

Berlin, 9th of November 2017

# **FOREIGN DIRECT INVESTMENTS IN LAND: A DRIVER FOR LAND USE CHANGES AND CONFLICTS**

Dr. Stefan Sieber, Leibniz Centre for Agricultural Landscape Research (ZALF e.V.)

## Foreign Direct Investments in Land

1. Introduction FDI, FDI in land
2. Drivers, motivation, challenges of FDI
3. FDI on a global scale
4. Theory: The welfare analysis
5. Implications of FDI
6.
  - Case study: AgriSol Energy (Tanzania)
  - Case study: Githunguri (Kenya)
6. SAGCOT: A successful model?

# 1 Introduction

## 1.1 Definition of foreign direct investment (FDI)

- An investor's perspective on FDI? Agrica LTD <http://www.agrica.com>



Carter Colman, Agrica LTD. London 2015, Tropentag interview

Investors

  
Norfund

C>PRICORN  
INVESTMENTGROUP

AgDevCo

# 1 Introduction

## 1.1 Definition of foreign direct investment (FDI) in land

- Foreign direct investment in land vs. land grabbing?



<http://wordpress.clarku.edu/i...agrab-in-south-sudan/>



<https://handsontheland.net>

# 1 Introduction

## 1.1 Impression of foreign direct investment (FDI) in land

- How much land is declared as FDI in land?



x 5.3



x 67,155,313

# 1 Introduction

## 1.2 Definition of FDI types

- Investment from one country into another that involves establishing operations or acquiring assets Graham and Krugman (1995), Lizondo (1990)
- FDI in economic theory: trade theory, regional theory, organizational theory
- FDI defined by IMF: investment to hold a long-lasting interest to be measured by 10 % of foreign firm's voting stock of shares, recent (annual) in and out flows
- FDI different from portfolio investments as
  - (a) high degree of foreigners' participation and control in host firm = TNC,
  - (b) high involvement of non-monetary capital (know-how, machinery)

# 1 Introduction

## 1.2 Definition of FDI types

- Integration
  1. Horizontal: same products produced abroad
  2. Vertical: intermediaries produced abroad (raw materials)
- Degree of control
  1. Indirect: via means for capital flows like funds
  2. Non-equity: control via contractual arrangements; licenses, contract farming
  3. Direct, equity: coordination and control fully internalized within the TNC
- Type of cooperation with host firms as
  1. Joint ventures: new company owned by former different companies
  2. Mergers and acquisitions: fusion of companies/public authorities
  3. Greenfield investments: completely new founded companies

# 1 Introduction

## 1.2 FDI in land

FDI in land has widespread definitions

- No international consensus on a definition!
- “Lasting interest in taking control over land use rights. The transaction includes either rights of land use or land-ownership. The land use rights are generally valid for a limited period and can possibly be extended” GIZ (2009)
- Often long-term lease (e.g. 99 years) as purchase agreement Cotula (2009)
- Large scale land acquisitions in DC as “land grabbing-definition” in public discussion

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## 2 Drivers, Motivation, Challenges of FDI

### 2.1 Motivation for investor countries to engage in FDI

#### 1. Increasing prices and volatility

- Land FDI as food security strategy for food importing countries
- Land FDI as asset for financial investors

#### 2. Resource-seeking

- Land in EU especially scarce = expensive

#### 3. Efficiency-seeking

- Other production factors than land are cheaper in target countries
- Low or non-existent labour and environmental standards or energy costs

#### 4. Barrier hopping

- Avoiding high tariffs if producing for target country
- Benefitting from EU preference tariffs for developing countries (e.g. generalized system of preferences GSP)

## 2 Drivers, Motivation, Challenges of FDI

### 2.2 Motivation for target/host country to attract FDI in land

#### 1. Capital stock increase

- Crowding in by new capital: investment push even beyond the original investment (compensation for ODA)
- Public revenues, investment-related tax income
- External capital often used for external debts (exchange revenue)

#### 2. Technology, knowledge transfer

- Capacity building, management capacity -> Employment creation
- Productivity increased -> input use

#### 3. Increased food availability + security

- Crowding in higher than crowding out
- Or: export increase or import substitution

#### 4. Access to capital, markets

- Both at host country and international markets

## 2 Drivers, Motivation, Challenges of FDI

### 2.3 Possible negative effects of FDI for low and middle-income countries

- Lack of responsibility of investors in case of food insecurity / malnutrition
- Deprivation of rural communities to access and use land / land rights
- Eviction of rural population / refugees
- Social inequality between smallholders and land investors / social peace
- Political instability can be caused / economic development
- Environmental degradation (e.g. soils, fresh water appropriation affects downstream countries)

## Foreign Direct Investments in Land

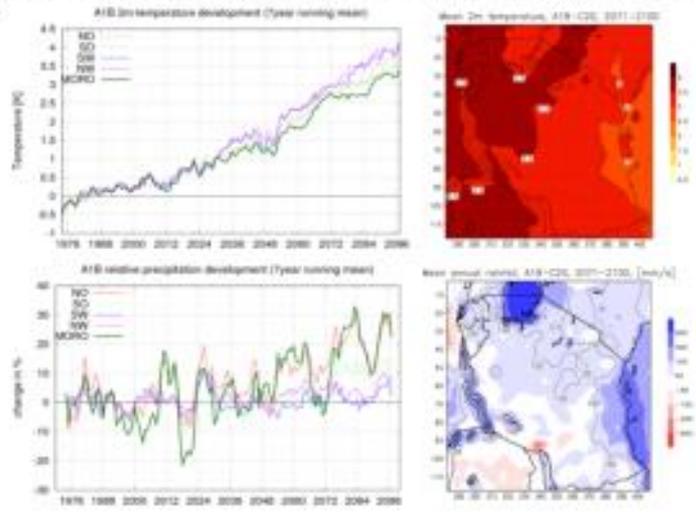
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## 3 FDI on a global scale

### 3.1 Drivers in agriculture

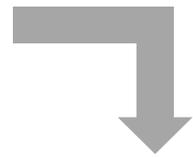
Frame conditions: Climate change, Natural resources

Temperature, precipitation change (downscaled A1B IPCC)

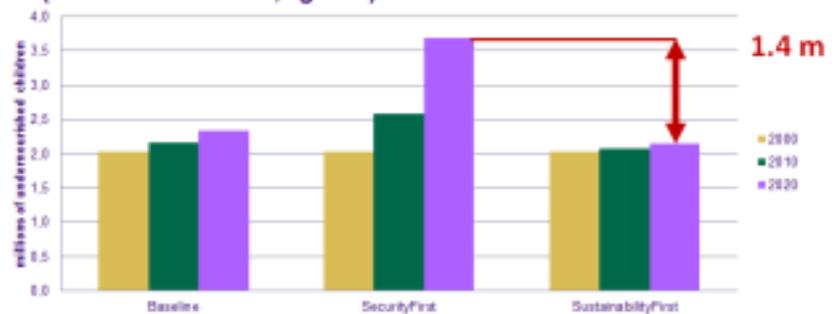


+3 °C

- 50 mm  
+ 150 mm



Impact Modeling (IFPRI):  
Child Mainnutrition for Tanzania  
(millions of children, age 0-5)

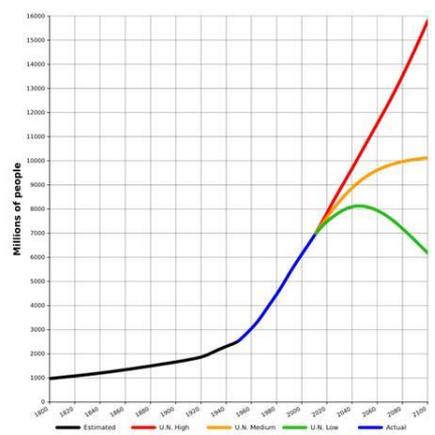


## 3 FDI on a global scale

### 3.1 Drivers in agriculture

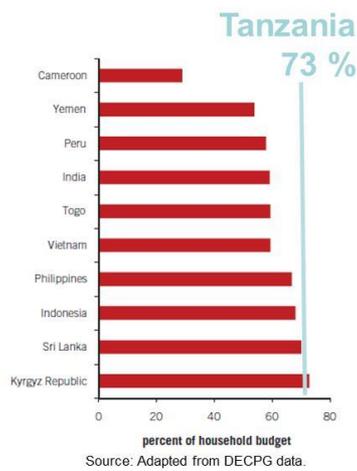
Socio-Economic frame conditions

Population



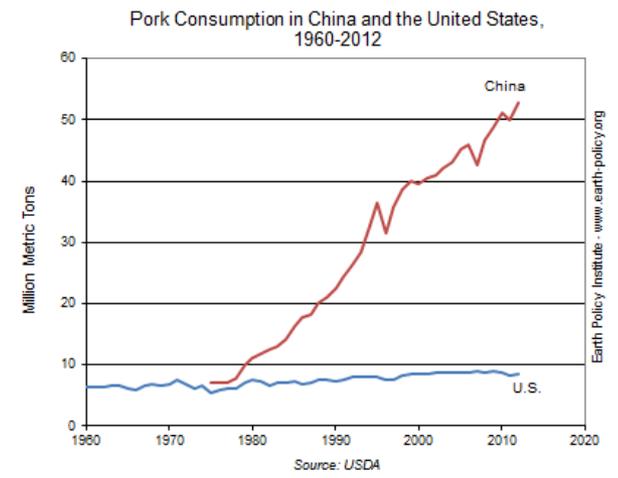
UN (2010), World population estimates from 1800 to 2100, based on projections (red, orange, green)

Income

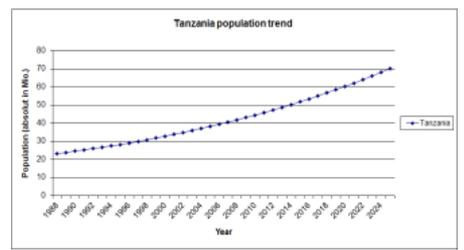


Source: Adapted from DECPG data.

Consumption



Source: USDA



Population + 2,21 % , land pressure migration

## 3 FDI on a global scale

### 3.1 Drivers in agriculture

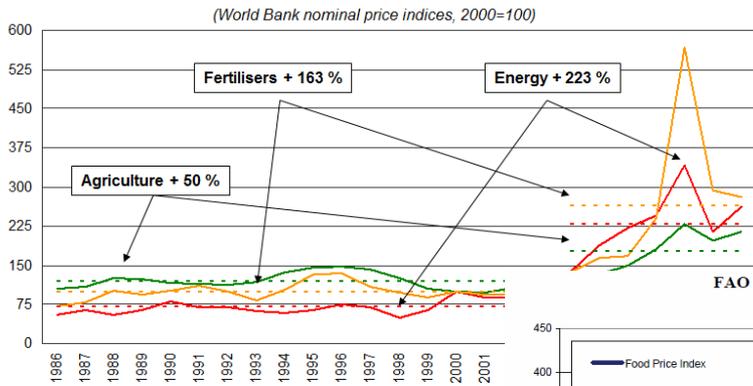
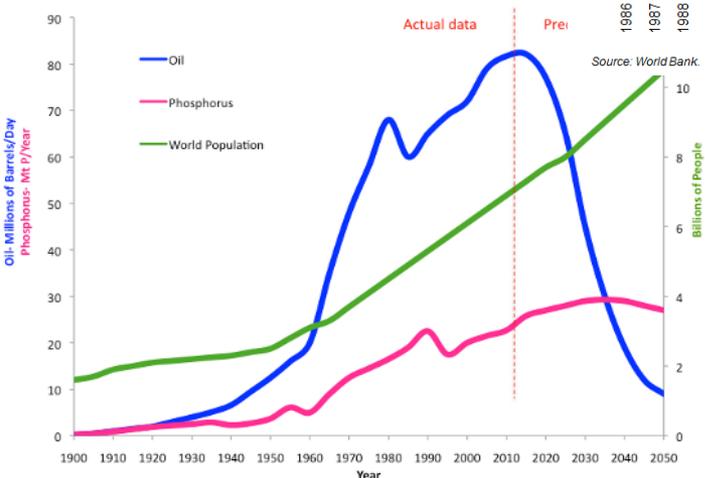
Input resources and globalization

