

Empirical Research on Application of Responsible Agricultural Investments (RAI) Principles: Lessons & Findings from the Field

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Outline

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3. Lessons from the field – Main findings
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History & Background

The 2008 global financial, fuel and food crisis was a watershed ...

- Fuel prices spiked; Food prices rocketed, export bans threatened- importers worried
- Stock markets crashed; 1/3rd of the value of companies wiped out, but agricultural stocks held up
- Higher commodity prices improved the profitability of farming
- Increasing interest in food/agricultural products, but land and water constraints

History & Background

...Growing interest in investing in agriculture...

- Recognized need for empirical knowledge to guide “Responsible Agricultural Investments or RAI” -> mandated or endorsed by the UN General Assembly, G8 and G20
- Supported by the Government of Japan, the Inter-Agency Working Group (IAWG) was formed by FAO, IFAD, UNCTAD and the World Bank to assemble a body of knowledge on such investments
- Multi-stakeholder dialogues on responsible investment launched including work by the Global Committee on Food Security and Nutrition (CFS)
- Several other Global, Regional, Thematic guidelines are elaborated

History & Background

CFS-RAI

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

Empirical Research Work

The IAWG has conducted a series of analytics and developed more than 10 publications. Two specific research pieces:

1. Investing in agribusiness: a retrospective view of a Development Bank's investments in agribusiness in Africa and Southeast Asia and the Pacific (2013)

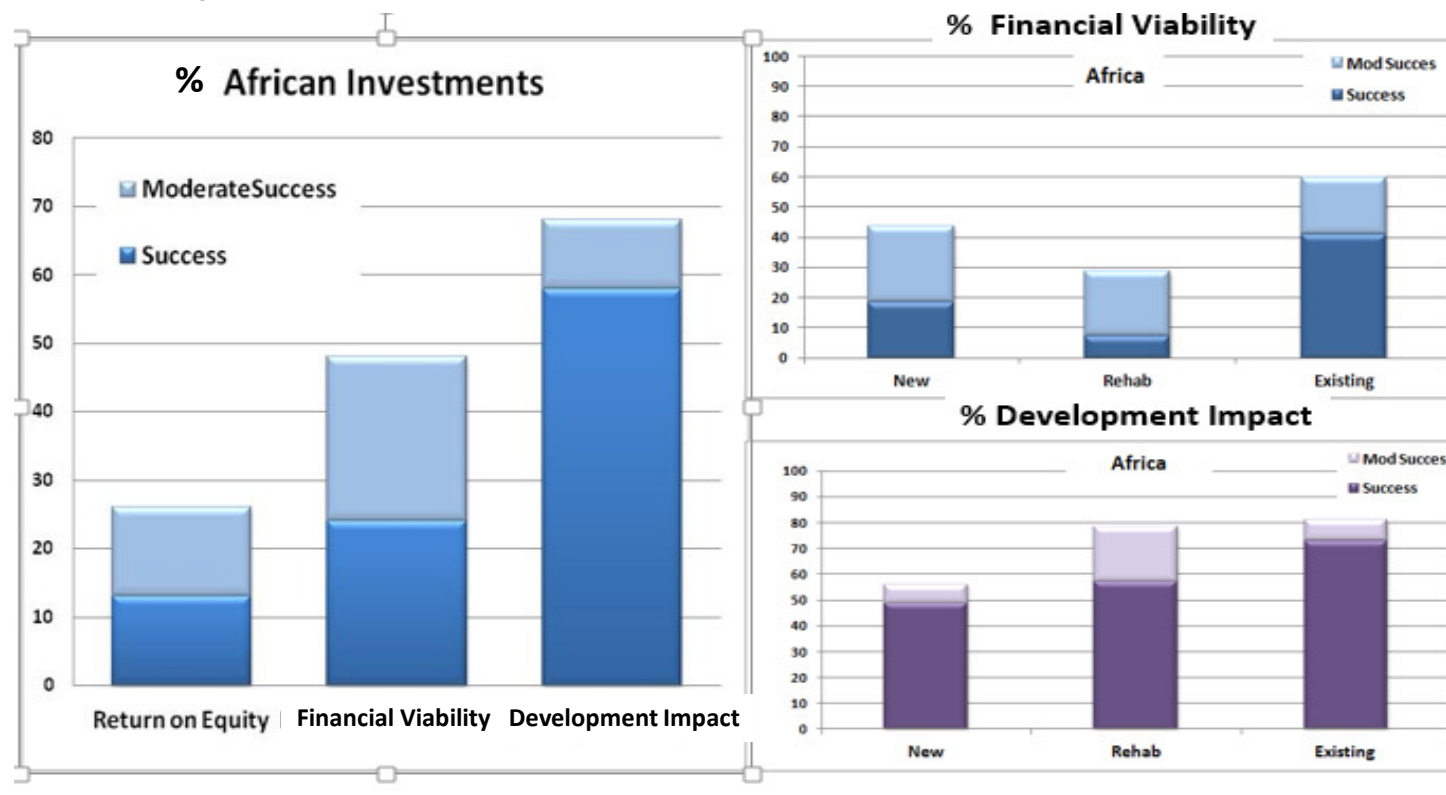
- Reviewed the portfolio performance of the Commonwealth Development Corporation (Bank) over ~5 decades
- Reviewed 179 investment projects in Sub-Saharan Africa and Southeast Asia. 32 countries in total, 20 countries represented in Africa and 12 in Asia

