Securing Land Tenure and Improving Livelihoods: Towards a Set of Principles for Responsible Agro-investment

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75% of the world’s poor are rural and most are involved in farming. In the 21st century agriculture remains fundamental for poverty reduction, economic growth and environmental sustainability.

World Development Report 2008
Where most of the poor live...

Global extreme poverty 2002, $1.08 a day

- 2.5 billion people depend directly on agriculture
- 800 m smallholders
- 75% of poor are rural and the majority will be rural to about 2040

- Global Urban poor 287 mill.
- South Asia rural 407 mill.
- East Asia rural 218 mill.
- Sub-Saharan Africa rural 229 mill.
- MENA rural 5 mill.
- ECA rural 5 mill.
- LAC rural 27 mill.
- South Asia rural 407 mill.
...agriculture remains an engine of economic growth and...

The Millennium Development Goals cannot be met without higher agricultural productivity, especially in Africa

- Large sector for GDP growth
- Affordable food and wage competitiveness
- Comparative advantage in trade
- Strong growth linkages

Accelerating agricultural growth in Africa

<table>
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<tr>
<th>Period</th>
<th>Average Annual Real Agricultural Growth (%)</th>
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<tbody>
<tr>
<td>1980-1990</td>
<td>2.3</td>
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<tr>
<td>1990-2000</td>
<td>3.3</td>
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<td>2000-2005</td>
<td>3.5</td>
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GDP growth from agriculture benefits the income of the poor 2-4 times more than GDP growth from non-agriculture (43 countries). Growth from agriculture is especially effective for poverty reduction.
We are all committed to pro-poor growth...

Agriculture Action Plan (2010-12) from $4.1 B to $6.2-8.3 B in lending operations to:

1. Reduce risk and vulnerability
2. Raise agricultural productivity
3. Link farmers to markets and strengthen value chains
4. Facilitate rural non-farm income and diversification/exit
5. Render environmental services
...so we all should care about smallholder and large scale agriculture

Smallholder agriculture continues to provide livelihoods and basic food for millions of people and is a mainstay of World Bank policy.

When done right, large-scale agriculture can mean better infrastructure, improved technology, better access to markets, value-addition, greater production of feed/fiber/raw materials, employment and income.

High-input, large-scale production systems can profitably be linked to contract farming and other outgrower arrangements.

When not done well, large-scale agriculture can have significant adverse impacts.
Land intensive agricultural investment: Empirical research in 20 recipient countries

- **Phase I: Overview of the phenomenon**
  - Quantification/characterization of investments
  - Diagnosis of policy, legal, and institutional environment
  - Africa (11 countries), Latin America (5), Asia/Eastern Europe (4)

- **Phase II: Case studies on individual investments**
  - Financial and economic analyses
  - Social and environmental impact assessments
  - Africa:
    - DRC, Ethiopia, Liberia, Nigeria, Tanzania, Sudan, Zambia
  - Latin America:
    - Mexico, Mozambique, Peru
  - Eastern Europe:
    - Ukraine
Country example: Mozambique

- **Background**
  - Advanced legal framework 1997
  - But little implementation
  - Huge potential: 34 m ha arable land; 3.7 m cropped

- **Aim to attract investors, then backtracking**
  - 18 months: 13 m ha applications
  - Moratorium to identify land 2008

- **Huge conflict potential**
  - Community rights not demarcated
  - Data not adequate
  - Community consultation processes inadequate
  - Lack of transparency
## Resulting policy reforms

<table>
<thead>
<tr>
<th>Implemented and on-going</th>
<th>Proposed</th>
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<tr>
<td><strong>Define local rights</strong></td>
<td><strong>Improve information</strong></td>
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<td>Community land delimitation</td>
<td>Clean up data overlaps</td>
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<td>Decentralized land use plans</td>
<td>Land Policy Forum (Min. Agric.)</td>
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<td><strong>Tighten requirements</strong></td>
<td><strong>Collect rental fees/taxes</strong></td>
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<td>Evaluate business plans</td>
<td>Could triple local revenue</td>
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<td>Require proof of capital</td>
<td>Explore scope of land tax</td>
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<td>Enforce consultation</td>
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<td>Blacklist investors</td>
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<td>Community partnerships</td>
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<td><strong>Clarify investor rights</strong></td>
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<td>Conditional usufruct</td>
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<td>Arbitrary enforcement</td>
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Out of this on-going research, seven key areas of concern have emerged

1. Respecting Land and Resource Rights
2. Ensuring Food Security
3. Transparency, Good Governance and Enabling Environment
4. Consultation and Participation
5. Economic viability and responsible agro-enterprise investing
6. Social Equity
7. Environmental Sustainability
Principle 1: Land Rights

Existing rights to land and natural resources are recognized and respected.

