

Large-scale land acquisitions for agricultural investments

The Background

The value of land as an agricultural commodity and lucrative investment capital has increased in recent years, which is reflected in the global increase in large-scale agricultural investment by national and transnational investors. The reasons for this are diverse. On the one hand, increasing urbanisation and land degradation as a result of environmental pollution and climate change led to a reduction in available land. On the other hand, long-term trends such as the increase in the world's population and globally changing eating habits are contributing to a higher demand for agricultural land. In addition to these structural developments, volatile and rising prices for agricultural products on world markets are increasingly creating incentives for agricultural companies and resource-poor countries to secure their own supplies by outsourcing production to other countries.

The rise in prices in the wake of the food price crisis in 2007/08 and the subsequent global financial crisis of 2009 led to a considerable increase in demand by agricultural companies and institutional investors for agricultural land as an investment or object of speculation. As a result, investors discovered new production sites and investment opportunities primarily in developing countries, especially in sub-Saharan Africa and Asia.

The land acquired is used primarily for the agricultural production of food or energy crops for national markets or for exports to international and regional markets. In recent years, however, there has also been an increase in large-scale investment in forest areas.

Investors often secure land through long-term leases or purchase agreements. However, the information on the

aggregated volume of investments is not clear, due to incomplete data availability on the one hand and different interpretations of the definition of 'land acquisition' on the other. The Land Matrix Initiative provides one of the most commonly used definitions for 'land acquisition', which is understood as a transfer of land use rights by way of purchase, lease or other concession to a domestic or foreign investor. Land acquisition must follow a commercial interest, have a volume of at least 200 hectares and have potential impacts on the environment of small farmers, the local population or important ecosystems. According to the Land Matrix Initiative, more than 1,600 land acquisitions have been concluded worldwide since 2000, covering an area of more than 48 million hectares (as of August 2019). Other estimates put the total area between 30 and 80 million hectares.

The target countries for land acquisitions are mostly low-income states, often characterised by weak government structures and good preconditions for agricultural production. This results in several regional patterns. For example, large-scale land acquisitions are taking place in South America, sub-Saharan Africa, Southeast Asia and the post-Soviet states of Eastern Europe. The countries in which particularly large amounts of investment are made are shown in Figure 1.

Since the beginning of the rapid rise of large-scale land acquisitions in countries of the Global South, developments have been accompanied by a heated debate, as the consequences for the target countries and their populations are controversial. On the one hand, proponents emphasize that capital inflows can strengthen the often structurally weak agricultural sector of developing countries and thus contribute to agricultural modernisa-

tion and poverty reduction. In this context, large-scale agricultural investment is often seen as conducive to economic development, as it can create additional jobs and tax revenues. Furthermore, investment projects can contribute to technology and knowledge transfer as well as to the improved development of rural areas through infrastructure measures and thus contribute to the overall economic development of a country.



Illustration 1: Target countries of large-scale land acquisitions (data according to Land Matrix, August 2019)

On the other hand, critics point out that large-scale agricultural investments can have a negative impact on the target countries and the affected population. In many developing countries, access to land for poor households is essential for income generation and food security. However, they often do not have secured land rights, which exposes them to a high risk of displacement and expropriation as a result of large-scale land acquisitions. In particular, informal land use rights are often not taken into account in the transfers of land rights, which often deny displaced persons or displaced persons the right to fair compensation. Above all, indigenous population groups and women are affected by the disregard of their land rights. Critics furthermore doubt that large-scale agricultural investments contribute to the economic development of the target country, as mechanisation often creates few and poorly paid jobs and in many cases governments grant tax advantages to investors. In addition, the intensification of agriculture can contribute to the loss of biodiversity and lead to soil degradation.

Our position

In this context, GIZ takes the following positions:

■ Investments in large-scale land acquisitions can offer opportunities to the rural population

For many developing countries, new capital and technology inflows through foreign investment provide significant opportunities for investment in the often structurally and capital-weak agricultural sectors. Tax revenues as a result of investments can contribute towards increased production, employment and income increases, thereby improving the living conditions of the rural population. This also creates opportunities for modernising agriculture and value chains. The creation of larger farms is accompanied by changes in infrastructure such as the expansion of transport routes and energy supply. If large-scale land transfers and agricultural investment projects are integrated into poverty reduction strategies, negative effects for the local population can be minimised if additional employment and income opportunities are created.