2. The practice of responsible investment principles in larger-scale agricultural investments: implications for corporate performance and impact on local communities (2014)

- Detailed primary field research on 39 mature agribusinesses, in 13 countries across Africa and South East Asia. 240 stakeholder interviews with more than 550 individuals
- Investigated what investors are doing to promote socio-environmental and economic outcomes and sustainability, and stakeholders' perceptions. Joint work between UNCTAD and the World Bank

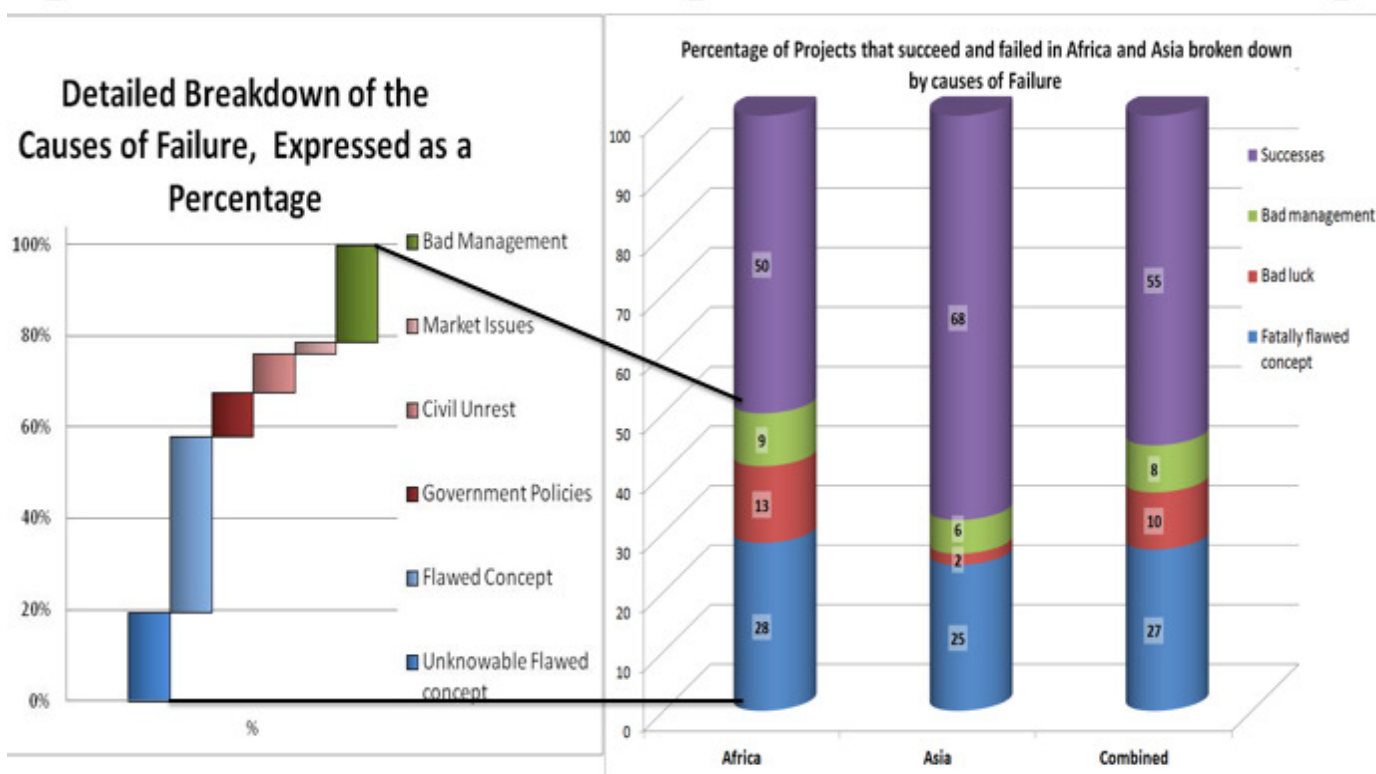
Lessons from the field – Main findings

Lesson 1 - Level of risks are very high, especially for green field sites; 7-9 years to play out, often bought & sold many times



Lessons from the field – Main findings

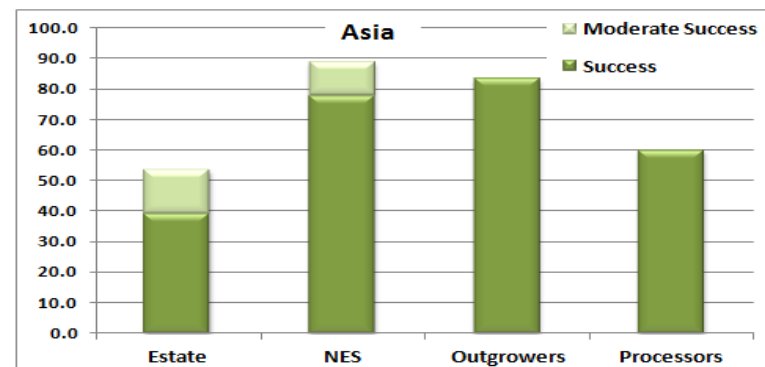
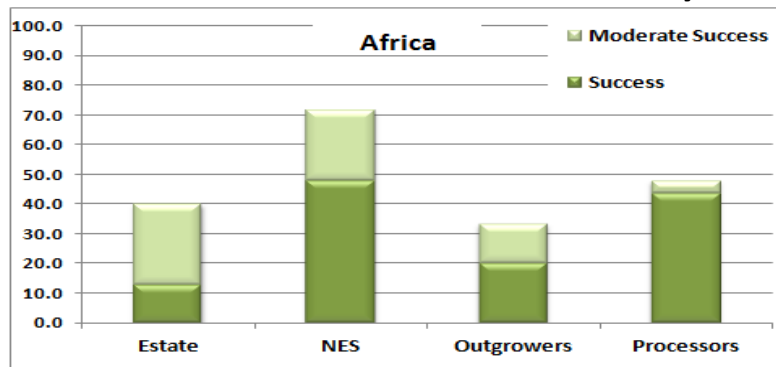
Lesson 2 - Causes of failure - flawed concept, bad management, and issues that are beyond the control of the investor e.g. civil unrest, government policies & markets



