares, involving 47 villages in Savannakhet and Salavan provinces in southern Laos. After clearing and preparing the land – including clearing unexploded ordnance (UXOs) –this company converts degraded forest into plantations using an intercropping model. Its plantations uses a 9-by-1 metre spacing that allows villagers to plant rice for household consumption between tree rows, up until year two. In the remaining years until harvesting in year seven, some villages use the intercropping area for livestock grazing, while others are testing the potential for growing other crops (pineapples, cassava, rattan, etc.).

The second company (Company 2) is a local subsidiary of a multinational agribusiness company, a global processor and trader of agricultural and food products. This Company has been developing coffee plantations on the Boloven Plateau in Paksong District, Champasak Province since 2009. It operates presently plantations in five locations covering 2,500 ha. (1,200 ha. currently planted) involving 12 villages. The initial land acquisition processes of Company 2 led to a protracted grievance resolution process with communities who were using lands that were allocated to and cleared by the company. The company has subsequently made several improvements to its global policies. It currently supports coffee farmers through its "outgrower program", and has plans to expand it. In addition to growing and processing its own coffee (its first beans are expected to be harvested in 2016), Company 2 decided to continue to purchase, process and export certified green coffee beans from smallholder coffee farmers. It aims to produce high-quality specialty and certified coffee with globally recognised certifications from UTZ, Rainforest Alliance and 4C for international export.

Below are the key lessons learned by the Study Tour participants and by the investors.

KEY LESSONS LEARNED

LAND ACQUISITION

Knowledge of the land acquisition / land allocation process in Laos is limited and confusing for all actors in the process

The ability of different line Ministries and agencies in Laos to grant land to investors creates confusion and leads to a lack of clarity around the responsibilities of key actors.
There is a need for a streamlined approvals process, as well as improved land acquisition guidelines and follow-up monitoring to ensure quality of investments is maintained.

Investors need to go beyond compliance with national laws and have independent due diligence processes

Due to differences between national and international standards, and a plurality of legal norms in Laos, as well as difficulties in implementing the law, companies need to strive to meet international standards when acquiring land. For example, in Company 2 experience, relying on local government to conduct Environmental Social Impact Assessments (ESIA) and land surveys, and obtain land users' consent, was not effective and resulted in conflict with communities who were using land that was allocated to and cleared by the company. The Company has since acknowledged the importance of conducting independent due diligence and engaging with communities directly.

Communities need to participate in land acquisition processes using FPIC principle

Investors should apply Free, Prior and Informed Consent (FPIC) principles by providing full and accurate information in a way that communities can understand, holding ongoing two-way consultations, and seeking broad-based consent from communities prior to beginning the project.

COMPENSATION AND BENEFIT SHARING

A successful benefit-sharing arrangement is one which creates shared value

The Study Tour learned that each investor seeks shared value in different ways. Company 1 shares land with communities for household food production using an agroforestry model, and trains local workforces to maintain eucalyptus plantations. Company 2, through its Outgrower scheme, supports and trains coffee farmers to improve crop yields and quality to increase household incomes, while ensuring a regular supply of high-quality coffee.

Investors should negotiate agreements with communities that go beyond monetary compensation to address long-term development goals

As stipulated under Lao laws on compensation, communities affected by investment projects should never be worse off due to a project. Company 1 administers a Village Development Fund (VDF), paying an in-kind amount ($350USD per hectare) to support village infrastructure, education, food security, and income-generation activities. A VDF is mutually beneficial as it can address communities' development needs and help investors secure a 'social licence to operate'.

COMMUNITY ENGAGEMENT

Communication is key

The Study Tour learned that building trust between investors and communities requires comprehensive engagement and consultation prior to the project beginning. Communications should be prioritised as an ongoing, two-way process grounded on Free Prior Informed Consent (FPIC) principles. Civil society organisations can play a role in strengthening company-community engagement.

Community participation needs to be inclusive and equitable

Investors should ensure that information is delivered to communities in a culturally appropriate manner by adequately qualified staff, and verify that risks, benefits and long-term impacts are understood. More gender-responsive approaches are needed by both investors to facilitate women's participation, especially those from ethnic groups.

GRIEVANCE MECHANISMS

A well-designed grievance mechanism is essential for any project

At the time of the Study Tour, both investors resolved grievances within the government system; communities brought grievances to district, provincial and central agencies, depending on the type of complaint. Both investors prioritise resolving grievances locally before escalating to higher levels. Company 1 is now developing a multi-channel grievance resolution process as part of the company's advisory services agreement with the International Finance Corporation (IFC).