Inputs

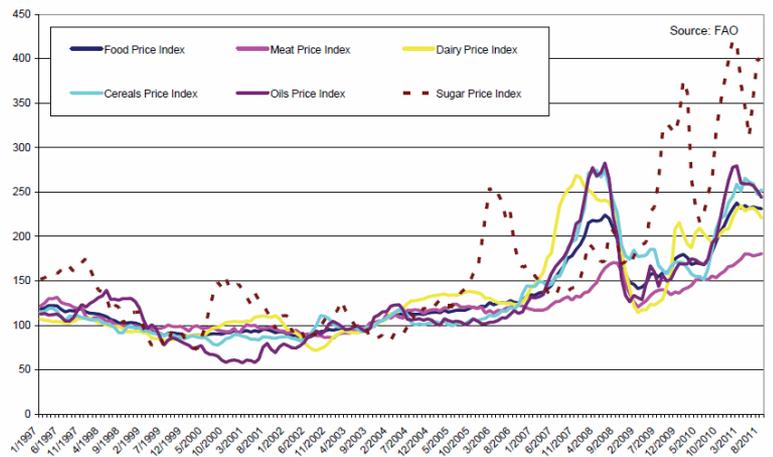
Input price indices

Product prices indices

Expected population growth in comparison resource availability



FAO Monthly Food Price Indices, 2002 – 2004 = 100

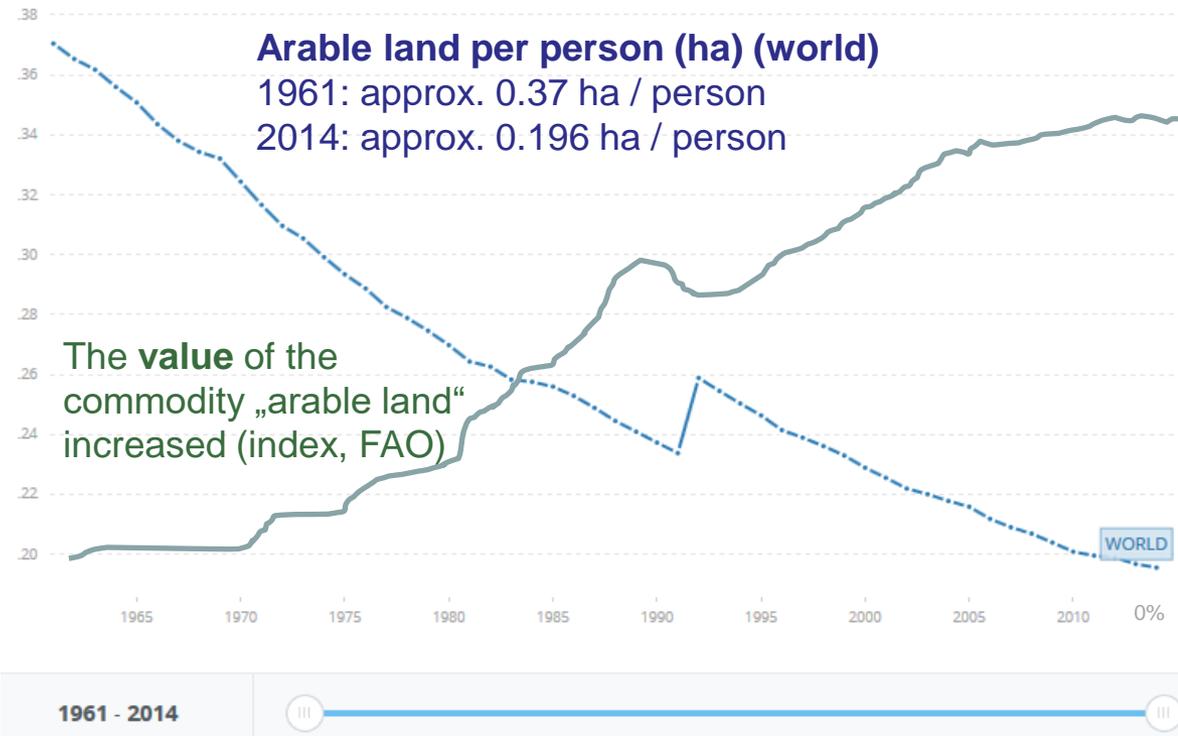
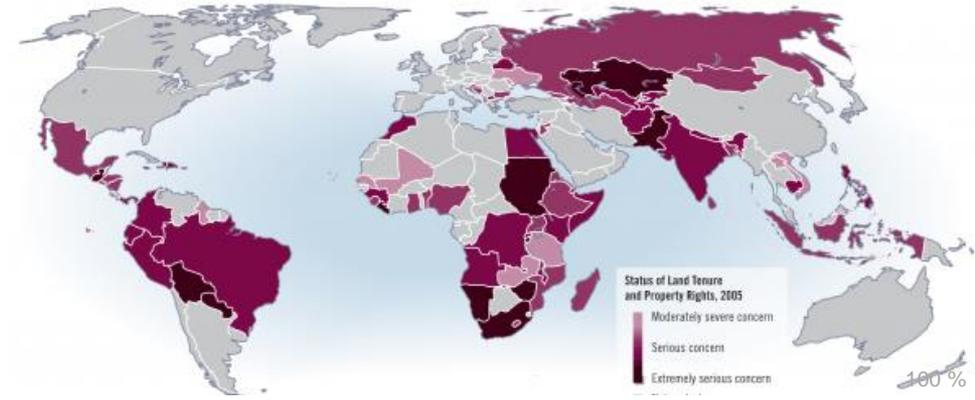


## 3 FDI on a global scale

### 3.1 Drivers for FDI

Inter alia, ...

- Population
- Climate change
- Energy
- Infrastructure
- Technical progress
- World demand
- Land use
- **Land tenure security**



## 3 FDI on a global scale

### 3.2 FDI Land Investment statistics

	Implemented till 2009/10		Status unknown	Sum implemented + unknown				
	Mill. ha	Share in agr. Area (%; sum global 1,2 bil. ha)	Mill. ha	Mill. ha	Share in agri. area (%)	Share in cereals' area (%; sum global 613 Mill. ha)		
<b>GRAIN (2007–2010)</b>	19	1,6	13	32	2,7	5,2	Grain 2012	35 m ha
World Bank (2008–2009)	9	0,75	37	46	3,8	7,5	World bank 2011	56 m ha
GTZ (2000–2009)	18	1,5	k.A.	18	1,5	2,9		
IFPRI (2006–2009)	3,1	0,25	7,2	10,3	0,9	1,7	IFPRI 2016-2010	20 m ha
Land Matrix (2008–2010)	12,3	1	32	44,3	3,7	7,2	Land matrix	49 m ha

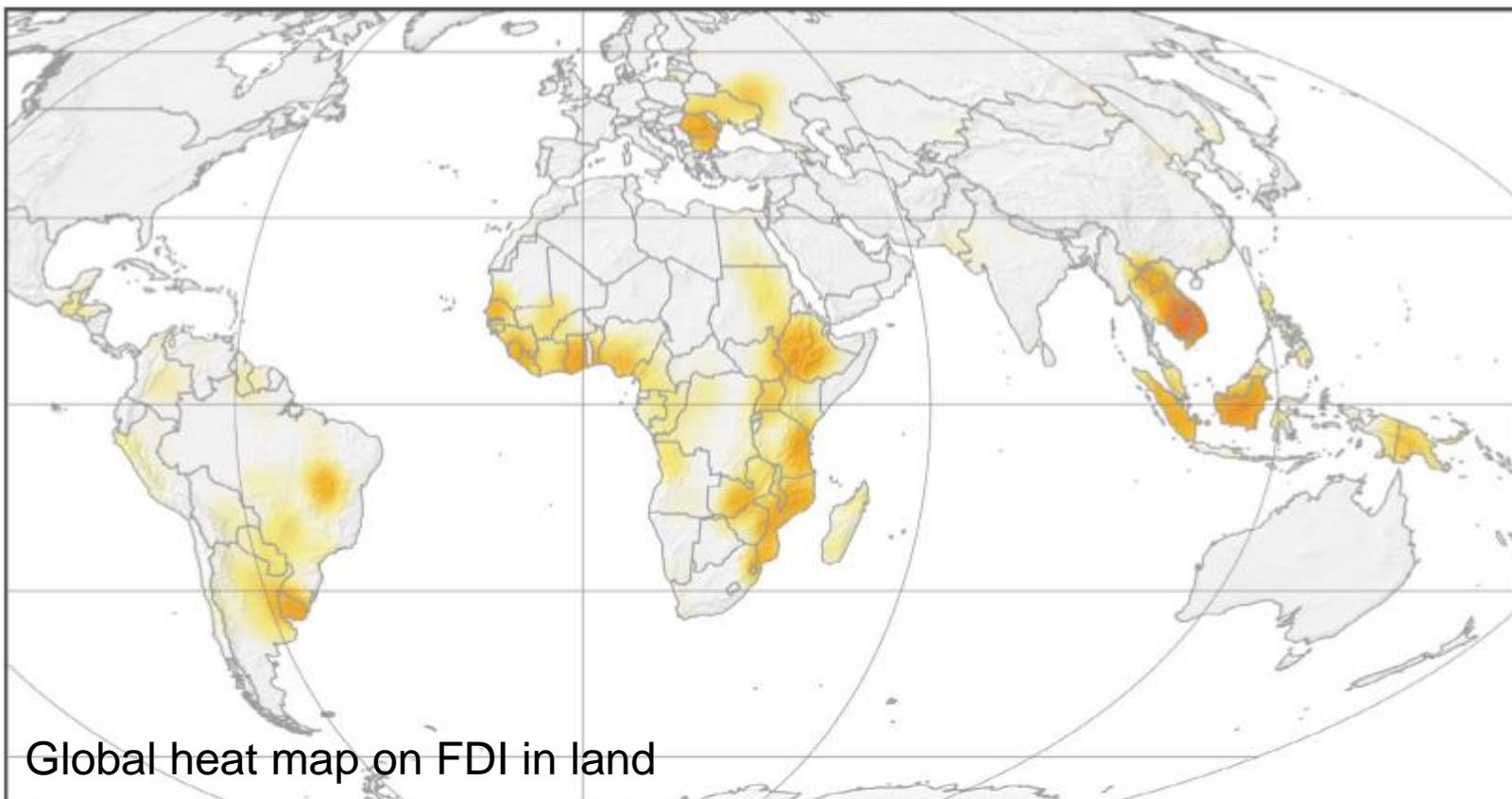
Rudloff, 2015

own update, 2017

## 3 FDI on a global scale

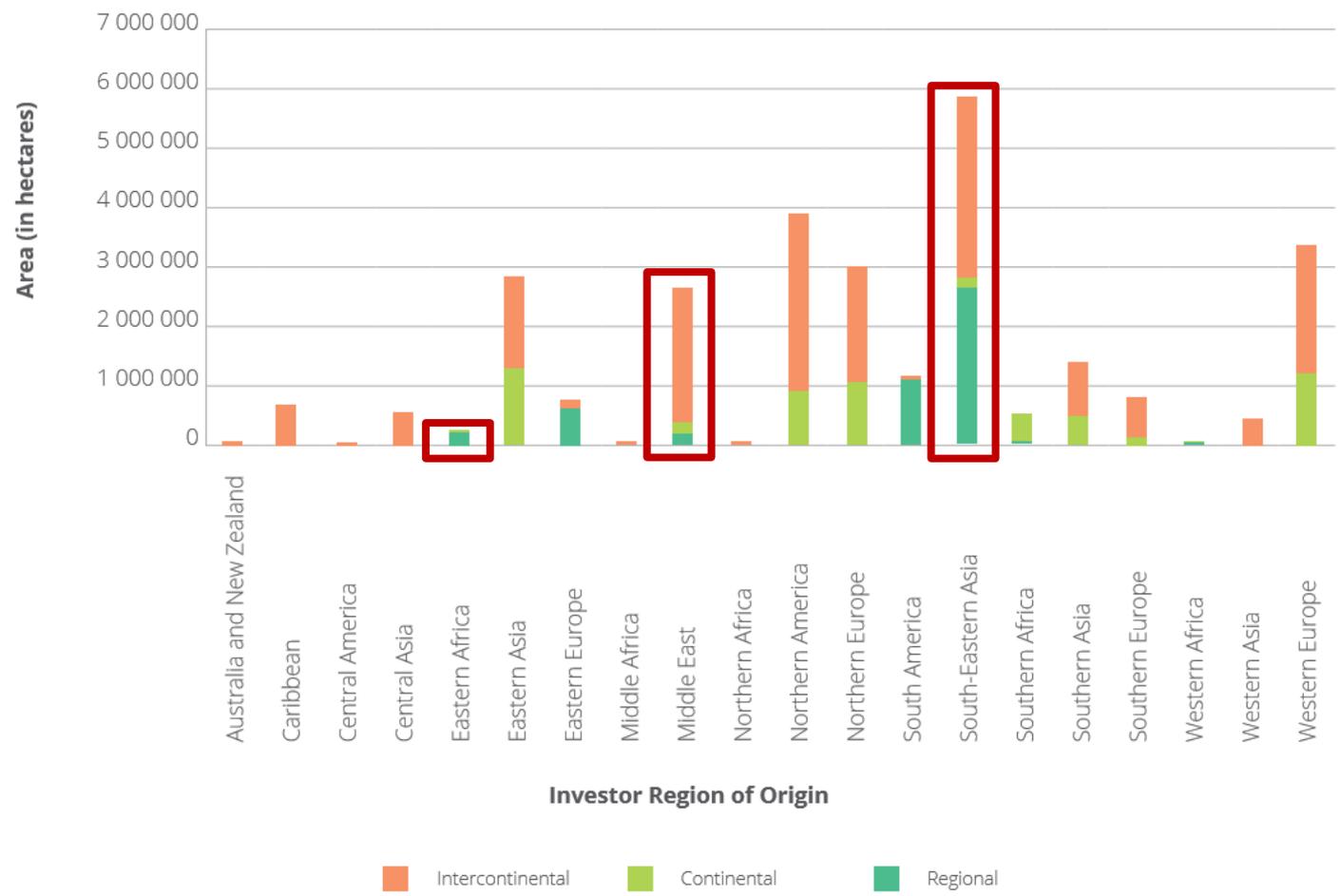
### 3.3 FDI – Investor countries since 2000: Number of land deals per country