This depends on:

(i) Proper identification of all rights holders
(ii) Legal recognition demarcation and registration/recording
(iii) Direct and informed negotiation with land holders/users
(iv) Fair and prompt payment for all acquired rights
(v) Independent avenues for resolving disputes or grievances
Principle 1: Land Rights

- Legal recognition is necessary but not sufficient
  - Demarcation is essential, especially in Africa

- Recognition of indigenous communities’ rights
  - E.g. Peru

- Secure land rights allow for direct negotiations
  - ~2,000 registered joint ventures formed in Mexico, some involving country’s biggest agro-processors; annual turnover of US $ 560 mn
  - Investors negotiate directly with local communities in Peru
Principle 2: Food Security

*Investments do not jeopardize food security, but rather strengthen it.*

Protecting food security requires that governments and investors:

(i) Ensure at least equivalent access to food by affected populations

(ii) Expand opportunities for outgrower/off-farm employment

(iii) Adopt strategies to prevent food shortages/reduce risks

(iv) Consider impacts on national food security in design/approval
Principle 2: Food Security

- **Income generation and improved food security**
  - Tomato export sector in Senegal

- **Outgrower schemes can improve output without displacing local food production**
  - Smallholder jatropha cultivation in Mali, India, and Tanzania
Principle 3: Transparency

Processes for accessing land and making associated investments are transparent, monitored, and ensure accountability by all stakeholders.

Public and private sector policies, rules, and practices should ensure that:

(i) All relevant information is publicly available

(ii) Institutions have capacity to operate efficiently and transparently, practice good governance, & are audited

(iii) An independent system to monitor progress towards a better investment climate is in place
Principle 3: Transparency

- Revenues from land transactions are made publicly available to prevent corruption
  - Chile maintains a public website with FDI capital flows

- Information on land potentially available is posted online to reduce transaction costs
  - E.g. Mexico; others make information on concessions available

- The World Bank’s *Doing Business* indicators can highlight areas in need of reform & track progress
  - E.g. Rwanda made list of top 20 reformers in 2009
Principle 4: Consultation

All those materially affected are consulted and agreements from consultations are recorded and enforced.

This requires clarity on:

(i) Procedural requirements

(ii) The character of agreements reached in such consultations

(iii) How the agreements can be enforced
Principle 4: Consultation

- Local governments can facilitate consultation
  - Local government involvement in negotiations in Ukraine
  - Regulations in Mexico provide clear guidance on land holders’ rights to negotiate directly with investors; web portal with investor info
Principle 5: Responsible agro-enterprise investing

Projects are viable economically, respect the rule of law, reflect industry best practice, and result in durable shared value.

All investors (whether private or government-linked) should:

(i) Comply with laws, international treaties, best practices

(ii) Adhere to global best practices

(iii) Aim to increase shareholder value & benefit host area

Governments must also assess economic viability in a cost-effective way and integrate major projects into broader development strategies.
Principle 5: Responsible agro-enterprise investing

- Many of these projects only viable with subsidies
  - Jatropha production in Africa; technical uncertainty

- Investors responsible for self-regulation
  - E.g. Sustainable Roundtable on Biofuels

- Due diligence requires substantive screening
  - Mozambique plans 2-stage process: pre-screening + in-depth analysis
Investments generate desirable social and distributional impacts and do not increase vulnerability.

Social sustainability can be enhanced if governments and investors:

(i) Identify social issues/risks—and strategies to mitigate these and increase social benefits—during preparation

(ii) Consider interests of vulnerable groups & women

(iii) Include provision of local public goods in project design
Principle 6: Social Equity

- Improving farmer incomes through investment
  - EduCampo Chiapas project in southern Mexico
Principle 7: Environmental Sustainability

*Environmental impacts due to a project are quantified and measures taken to encourage sustainable resource use, while minimizing the risk/magnitude of negative impacts and mitigating them.*

It is crucial that investors and government collaborate to:

(i) Conduct independent environmental impact analysis prior to approval

(ii) Promote increasing productivity on already used areas

(iii) Use production systems that enhances resource efficiency

(iv) Ensure that good practices are followed

(v) Encourage beneficial ecosystem services

(vi) Address negative impacts via env. management plans.
Principle 7: Environmental Sustainability

- **Innovative monitoring, in collaboration with civil society, is essential to ensure compliance**
  - Tracking illegal deforestation in Mato Grosso, Brazil

- **Generate environmental services via best practices**
  - Southern Cone: zero-tillage, GPS to monitor soil/plant conditions
  - Ukraine: fuel use reduced by up to 80% with increases in profitability
Investors, civil society, countries need to work together.

- Build consensus on principles and how to implement them via consultative process
  - 6 month timeframe
  - Operational version of principles – a “toolkit”; link when possible to existing standards/initiatives
  - Agree on modalities for monitoring
  - Participation by all stakeholders, especially civil society

- Analysis and technical assistance to help implement
  - Working paper to elaborate principles
  - Identification of best practice
  - Toolkit/sourcebook

- Moving toward implementation
  - Technical assistance to integrate into strategies; priority action plans
  - Financial support to establish preconditions
Summary Principles for Responsible Agro-investment

1. Land and Resource Rights: Existing rights to land and natural resources are recognized and respected.

2. Food Security: Investments do not jeopardize food security, but rather strengthen it.

3. Transparency, Good Governance and Enabling Environment: Processes for accessing land and making associated investments are transparent, monitored, and ensure accountability by all stakeholders.

4. Consultation and Participation: All those materially affected are consulted and agreements from consultations are recorded and enforced.

5. Economic viability and responsible agro-enterprise investing: Projects are viable economically, respect the rule of law, reflect industry best practice, and result in durable shared value.

6. Social Sustainability: Investments generate desirable social and distributional impacts and do not increase vulnerability.

7. Environmental Sustainability: Environmental impacts are quantified and measures taken to encourage sustainable resource use, while minimizing and mitigating them negative impact.