A well-designed grievance mechanism should be:

Resolved as far as possible at village level first; timely with rapid feedback to people who submit a grievance; developed in cooperation with host communities and government; publicised so communities know how to access it; available at no cost to communities transparent; and prioritised according to severity of complaints.

"RESPONSIBLE AGRICULTURAL INVESTMENTS (RAI)": THREAT OR OPPORTUNITY?

Debra Pretty-Straathof
CANADIAN FEDERATION OF AGRICULTURE REPRESENTATIVE
TO THE WFO WOMEN COMMITTEE; ROME

Agriculture has become a new frontier in the investment world. Investment in agriculture has always had many players: multiple level of governments, private landowners, co-operatives, corporations but also, more recently, investment companies. The reasons for investment differ in scope and goals among farmers and governments, and inevitably, international (and smaller-scale) investment funds also have different motives and objectives.

Agribusinesses and commodities have been publicly traded on stock exchanges around the globe for decades. Recently however, population forecasts of 9.5 billion mouths to feed by 2050 have caused investors to take an increased notice of opportunities in the agri-food sector. The lure of high returns on investment fuelled by production uncertainties associated with a changing climate, and the desire for food security within nations, has resulted in a number of consequential trends. Speculative investments, particularly in the land we depend on to produce food, feedstock and an ever-increasing number of bio-products, are also on the rise. Coupled with an awareness and government-driven incentives to further environmental sustainability, rural communities are experiencing multi-directional stressors on the long-term land-use choices they face.

The realization that strategic off-shore investments were being made by large purchases of the most productive farm land, raised concerns in many nations particularly vulnerable to projected changes. Pension plans and governments with controlling interests in investment companies were rumoured to be buying up prime agricultural land in Africa and other emerging economies, as well as investors buying companies supplying inputs to food production, processing and retail sectors. At the same time, in Canada for example, some provinces began strengthening and enforcing their land ownership rules. Questions regarding international trade rules, and whether these sales could be limited, raised contentions. The Canadian Federation of Agriculture passed a policy position in 2015 that during trade negotiations Canada must maintain "the right of provinces to limit foreign ownership of land."

Depending on where you stand on the investment continuum, "responsible agricultural investments" has different meanings. For example: farmers invest in healthy soil, animal welfare, furthering their education, succession planning for the next generation, risk management and public trust. Governments, on the other hand, may prioritize the affordability of risk management programs, assisting the next generation of farmers through extension programs or tax relief, and supporting research, food safety programs and food security for their citizens. They also create and enforce employee working conditions through health and safety laws. Furthermore, governments may control the conversion of farmland for further housing or industrial development, which in turn either protects or threatens a country's food security.

What are investment companies concerned about, besides a high return on their investment (ROI)? Some see this new interest in agriculture investment as a great opportunity for expanding the sector; to raise production levels; to further research and the transfer of knowledge and technology's to meet the projected levels of food production that will be needed in the future. Others fear the spectre of massive food shipments leaving their country to feed another country's population instead of the citizens of the country where the food was grown. There is a concern about farmers becoming serfs on land they once owned, or of investment money pulled out on the whim of the investors on stock market volatility. They fear a lowering of environmental and safety standards to meet the expected ROI. There are concerns about farming becoming more and more under the control of global corporations instead of under the control and care of family farms. This is especially true in countries where land tenure and food production by women farmers is critical to survival but not protected or promoted.

The concept of food becoming more expensive to meet corporate shareholder expectations is not acceptable. Of course there is always an expectation of some reasonable amount of profit to support the farms and families and to have fair returns within the value chains. However, if the majority of the value chains are controlled by investment companies where does the concept of fairness enter the free-market system of the stock exchanges? What becomes of the families whose livelihoods depend on small acreages? There is a struggle to come to terms with these challenges within a sector as fundamental to life as the production and processing of food and other bio-products. Farms and farm land are the last bastion of food production that have not fallen under the complete control of a few large companies which force low prices on one end of the value chain and high prices on the other.