In total 1,338 deals and 48,845,436 ha, transfer of rights of land



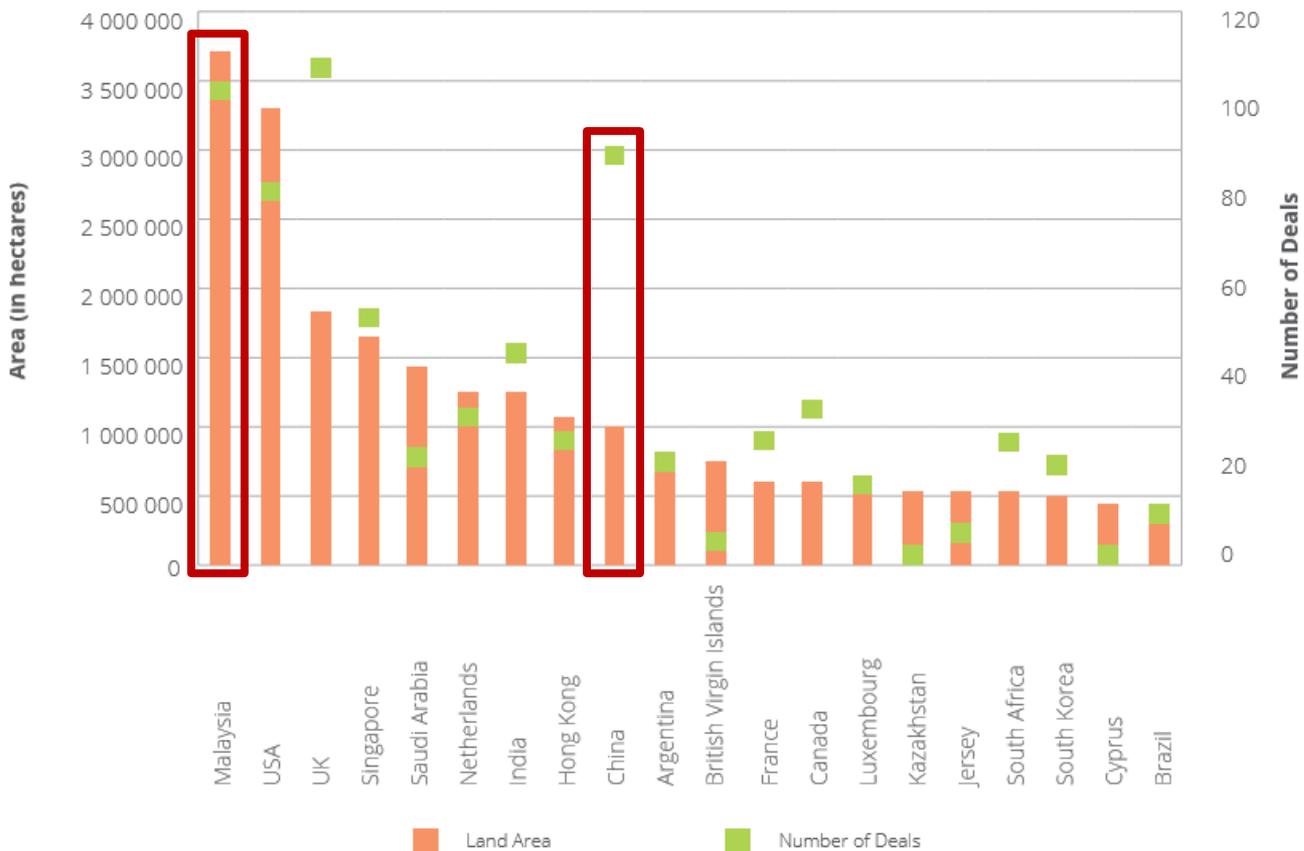
## 3 FDI on a global scale

### 3.4 Type of deals by investor region of origin



## 3 FDI on a global scale

### 3.5 Top 20 investor countries for concluded deals with agricultural intention



## 3 FDI on a global scale

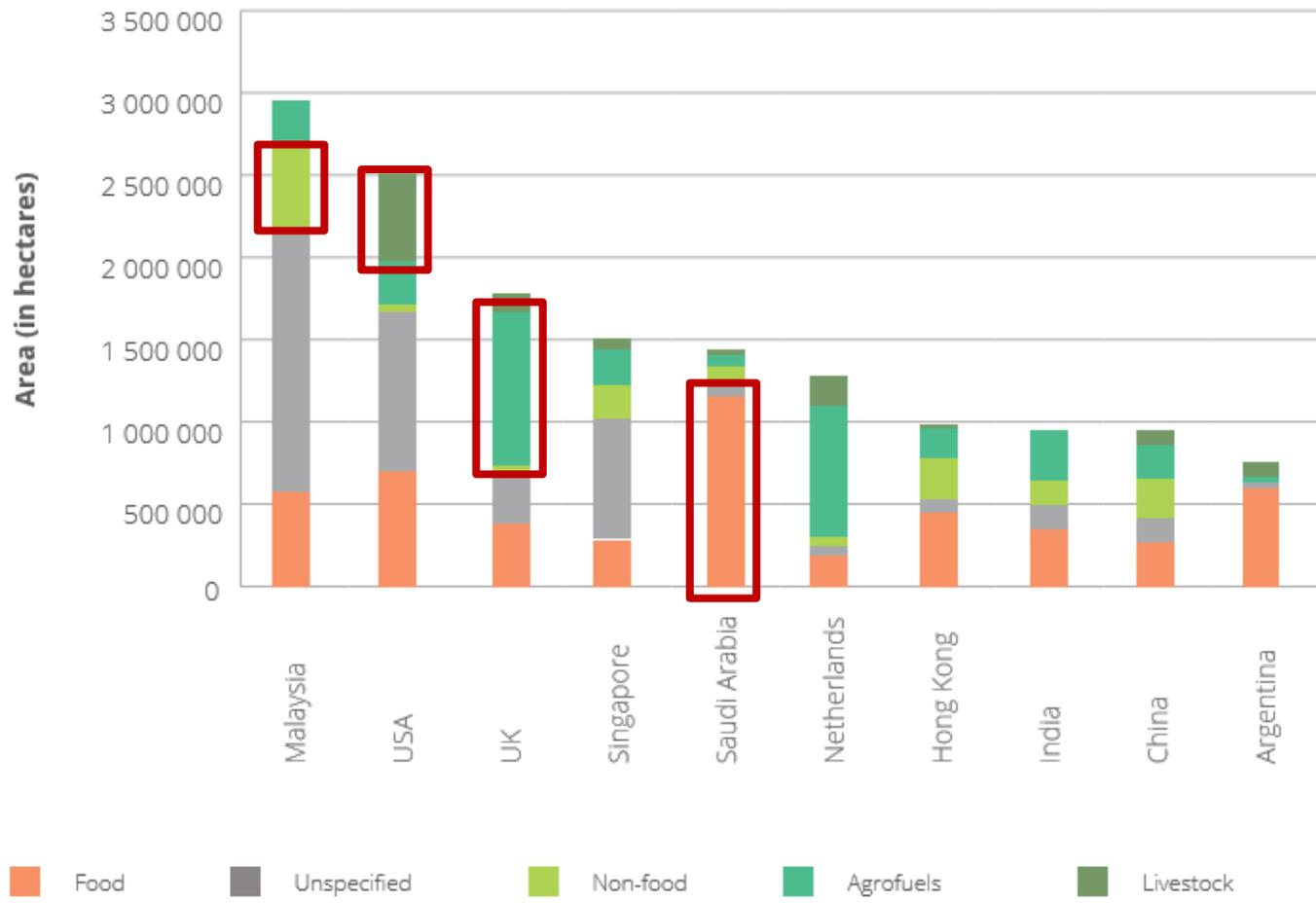
### 3.6 Land acquisitions by investor type and nature of deals

INVESTOR TYPE	AFRICA	AMERICAS	ASIA	EUROPE	OCEANIA
<b>AREA IN 1 000 HECTARES</b>					
Private company	4 571	2 139	1 247	2 224	1 907
Stock exchange-listed company	1 683	1 334	3 152	2 257	60
Investment fund	1 254	809	6	452	0
State-owned entity	422	190	277	36	0
Individual entrepreneur	223	314	6	106	0
Other	67	0	0	7	0
No information	2 332	31	522	55	263

TARGET CONTINENT	LEASE/CONCESSION (NUMBER OF DEALS/%)	OUTRIGHT PURCHASE (NUMBER OF DEALS/%)	TOTAL (NUMBER OF DEALS)		
Africa	376	94%	22	6%	398
Americas	20	10%	176	90%	196
Asia	207	96%	8	4%	215
Eastern Europe	38	72%	15	28%	53
Oceania	40	98%	1	2%	41
<b>Total</b>	<b>681</b>	<b>75%</b>	<b>222</b>	<b>25%</b>	<b>903</b>

## 3 FDI on a global scale

### 3.7 Intentions of top 10 investor countries



## 3 FDI on a global scale

### 3.8 Target continents, intentions and leading crops

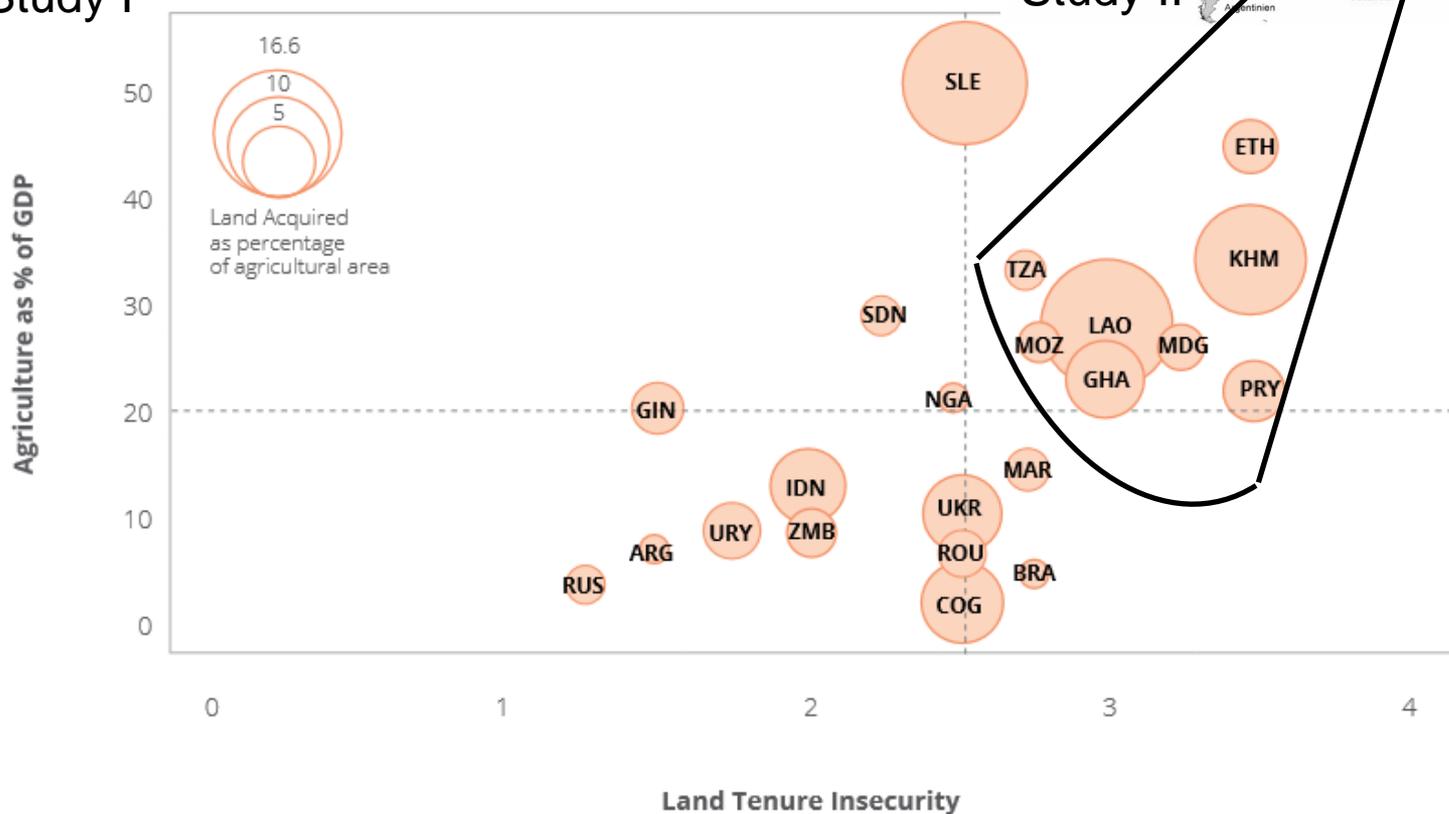
	AFRICA	EUROPE	AMERICAS	ASIA	OCEANIA	GLOBAL
Agrofuels	32%	1%	29%	16%	16%	21%
Food crops	39%	45%	50%	21%	30%	38%
Livestock	3%	17%	16%	1%	11%	8%
Non-food agricultural commodities	9%	1%	1%	29%	3%	9%