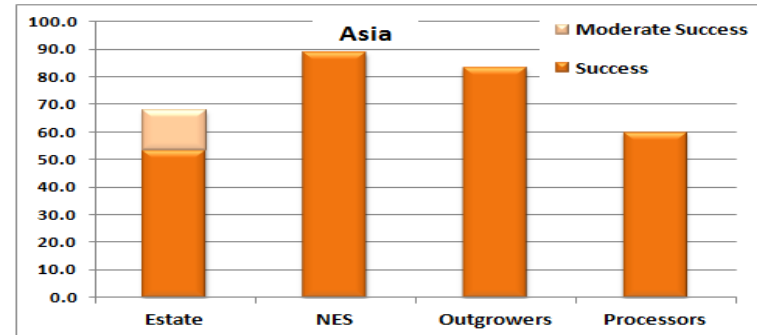
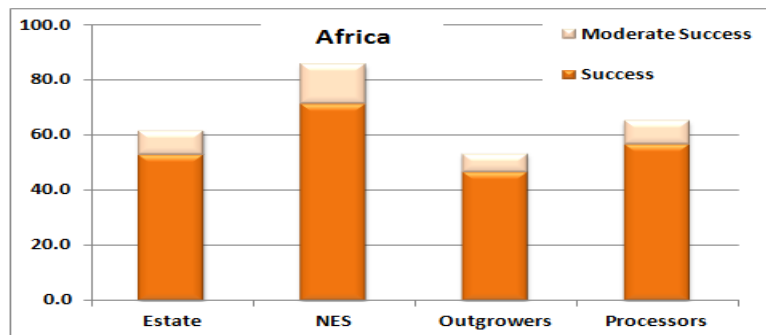
Lessons from the field – Main findings

Lesson 3 - Significant differences between business models: Nucleus Estates & Outgrowers more successful