The Food and Agriculture Organization of the United Nations (FAO) has a primary goal of "achieving food security for all..." to eradicate hunger, help eliminate poverty, and they promote the sustainable management of our natural resources for "the benefit of present and future generations." The achievement of these goals would lead to a more peaceful, politically stable world. Food security through responsible investment could help advance the achievement of worker fairness, health, climate adaptation and mitigation. Investment in rural development; research, infrastructure, marketing, etc. would strengthen family farms, emancipate women (and men) farmers through tenure rights, access to inputs and markets. Investment in youth may also yield improved results for the next generation of farmers through access to education and new technologies to help drive the farm sector forward.

In general, if the goals of investment in agriculture are approached in a strategic, responsible manner, much good can be achieved. The promotion of fairness within the value chain; investing in under-represented participants, sharing insights and addressing challenges; strengthening public trust in modern food production systems, as well as addressing the trend of foreign farmland ownership which may threaten national food security in whatever country is affected, will all help to achieve the goal of global food security now and in the future. There are many agriculture investment challenges to address as countries. It is a challenge to understand the implications and to formulate policies and rules around investment in agriculture but if it can be approached with the goal of global food security and strengthening family farms and rural communities and not just for profit for a few investors then responsible investment in agriculture will be a welcome change.

RESPONSIBLE AGRICULTURAL INVESTMENT: A GREAT CHALLENGE FOR YOUTH IN AGRIBUSINESS

Ngouambe Nestor
AGRICULTURAL ECONOMIST, YPARD CR CAMEROON

Many studies show that investment to increase the productivity of owner-operated smallholder agriculture has a very large impact on growth and poverty reduction. Private investment in the agricultural sector offers significant potential to complement public resources. Many countries with reasonably functioning markets have derived significant benefits from it in terms of better access to capital, technology and skills, generation of employment, and productivity increases. Moreover, new technology, the emergence of agricultural value chains, demands traceability, the need to adhere to rigorous standards, and consumer demands arguably favour greater scale and integration. Some large investments have managed to achieve broad-based benefits through contract farming, other out grower arrangements, and joint ventures with local communities, by leasing rather than acquiring the land or by formulating innovative schemes for sharing both risks and rewards. Moreover, many large farming ventures attempted in the past have proven unsuccessful. Sometimes mistaken beliefs in economies of scale in agricultural production rather than value addition and better linkages to markets have saddled several countries with subsidy-dependent large farm sectors that provided few economic or social benefits.

Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in a durable shared value.

Implementation of Adequate regulation for Responsible Agricultural Investment

It is realized that the number of signatories to the United Nations Principles for Responsible Investment (UN PRI) rules on farmland doubled between 2011 and 2014, and the UN PRI has now incorporated those rules into its general guidance for investors;

As key players in this sensitive arena, investors have a special responsibility to apply high standards in the design and execution of their projects. Economic viability, which in turn rests on technical feasibility, is a precondition for the generation of benefits that can then be distributed among shareholders and cooperating stakeholders. Fairly assessing likely viability, and then taking steps to make sure it is achieved, are both in the interest of all involved, not just the private investor. Where the resources in question are publicly owned, or if other public assets such as tax breaks and complementary infrastructure are being offered as incentives, cognizant governmental agencies have an obligation to carefully check the feasibility analysis to ensure that host countries, affected communities, and local stakeholders are all likely to benefit. National or regional bodies may have to assist states, provinces or municipalities that are technically unable to review major projects proposed within their jurisdiction. On the recipient country side, there is also a need to integrate the proposed enterprise into broader strategies.

Also, the cost-effective processes to assess viability and, monitor implementation by governments of recipient countries and investors share a responsibility to ensure that desirable projects are designed and well implemented. Governments can provide potential investors with adequate information and support that will help investors assess the profitability of their project and fine tune it to existing constraints and opportunities. Providing relevant information will reduce uncertainty and help investors better assess the viability of their project.

However, the objective of attracting investments should not be pursued to the detriment of selecting investments likely to be implemented as planned and to generate the supposed benefits. It is important for governments to have in place a transparent process for independent public screening of project proposals, at least in cases where public land is concerned, where subsidies are provided or when the government partly or fully represents right holders in the land transfer process. In all the situations where it is warranted, due diligence carried by governments should: (i) begin with thorough vetting of the investor; (ii) proceed to identify potential long-term economic, social and environmental benefits and costs; (iii) identify and quantify external effects; and (iv) define and assess risks of all types as well as mitigation measures.