## 3 FDI on a global scale

### 3.9 Target countries and vulnerability

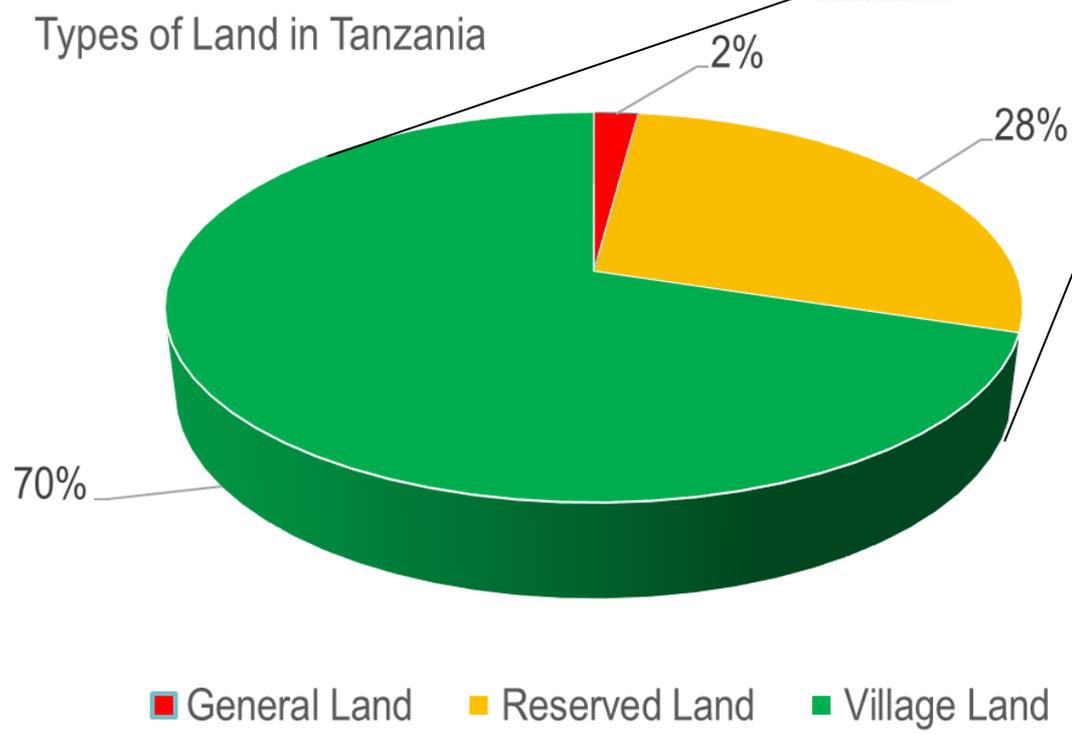
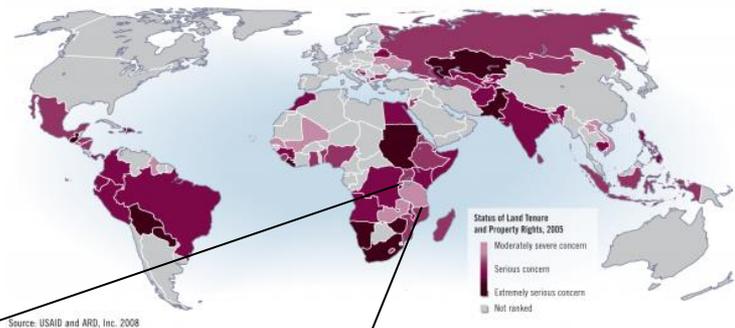
Study I



## 3 FDI on a global scale

### 3.9 Target countries and vulnerability

Land tenure systems



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  - Case study: AgriSol Energy (Tanzania)
  - Case study: Githunguri (Kenya)
  - Case study: your own case
6. SAGCOT: A successful model?

## 4 Theory: The Welfare Analysis

### 4.1 Theories applied to FDI

Relevant theory	Major target	Determinants of FDI
Welfare (economic) theory	Welfare among consumer, producer government	Goods and commodities produced and demanded
International trade theory	International allocation of production	Availability of resources (raw materials, labour, capital)
	Comparative advantages	Productivity level
	Consumer tastes	So far no specific studies
Theory of the firm	Optimal size of multinational enterprises	Degree of market inefficiencies
	Transaction costs	Ability to overcome market inefficiencies
	Internalisation of imperfect markets	Market growth rate
	Ownership & location-specific advantages	Market size and per capita income
	Ideal structure of enterprises	Productivity level
Theory of international capital markets	Origins of finance	Risk diversification
	Funding Risk bearing	Risk of sales
		Risks of equity
		Interest rate
		Exchange rate

## 4 Theory: The Welfare Analysis

### 4.2 Positive vs. normative Theory: Neoclassic

- Target-mean-analysis (positive analysis)

TINBERGEN (1968) developed the quantitative analysis concept  
[Traditional economic and agricultural policy]

-> General equilibrium theory (basis for computer modelling)

- Welfare economics - analysis (normative analysis)

A scientific attempt to evaluate normative economic well-being within  
competitive general equilibrium within an economy

-> Maximization of individual utilities to a societal view

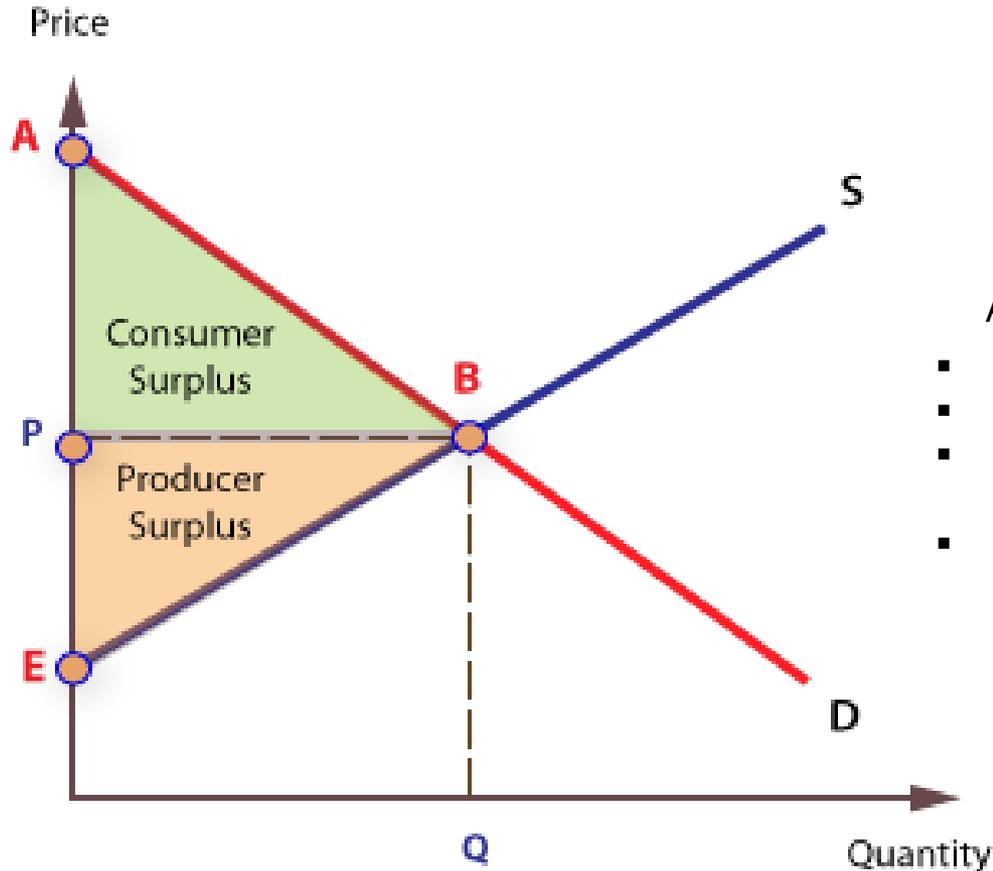
- Problems

- Value-judgement problem: "Wertfreiheitspostulat" (Max Weber)
- Second-best principle: abolishing milk quota cause welfare decrease
- Defined assumptions do not meet reality (e.g. rational principle)

## 4 Theory: The Welfare Analysis

### 4.2 Positive vs. normative Theory: Neoclassic

- Two theorems of Pareto and Adam Smith



Assumptions i.a.,

- perfect market structure
- factor allocation efficiencies
- no market failures and externalities
- symmetric information

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## 5 Implications of FDI

### 5.1 Case study - AgriSol Energy (Tanzania)

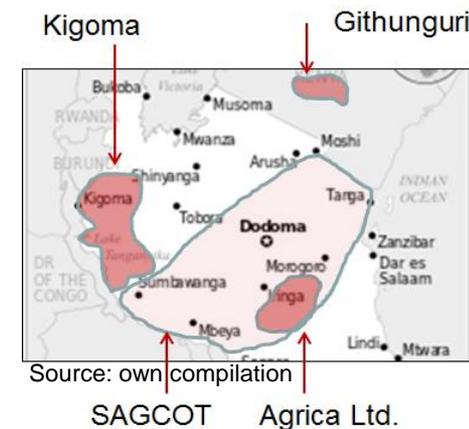
→ Expulsion/ eviction [Movie](#) click!

Description:

- US company AgriSol Energy leased 325,000 ha land in Kigoma and Rukwa region in western Tanzania.
- The favourable land is used for commercially for bioenergy products.
- Small-scale farmers cannot produce anymore.

Effects:

- No adequate compensation for affected people.
- Evicting 200,000 Burundian refugees to different Tanzanian regions.
- Agricultural arable land has been decreased for internal production .
- The consumption pattern changes and demand is decreased.
- The production only targets the export of produced goods.



## 5 Implications of FDI

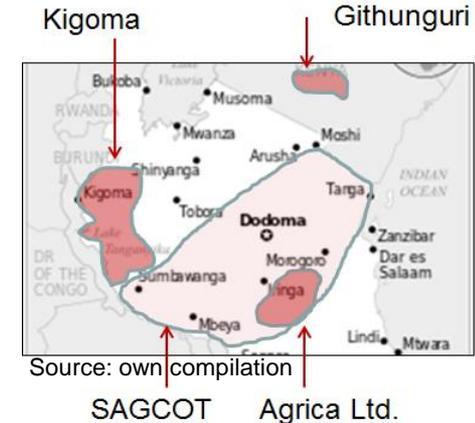
### 5.2 Case study - Githunguri (Kenya)

#### Description:

- Green beans are produced on extended agricultural
- Land (conversion fallow land to agricultural land)
- Technology transfer, access to seeds, agricultural education, production and processing of the good is in the country (value chain)
- Development of infrastructure, capacity building.
- Partnerships with 60,000 farmers, 600 pickers for harvesting and 3,000 processors.

#### Effects:

- 100 % of the production is used for domestic consumption.
- Agricultural arable land has been even enlarged.
- Jobs has been created, increased capital inflow and demand on agricultural goods increased
- The increase of supply is comparatively higher than the increase of demand, because technical progress accelerates high productivity gains



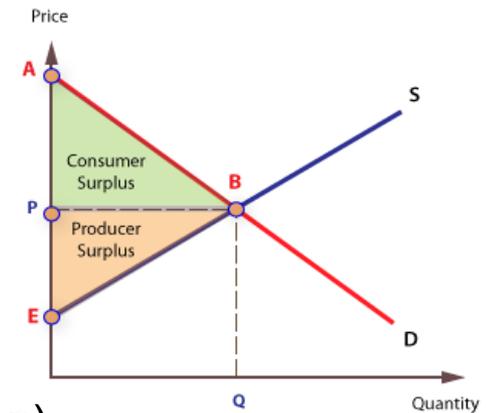
## 5 Implications of FDI

### 5.3 Applying Welfare Analysis

case 1: **AgriSol Energy (Tanzania)**

case 2: **Githunguri (Kenya)**

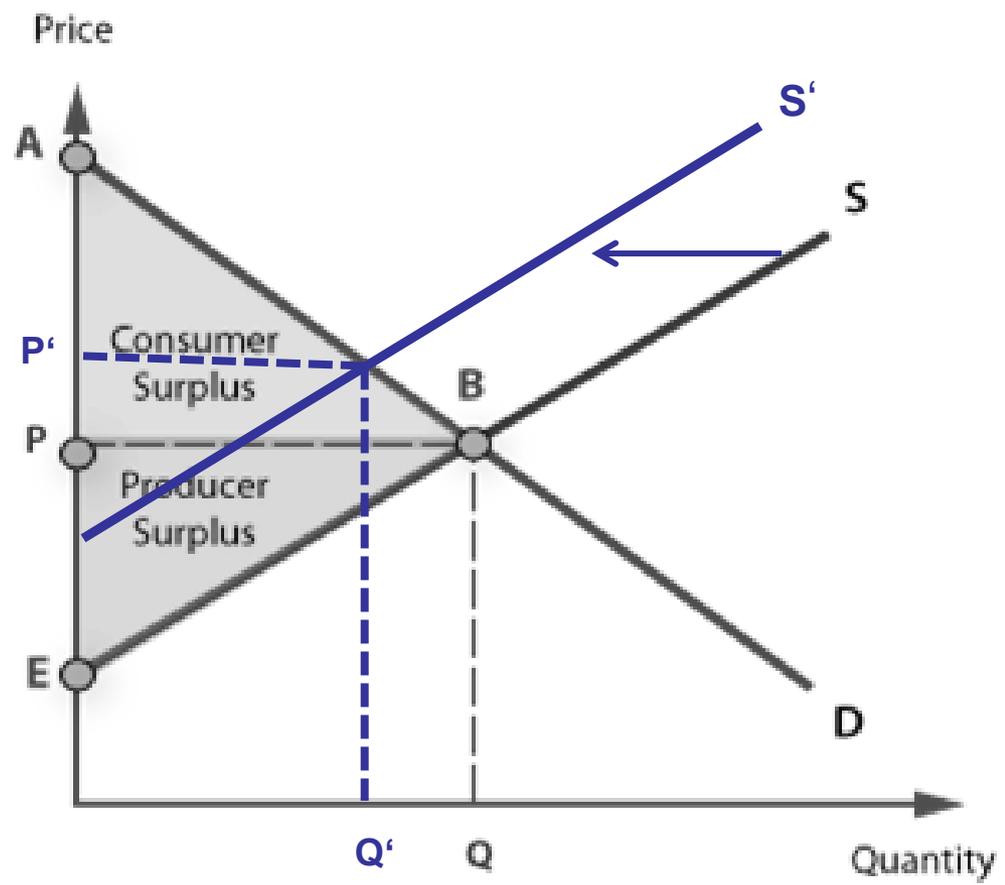
- ▲ supply function
- ▲ demand function
- ▲ technical progress
- ▲ governmental tariff (voluntary addition)