% Financial Viability : Success and Modest Success

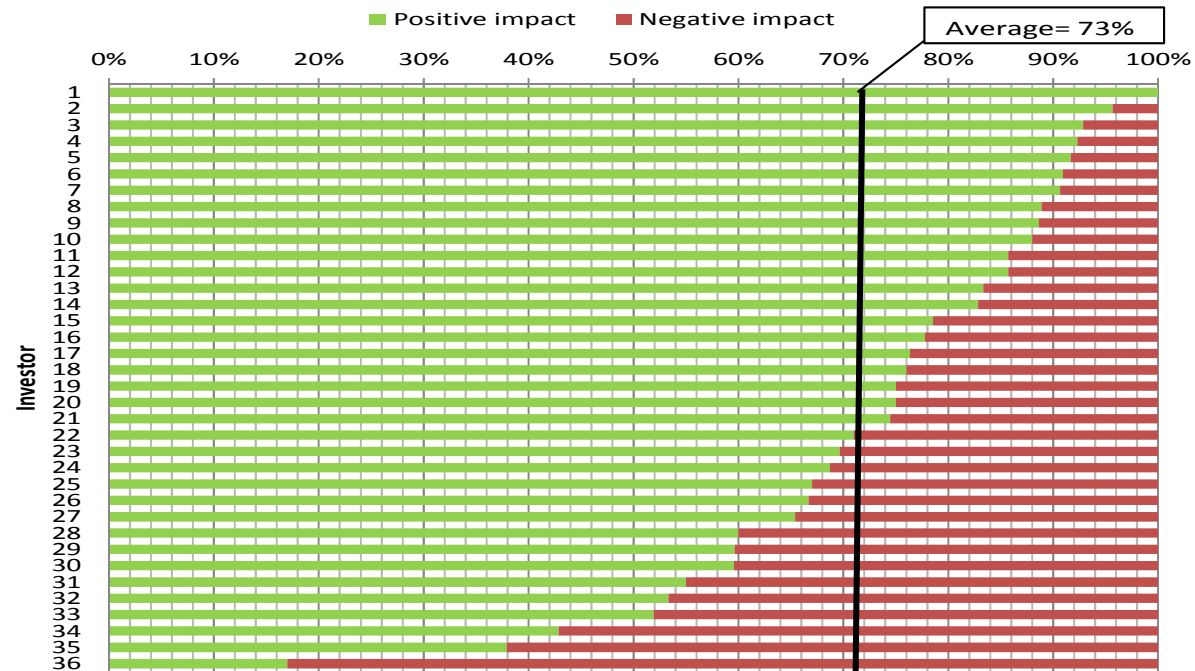


% Development Impact : Success and Modest Success



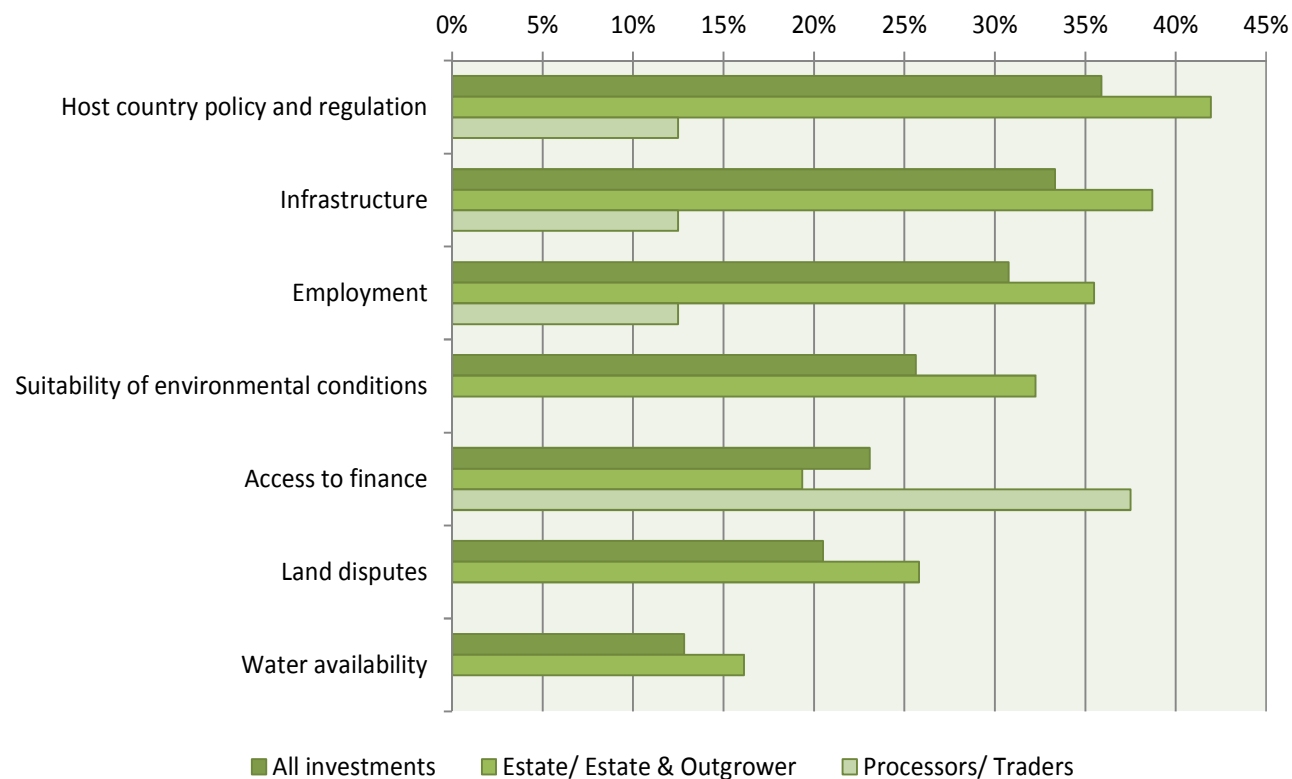
Lessons from the field – Main findings

Lesson 4 – Varying stakeholder perceptions. Positive perceptions exceed negative ones. Commonly mentioned positives impacts are jobs, access to markets, infrastructure. Negative impacts are access to land, finance, water etc.