Particular attention should be devoted to key elements such as the opportunity cost of land (which can be put to alternative uses), the net employment generation capacity of the project (since projects may both destroy and create jobs), the project's capacity to stimulate other firms or sectors (e.g. through backward linkages or technology transfers), as well to its role in fulfilling strategic goals for the agricultural sector or the economy as a whole (such as increased overall production, diversified exports or import substitution).

RAI a factor of sustainability

In practice, "responsible" agricultural investment frameworks seem to be backfiring or at least proving irrelevant.

The voluntary nature of all these rules and guidelines fails to create legitimacy, and therefore cannot lead to change. Who decides what "responsible" is? What guarantees are there that investors will comply?

Companies know that they cannot be held to higher standards than national laws. If a country's laws do not recognise community land rights or other rights as "legitimate," they cannot be made to uphold them.

There is a political choice to be made between promoting agribusiness and promoting community-led farming and food systems. Those who argue that they are compatible or that they must be made compatible are the elites. For the communities who have to give up their lands and livelihoods to make way for large-scale agribusiness projects, compatibility is a myth. Thus, all those elements are more relevant for youth to get involved in agribusiness venture. For eg land grabs must be well gathered by the governments.

EVENTS

Credit: UNDP

International Day for South-South Cooperation

12th September

The United Nations Day for South-South Cooperation celebrates the economic, social and political developments made in recent years by regions and countries in the south and highlights UN's efforts to work on technical cooperation among developing countries.

Credit: Nazeer Al-Khatib/Stringer

World Humanitarian Day

19th August

Every 19th of August, World Humanitarian Day (WHD) is held to pay tribute to aid workers who risk their lives in humanitarian service, and to rally support for people affected by crises around the world.

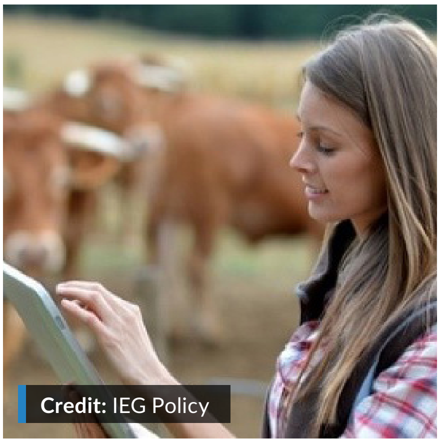
NEWS


Credit: The Independent

Pope Francis on Climate Change: "All of us have a responsibility"

"I am reminded of a phrase from the Old Testament, I think from the Psalm: «Man is stupid, he is stubborn and he does not see»", is what Pope Francis said on climate change during the flight that brought him to Rome from Colombia. "You can feel the effects [of climate change] and scientists tell us clearly the road to take. All of us have a responsibility". The Pope does not mince its words to underline that many people, also decision makers, don't realise how many damages climate change can produce

http://www.wfo-oma.org/news/pope-francis-on-climate-change-all-of-us-have-a-responsibility1.html


Credit: IEG Policy

WFO and New Zealand Government together in fighting climate change

Next October 14 to 18 the Global Research Alliance on Agricultural Greenhouse Gases (GRA) launched by the Government of New Zealand will meet in Rome for a Study Tour that will involve young farmers from all over the World. Launched in 2009, the GRA has now 48 members States and aims to improve food production without growing greenhouse gas emissions. The Alliance is organised in working groups engaged in paddy rice, cropping and livestock, and coordinate cross-cutting activities across these areas

http://www.wfo-oma.org/news/wfo-and-new-zealand-government-together-in-fighting-climate-change-1546.html


Credit: UNFCCC

Germany and UN signed the hosting agreement for COP 23

Yesterday State Secretary Walter Lindner of the German Foreign Office and the UNFCCC Executive Secretary Patricia Espinosa, signed the agreement on the organisation of the UN Climate Change Conference that will take place from 6 to 17 November. The Conference, presided by Fiji, will be held in Bonn and will be organised by the UN Framework Convention on Climate Change supported by German Federal Government, the Land of North-Rhine-Westphalia and the city government.

Dr. Akinwumi Ayodeji Adesina is the 2017 World Food Prize Laureate

Dr. Akinwumi Ayodeji Adesina, President of the African Development Bank, named as the 2017 World Foods Prize Laurate. All his career has been dedicated to the development and the modernisation of African Agriculture and to the support of small-scale farmers. Particularly, he was able to steer the political will towards the expansion of agricultural production; fighting corruption in Nigerian agricultural sector and improving availability of credit for small-scale farmers.

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