## 4 Theory: The Welfare Analysis

### 4.4 Consumer and Producer Surplus

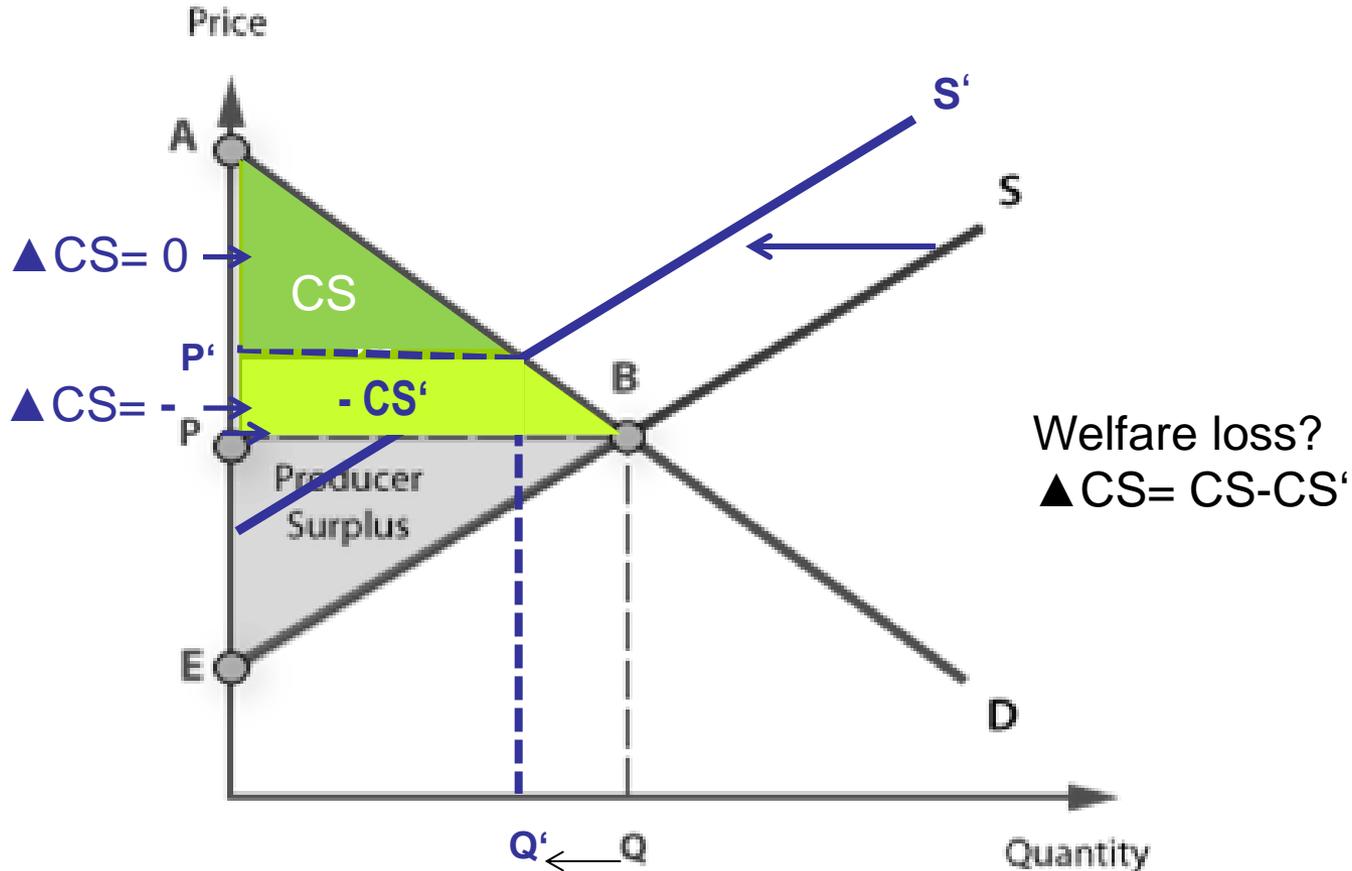
- Welfare Analysis: Supply  $\nabla$  consumer surplus



## 4 Theory: The Welfare Analysis

### 4.4 Consumer and Producer Surplus

- Welfare Analysis: Supply  $\nabla$  consumer surplus

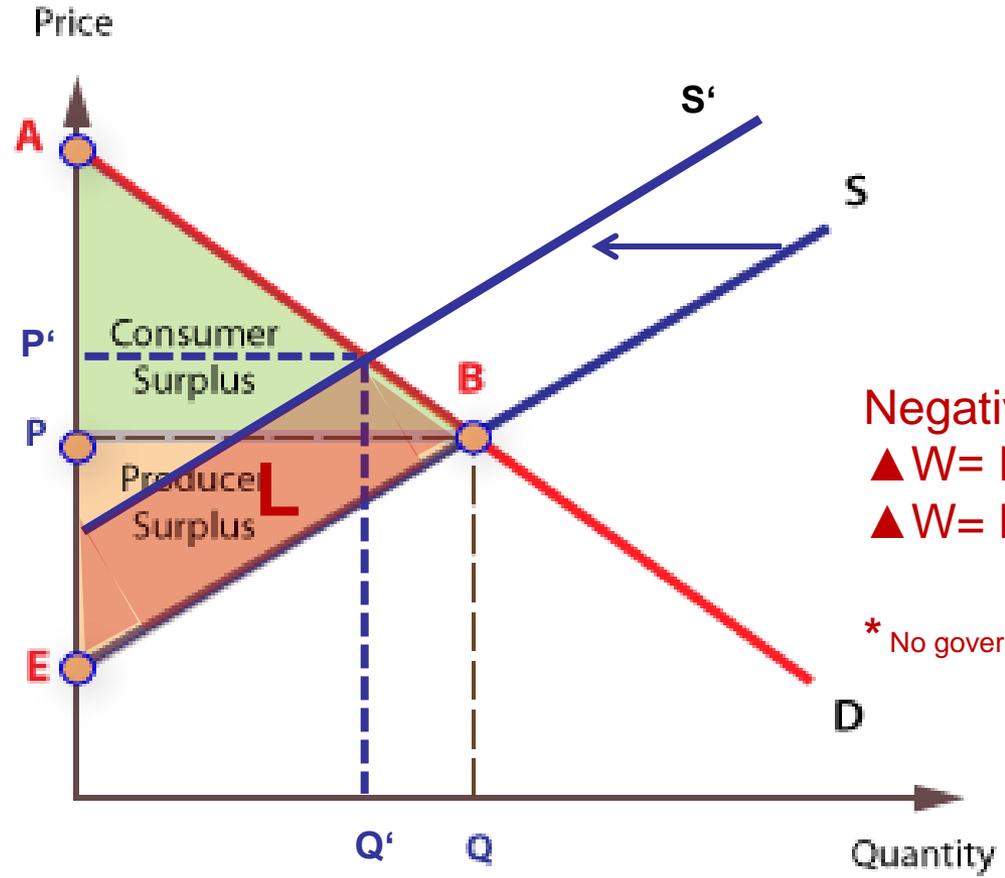




## 4 Theory: The Welfare Analysis

### 4.4 Consumer and Producer Surplus

- Welfare Analysis: **Welfare balance**



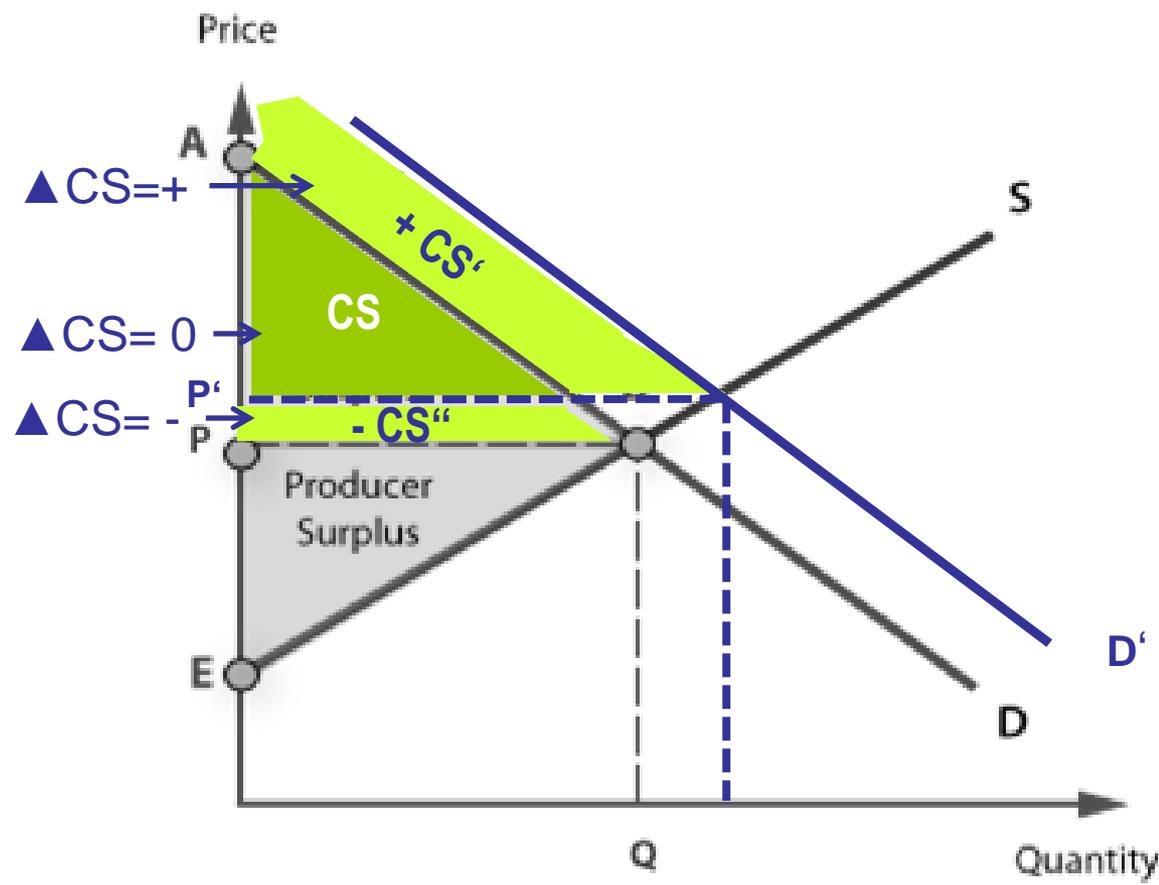
Negative Welfare Balance :  
 $\blacktriangle W = PS_{\downarrow} + CS_{\downarrow} + \blacktriangle GS0^*$   
 $\blacktriangle W = L$