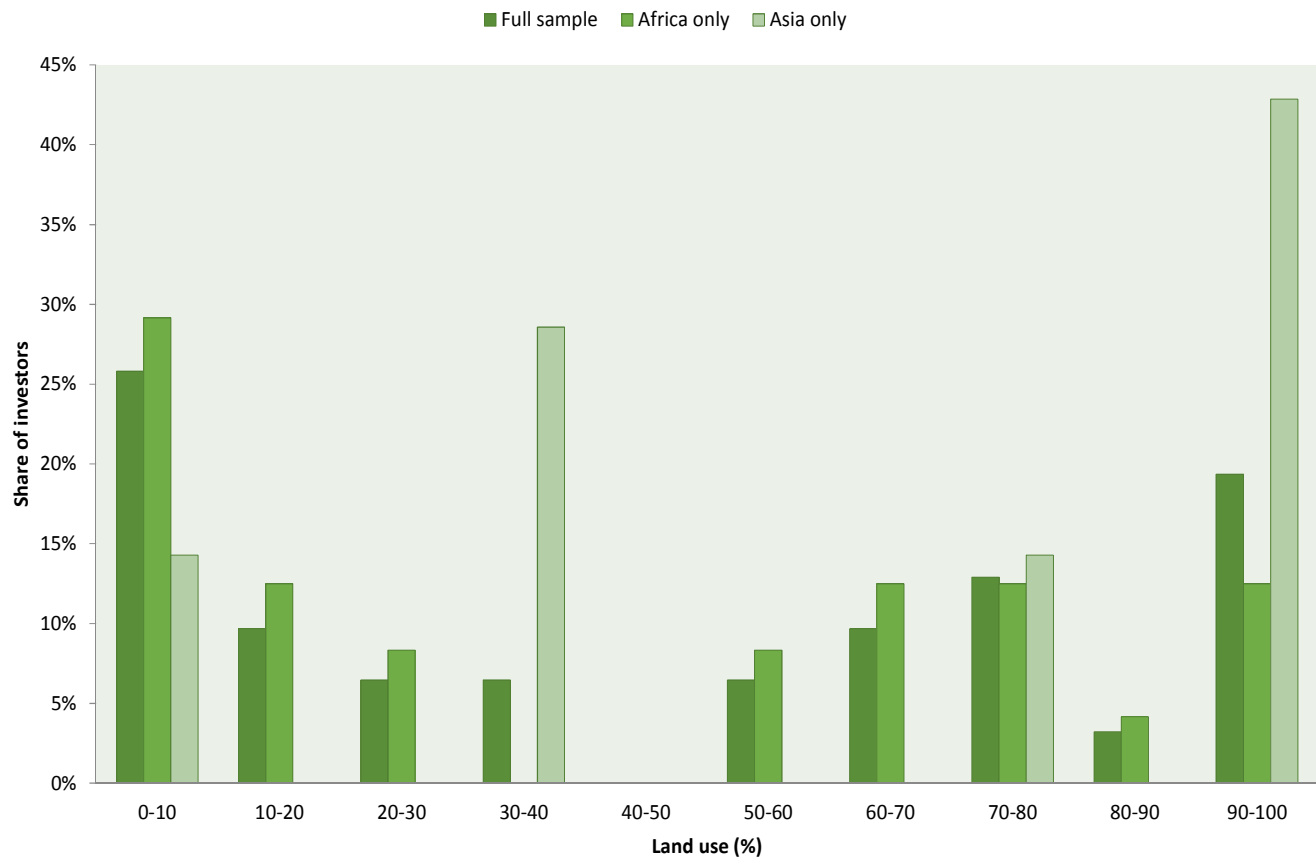
Lessons from the field – Main findings

Lesson 5 - Investors are looking for clarity & consistency in policies, regulations, basic infrastructure and finance



Lessons from the field – Main findings

Lesson 6: A U-shape in land utilization implying unused land, driven primarily by insufficient finance