■ Existing international legal frameworks and guidelines minimise risks

Despite the opportunities, large-scale land purchases, long-term leases and illegal land appropriation can endanger the existence of smaller farms. In many cases, they exacerbate land conflicts and can be accompanied by the resettlement or displacement of the local population. Especially in countries with a lack of legal security and pronounced corruption, large-scale land acquisitions can have negative effects on long-term food security, stability and peace. Clear obligations for investors and governments arise from existing international legal norms such as the human right to food and protection against displacement, as well as the principle of free, prior and informed consent (FPIC). In addition, the existing international and national legal norms should be reviewed for their appropriateness to the risks of large-scale land acquisitions and, if necessary, supplemented in specific cases. Contracts that violate applicable laws and disregard existing rights are usually legally contestable. Socially acceptable, economically sensible and ecologically sustainable principles for large-scale land acquisitions are regulated in the "The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security" (VGGT).

■ **The terms and conditions of the contract determine opportunities and risks**

The respective contractual conditions are decisive for the design of responsible land acquisitions and sustainable investments in agriculture. Coupling these with appropriate and fair forms of contract farming secures market access for the farmers involved, the sale of their products at reasonable prices and thereby also secures their income. Partnerships between investors and local farms can in many cases also mobilise additional support measures. These include agricultural advisory and training measures and the expansion of infrastructure, such as the construction of health centres or roads.

These support measures are an integral part of fair and development-oriented contracts that contribute to the sustainability of large-scale land acquisitions.

Our recommended actions

GIZ considers the following the most important recommendations for action:

■ **Development and implementation of international guidelines**

International guidelines support governments in making rights to access land and other natural resources sustainable. They can also serve as a reference framework for the work of civil society actors in the land sector, for example to hold governments and investors accountable. Important procedural proposals are also formulated in the safeguards of the international development banks, including the environmental and social standards of the World Bank. The most important guidelines in this context are the VGGT and the "Principles for Responsible Agricultural Investment" (RAI), both of which were adopted by the UN Committee on Food Security. The implementation of the VGGT is currently supported by the GIZ, inter alia through awareness-raising measures for investors and companies active in partner countries. The "Analytical Framework for land-based investments in African agriculture", a checklist for investors jointly developed by various donors, can serve as a reference framework for responsible agricultural investments. Further implementation measures are coordinated via international working groups such as the Global Donor Working Group on Land.

■ **Creating improved livelihoods through land laws and land use planning**

Land acquisitions take place within the legal framework of the target countries. By adapting the institutional rules and regulations, it is thus possible to influence the effects of the investments. Safeguarding and recognizing the rights of land use and ownership of the local population as well as precise documentation of the available resources play a decisive role here. With the help of systematic land registration, ownership rights of the rural population are better secured for both individual and community areas. Furthermore, land use planning can also lead to more efficient use and management of land in order to increase the overall production potential. In particular, participatory approaches to land use planning can contribute to the prevention and resolution of land conflicts.

■ **Strengthening civil society in its monitoring and negotiating functions**

The affected local populations must be able to participate actively before and during negotiation processes of large-scale agricultural investments. These processes must be inclusive, accessible, transparent and efficient and also enable the participation of marginalised population groups. In this way, the local population can bring its interests into the contractual agreements and shape them in a socially and ecologically sustainable way. Furthermore, more sustainable partnerships can emerge through the involvement of civil society actors in monitoring and control mechanisms. There is a great need for action with regard to informing affected communities about their rights to participate in consultations and compensation procedures, their support in these processes and the establishment of complaint mechanisms.

■ **Promotion of transparency and involvement of the population**

Transparency is the basic prerequisite for meaningful participation and accountability. The involvement of the local population in planning, contract negotiations and the implementation of large-scale land acquisitions is crucial for the sustainability of investments. In concrete terms, this means that large-scale agricultural investments must comply with the principle of free, prior and informed consent of the population, ensure that appropriate complaint mechanisms for affected population groups are institutionalised and that no forced expropriations or expulsions take place. The recognition

of the communities' legitimate land use rights and the development of an information system for land-based investments are important support services. Essential information on the investment and relevant audits, such as environmental and social impact assessments, should therefore be disclosed and translated into the local language before contracts are signed. Those affected should be informed in a timely and adequate manner through appropriate communication channels of the available conflict resolution and mediation options.

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