\* No government action involved

## 4 Theory: The Welfare Analysis

### 4.4 Consumer and Producer Surplus

- Welfare Analysis: Demand ▲ consumer surplus

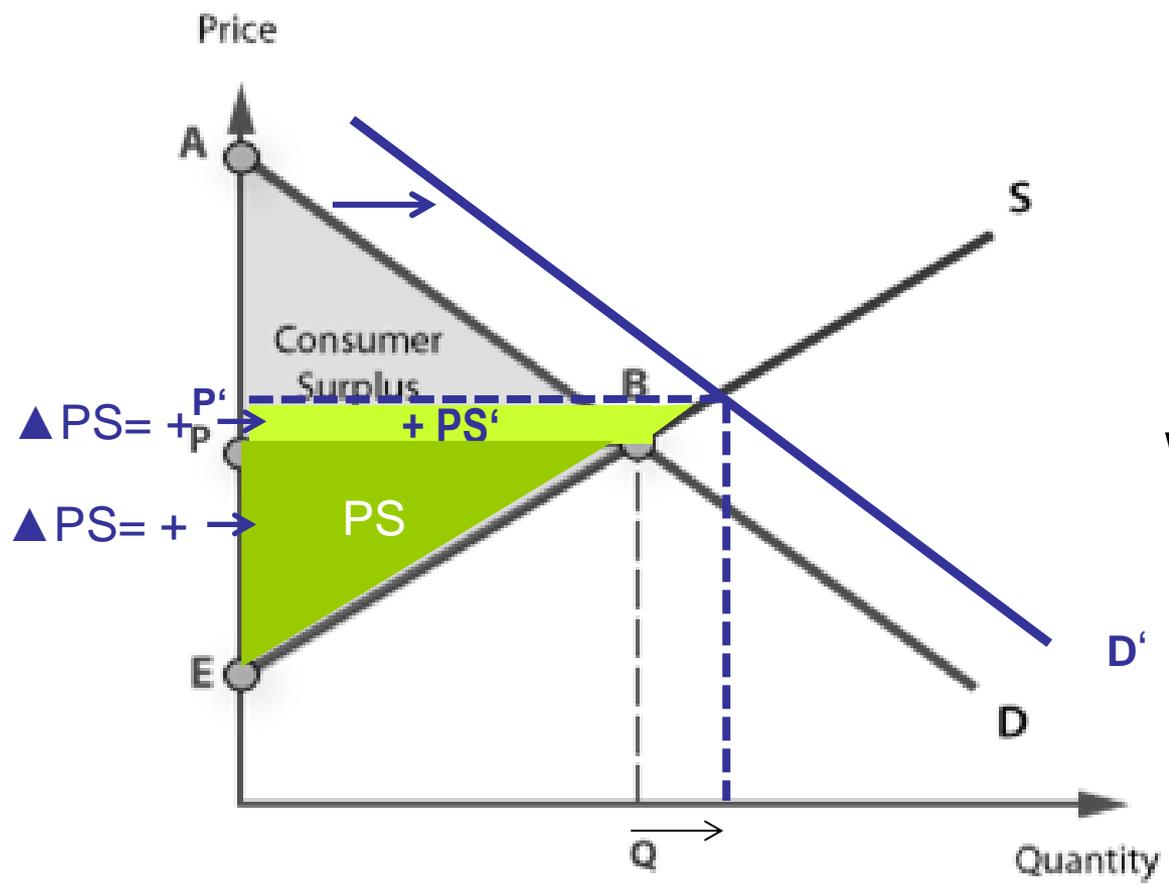


Welfare loss?  
▲ CS = CS + CS' - CS''

## 4 Theory: The Welfare Analysis

### 4.4 Consumer and Producer Surplus

- Welfare Analysis: Demand ▲ producer surplus



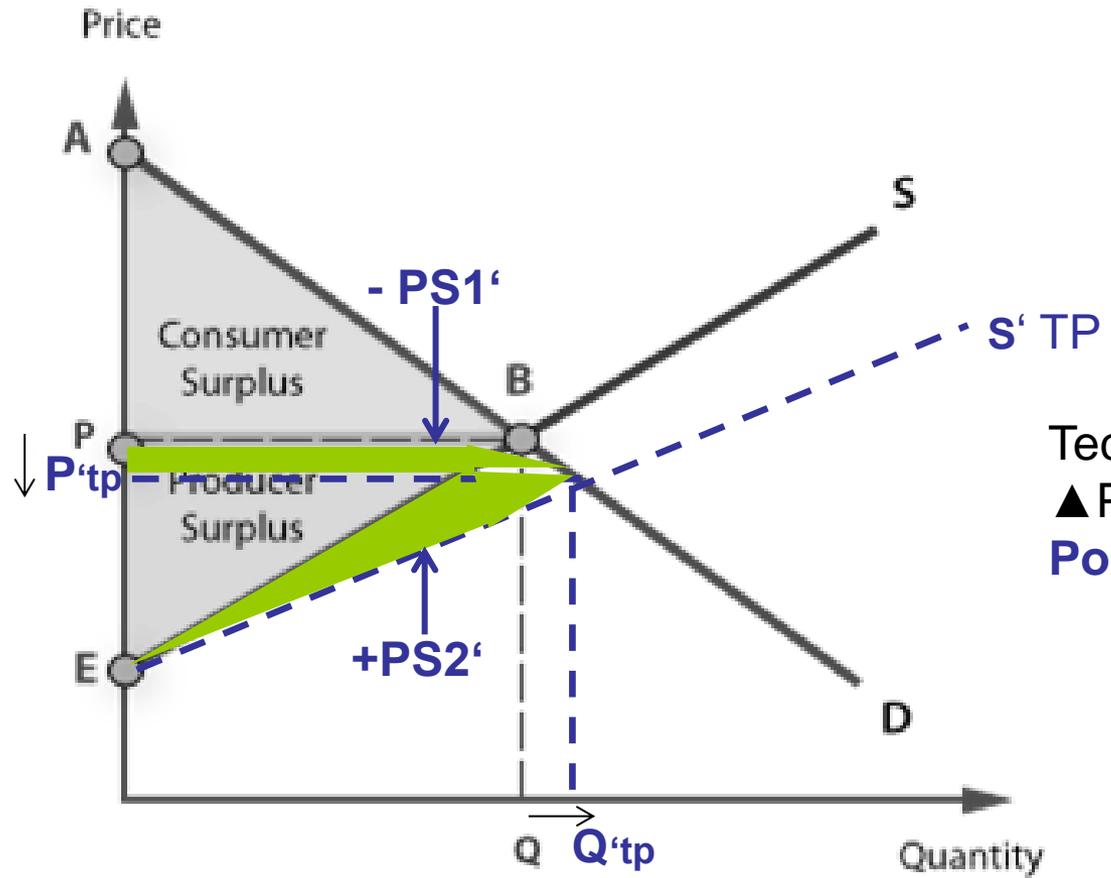
Welfare loss?  
 ▲ PS = PS + PS'



## 4 Theory: The Welfare Analysis

### 4.4 Consumer and Producer Surplus

- Welfare Analysis: **Technical progress** ▲ **elasticity of supply**



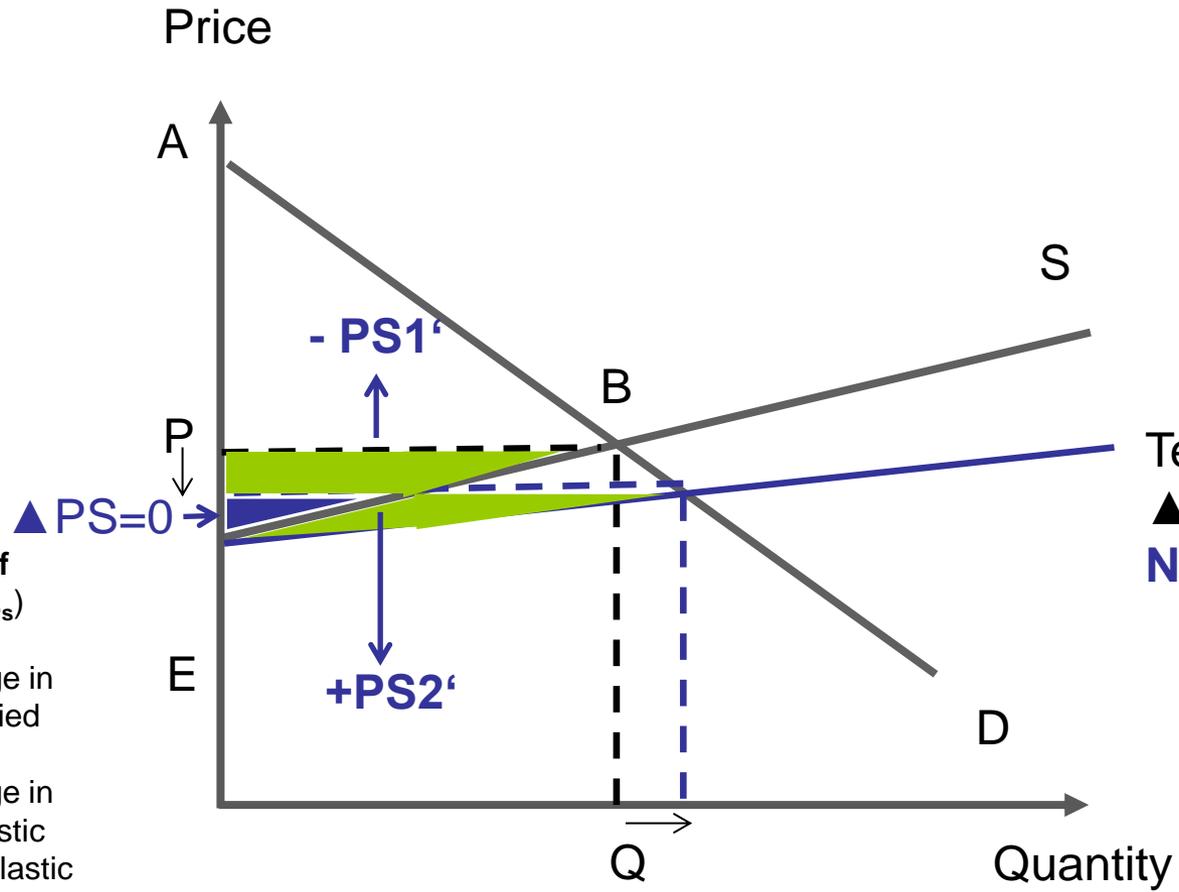
Technical progress?  
 ▲  $PS = -PS1' + PS2'$   
**Positive Balance**

## 4 Theory: The Welfare Analysis

### 4.4 Consumer and Producer Surplus

- Welfare Analysis: **Technical progress** ▲ **elasticity of supply**

$$e_{(p)} = \frac{dQ/Q}{dP/P}$$
**Price elasticity of supply (PES or  $E_s$ )** represents the percentage change in the quantity supplied divided by the percentage change in price:  $e(p) > 1$  elastic  
 $e(p) < 1$  inelastic



**Technical progress?**  
 ▲ PS = -PS1' + PS2'  
**Negative Balance**

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## 6 SAGCOT: A successful model?

### 6.1 SAGCOT (Southern Agricultural Growth Corridor of Tanzania)

The SAGCOT is an inclusive, multi-stakeholder partnership to rapidly develop the region's agricultural potential.

SAGCOT initiated at the World Economic Forum (WEF) Africa summit 2010

#### Objectives

- Benefit small scale farmers
- Food security
- Reduce rural poverty
- Environmental sustainability

#### Approach

→ First large scale public-private-partnership (PPP) in Tanzania

## 6 SAGCOT: A successful model?

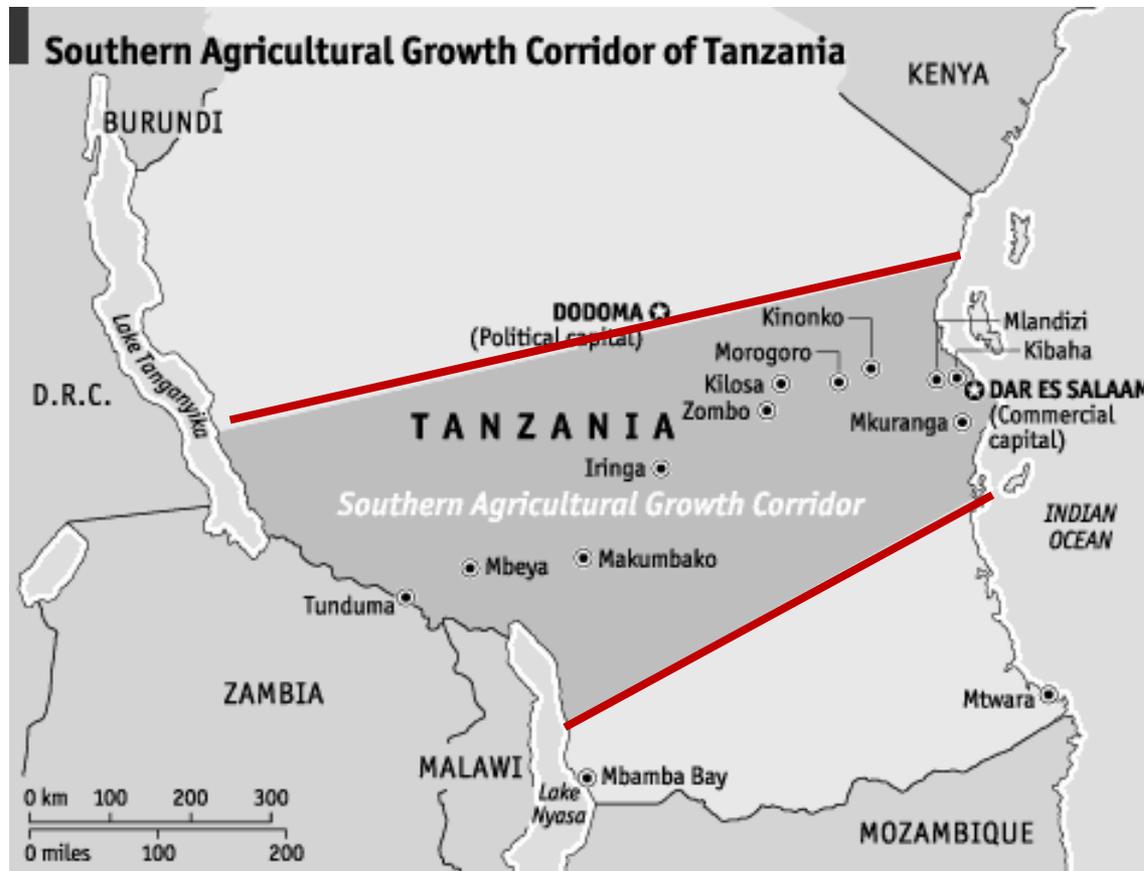
### 6.1 SAGCOT (Southern Agricultural Growth Corridor of Tanzania)

- Partners include local and international companies, farmers, development partners, Civil Society Organizations (CSOs) and the Tanzanian Government.
- By 2030, the partnership aims to attract USD 3.2 billion of investments, transforming 350,000 hectares of arable land into profitable production and lifting 10,000 small scale farmers into commercial farming to the Southern Corridor.
- The Southern Agricultural Growth Corridor (SAGC) covers approximately one third of mainland Tanzania.