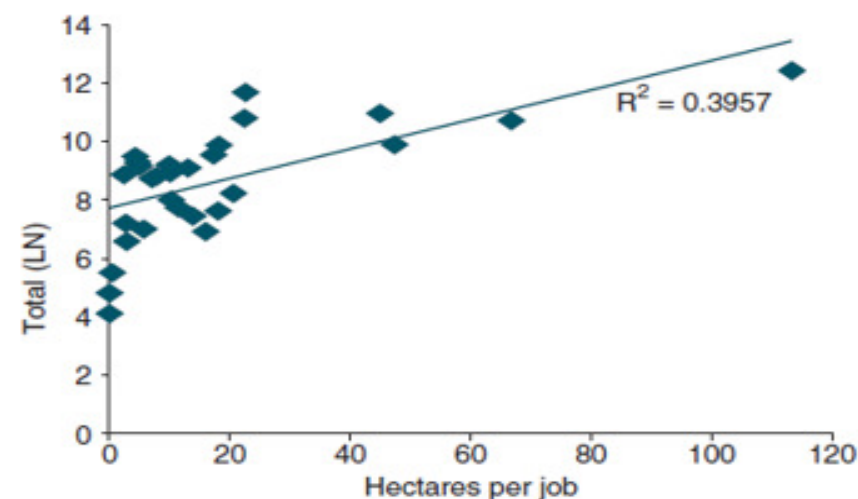
Lessons from the field – Main findings

Lesson 7 – Investments with large land deals are more likely to face delays, lower profitability, and lower job creation per hectare

Type of Investment	Share that are profitable	Share behind schedule or below capacity
New processing	71%	29%
New cultivation	18%	64%

Size of investment (ha)	Share that are profitable	Share behind schedule or operating below capacity
< 1,000	70%	10%
> 50,000	33%	67%

FIGURE 4.1: Total Area of Investment and Job Creation^(a)



Lessons from the field – Main findings

Lesson 8 – Wide range, mixed, but on balance positive outcomes

- Wide range of outcomes
- On balance, investments studied generated positive socio-economic benefits for surrounding communities and host countries, but...
- ... several negative impacts and room for improvement
- Surveys pointed to significant correlation between three aspects

Experienced and Well-resourced Investors -> Positive Financial & Operational Outcomes -> Satisfied Surrounding Communities

Lessons from the field – Main findings

Lessons 9 - Governments and Private Investors are clear about their needs

Government

- How can we implement RAI principles?
- How should we pre-screen investors and investments?
- How should we regulate, manage and monitor relations between investors and outgrowers, esp. prices?
- What should be the terms of our contracts with investors?

Private Sector

- How should we implement RAI principles?
- We need clarity and stability in the policy environment.
- How can we ensure that we have a voice in policy decisions?
- How can we achieve a balance between transparency and confidentiality?

Advice to policy makers

- Know what development you want; be more choosy about the investor, business model, enterprise
- Set up process to review investments systematically
- Diversify business models
- Guide and support outgrowers' inclusion in business models
- Encourage alternatives to large scale land investments
- Support 1st movers, but not at scale of land
- Do value your natural resources
- Ensure investors to access land with a realistic business plan
- Follow existing land regulations
- Ensure transparency and participation
- Do not expose small-holders to start-up business risks and financial risks
- Have a plan B for failure or exit

Advice to private investors

- Conduct comprehensive Due Diligence, feasibility studies and impact assessments
- Develop a concrete and realistic business plan
- Engage openly with stakeholders including communities from the very early stage
- Be transparent: consultation prior to the investment and ongoing dialogue
- Manage expectations especially for job creation
- Start small and consider phasing especially for land operation
- Assume no land is “un-used”
- Ensure patient capital provider who is knowledgeable on the difficulties of running an agri-business
- Don't involve small holders from the beginning and expose them to the start up business risk
- Develop a robust grievance mechanism

What's Next

Working on more detailed practical guidance notes which would assist with the implementation of principles & findings on the ground --- “How to” apply RAI

Thank You!

ありがとうございました