[http://www.sagcot.com/uploads/media/Invest-Blueprint-SAGCOT\\_High\\_res.pdf](http://www.sagcot.com/uploads/media/Invest-Blueprint-SAGCOT_High_res.pdf)

## 6 SAGCOT: A successful model?

### 6.2 SAGCOT - Corridor



<http://www.sagcot.com/who-we-are/what-is-sagcot/>

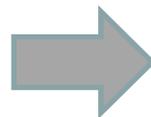
## 6 SAGCOT: A successful model?

### 6.3 Development

#### World Economic Forum 2010

<http://www.weforum.org/issues/agriculture-and-food-security#nva>

[http://www3.weforum.org/docs/IP/2014/GA/WEF\\_GrowAfrica\\_AnnualReport2014.pdf](http://www3.weforum.org/docs/IP/2014/GA/WEF_GrowAfrica_AnnualReport2014.pdf)



#### Southern Agricultural Growth Corridor of Tanzania: until 2030

<http://www.sagcot.com/>

This screenshot shows the World Economic Forum website's 'Agriculture and Food Security' page. The page features a navigation bar with 'Home', 'Blog', 'Reports', 'Events', 'Issues', and 'Communities'. A search bar is present. The main content area includes a large image of a smiling man in a field, a sidebar with 'Introduction' (Overview, The Issue, A New Vision for Agriculture, Who is Involved?, Project Activity, Grow Africa and the G7, News, Videos, Reports and Blog Posts) and 'Related Reports' (Achieving the New Vision for Agriculture: New Models for Action, Putting the New Vision for Agriculture into Action: A Transformation is Happening - Spanish). A footer contains an 'Overview' section with links to 'The Issue', 'A New Vision for Agriculture', 'Who is Involved?', 'Project Activity', and 'Grow Africa and the G7'.

This screenshot shows the SAGCOT website. The header features the SAGCOT logo and navigation links: 'Who We Are', 'What We Do', 'Our Partners', 'News', 'Resources', and 'Contact Us'. A search bar is also visible. The main content area includes a quote: "our objective is to foster inclusive, commercially successful agribusiness". Below this is a section titled 'Southern Agricultural Growth Corridor of Tanzania' with a photo of people working in a field. A 'News' sidebar on the right contains a headline: 'Title: Government of Tanzania and six development partners align funding to the SAGCOT Centre Ltd On 30 September 2014, the Government of the United Republic of Tanzania and Six Development Partners, United States Agency for International Development...' with a date of 'On 30 September 2014, the Government of the United Republic of Tanzania and Six Development...'. A 'More...' link is provided. The footer includes 'Southern Agricultural Growth Corridor of Tanzania List of Partners as of August 2014' and another 'More...' link. The page number '48' is displayed in the bottom right corner.

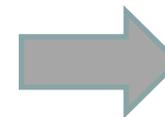
## 6 SAGCOT: A successful model?

### 6.4 Land Investment Rules

#### SAGCOT Investment Blueprint

The SAGCOT Investment Blueprint showcases investment opportunities in the Corridor and lays out a framework of institutions and activities required to reap the development potential of the region. This Blueprint was launched by President Jakaya Kikwete at the 2011 World Economic Forum in Davos.

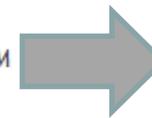
	<a href="#">Invest-Blueprint-SAGCOT_High_res.pdf</a>	7.4 M
	<i>SAGCOT Investment Blueprint</i>	
	<a href="#">SAGCOT_Partnership_principles.pdf</a>	250 K
	<i>SAGCOT Partnership Principles</i>	
	<a href="#">SAGCOT_Green_Growth_Brief_Dec_2011.pdf</a>	1.1 M
	<i>SAGCOT Green Growth Brief</i>	



Partnership Principles

#### Appendices I-XI

	<a href="#">Appendix I- TAGT and SAGCOT Secretariat.pdf</a>	3.3 M
	<i>Appendix I - TAGT and SAGCOT Secretariat</i>	
	<a href="#">Appendix II - SAGCOT Partnership and Financing Mechanisms.doc.pdf</a>	1.4 M
	<i>Appendix II - SAGCOT Partnership and Financing Mechanisms</i>	
	<a href="#">Appendix III Land Development.pdf</a>	236 K
	<i>Appendix III - Land Development</i>	
	<a href="#">Appendix IV- Value Chain and Market Analysis.pdf</a>	6.6 M
	<i>Appendix IV - Value Chain and Market Analysis</i>	



Financing Mechanism

## 6 SAGCOT: A successful model?

### 6.5 SAGCOT Land Investments

- **3.4 billion of public and private sector investment** triple agricultural output over a 20-year period, achieving food security for the region, creating **420,000 jobs** and lifting two million people out of poverty.
- Tens of thousands of subsistence farmers would have opportunities to become profitable, commercial farmer in their own right, with access to modern inputs, irrigation and international markets.
- New financing facilities will be established in order to achieve these results, including a 50 million Catalytic fund – backed by the Tanzanian government and international donors – to provide low-cost capital for start-up agriculture business.
- Early wins in the corridor include agricultural investments, which could achieve rapid results in terms of increased output and benefits for small-scale farmers an local communities.
- A SAGCOT partnership organization, with a professional Secretariat, will help coordinate and monitor public and private sector investments.

## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme

- The FAO defines an out-grower scheme as a contractual partnership between growers or landholders and a company for the production of commercial forest products.
- Outgrower schemes or partnerships vary considerably in the extent to which inputs, costs, risks and benefits are shared between growers/landholders and companies.
- Partnerships may be short or long-term (e.g. 40 years), and may offer growers only financial benefits or a wider range of benefits. Also, growers may act individually or as a group in partnership with a company, and use private or communal land.

## 6 SAGCOT: A successful model?

### 6.6 Outgrower Scheme

Characteristics:

1. Competing land uses,
2. Production Methods,
3. Access to financial loans,
4. Competitive markets,
5. Negotiating Arrangements,
6. Scope of partnership



Outgrower arrangements between growers (or co-operatives) and processors:

- partnerships in which growers are largely responsible for production, with company assurance or guarantee they will purchase the product;
- partnerships in which the company is largely responsible for production, paying landholders market prices for their wood allocation;
- land lease agreements in which landholders have little involvement in plantation management; and
- land lease agreements with additional benefits for landholders.

## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme

**Contract farming = Outgrower scheme** involves agricultural production being carried out on the basis of an agreement between the buyer and farm producers

- Buyer and farmer agree *ex-ante* on the quality / price / time of delivery of the product
- Buyer secures the price and often supports the farmer with input materials, land preparation, transportation

#### Advantages

- Enhanced market access and production support for the buyer
- Establishment of “economies of scale” (Collier & Dercon 2014)
- Secured input supply

## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme

#### Risks and Challenges

##### Principal (farmer)

- Buyer fails to buy the agreed quantity and meet price agreements
- Law enforcement when contract is broken by the buyer
- Smallholder farmers often do not have the same leverage than contractors with regard to price negotiations

##### Agent (investor)

- Farmer sells his product to third parties (side selling, extra- contractual marketing)
- Misuse of provided materials
- Low legal protection of contracts

## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme

#### Risks and Challenges

- Contract farming has significant positive impact on efficiency, productivity and income (Wang et al. 2014)
- Contract farming facilitates the transition from subsistence to commercial farming (Setboonsarng et al. 2008)
- Success of contract farming depends on multiple factors such as prevailing land rights, gender, ethnic relationships, social standards
- Laws and regulations as well as enforcement of contracts are important to maintain principal and agent security (da Silva & Rankin 2013)

## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme



## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme



## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme



## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme



## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme



## 6 SAGCOT: A successful model?

### 6.6 Outgrower scheme



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END

Thank you

## 6 Successful model of FDI: Policy

### 6.1 Policy response to FDI – Guidelines published by FAO 2012

VOLUNTARY GUIDELINES ON THE

# Responsible Governance of Tenure

OF LAND, FISHERIES AND FORESTS IN  
THE CONTEXT OF NATIONAL FOOD SECURITY

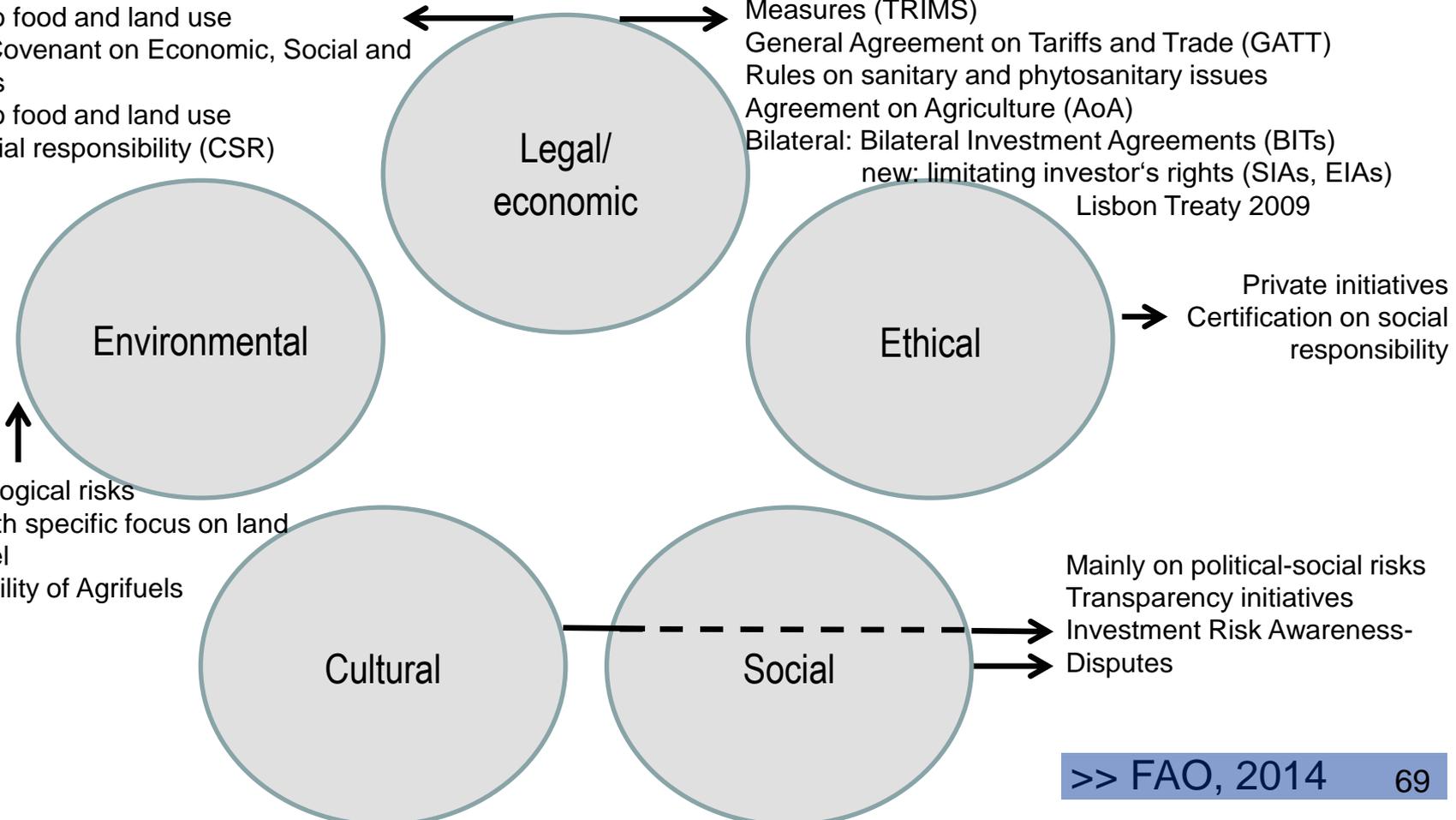
>> FAO, <http://www.fao.org/docrep/016/i2801e/i2801e.pdf>  
See also: Seufert, 2013.

## 2 Drivers, Motivation, Challenges of FDI

### 2.5 Large-scale land acquisitions: 5 dimensions **See excursus!**

Food aid  
 Multilateral: AoA and Food Aid Convention  
 Human right to food and land use  
 International Covenant on Economic, Social and Cultural Rights  
 Human right to food and land use  
 Corporate social responsibility (CSR)

Investment rules: Origin is protection of investors  
 Multilateral: Trade- related Aspects of Investment Measures (TRIMS)  
 General Agreement on Tariffs and Trade (GATT)  
 Rules on sanitary and phytosanitary issues  
 Agreement on Agriculture (AoA)  
 Bilateral: Bilateral Investment Agreements (BITs)  
 new: limiting investor's rights (SIAs, EIAs)  
 Lisbon Treaty 2009



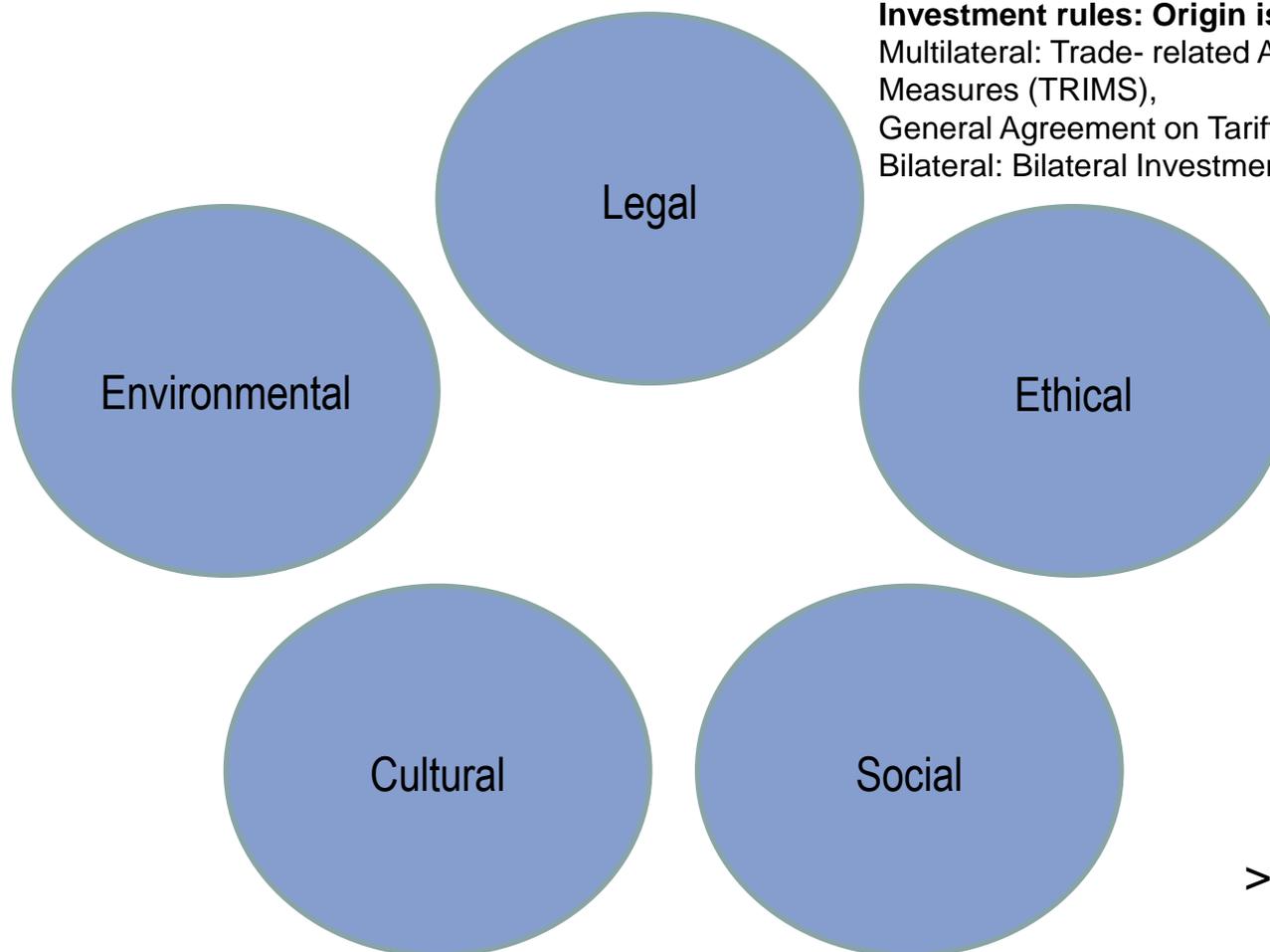
Mainly on ecological risks  
 Certificates with specific focus on land refer to agrifuel  
 EU: Sustainability of Agrifuels

Private initiatives  
 Certification on social responsibility

Mainly on political-social risks  
 Transparency initiatives  
 Investment Risk Awareness-  
 Disputes

## 2 Drivers, Motivation, Challenges of FDI

### 2.5 Large-scale land acquisitions: 5 dimensions

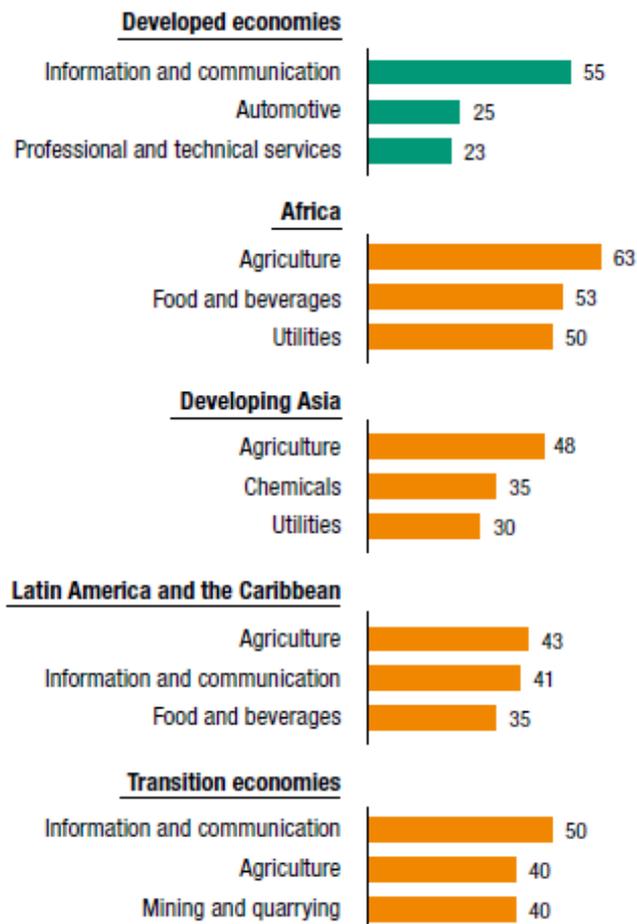


>> FAO, 2014

## 3 FDI on a global scale

### 3.7 Land investments in target countries

IPAs' (investment promotion agency) selection of most promising industries for attracting FDI based on the sector, by region (2017). In percent of IPA responses.



- IPAs in developed economies focusing on IT and professional services
- IPAs developing economies mention agribusiness among the most attractive industries

→ The results are in line with the IPAs responses from previous years

## 2 Drivers, Motivation, Challenges of FDI

### 2.6 Rules against risks

#### 1. Classification principles

- Public or private
- Legally binding or voluntary
- Regulatory spatial level: multilateral, national, local
- Regulatory frame: trade rules, investment rules
- Main objective: economics, ecologies ...

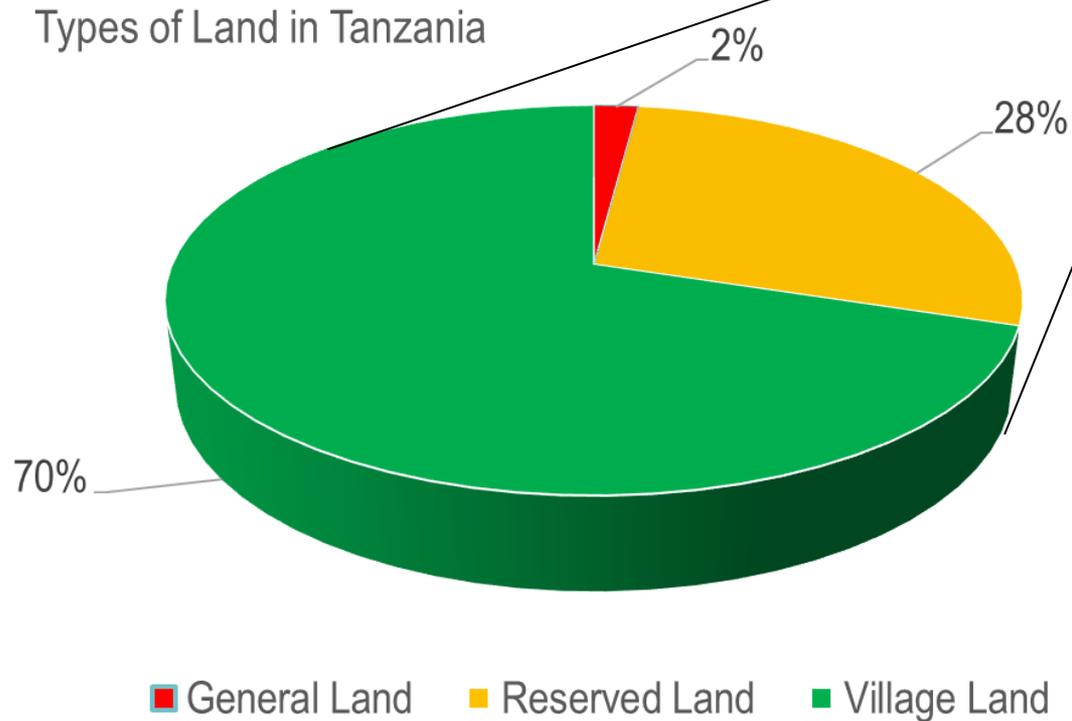
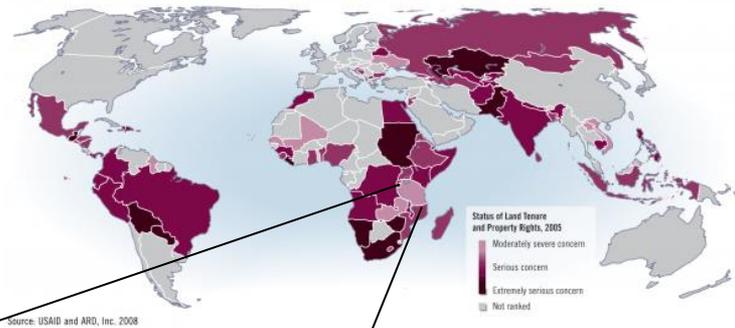
#### 2. Objective-focussed combined with regulatory and spatial level

- Economics: Investment and trade rules, food aid, human rights/ land use
- Ecological: Corporate social responsibility, certificates
- Socio- Political: Risk awareness tools

## 4 Implications of FDI

### 4.3 Land management in Tanzania: Today

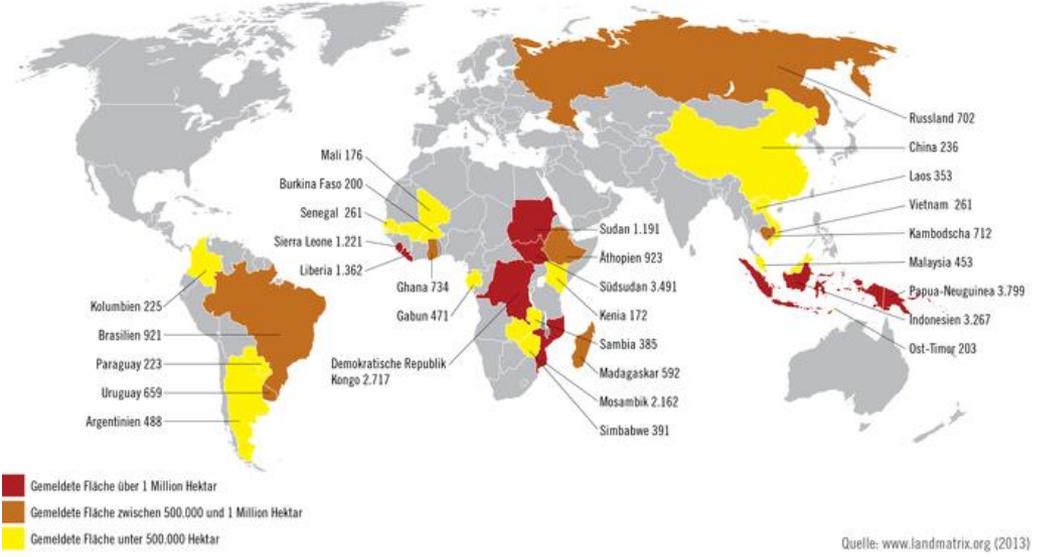
STATUS OF LAND TENURE AND PROPERTY RIGHTS, 2005



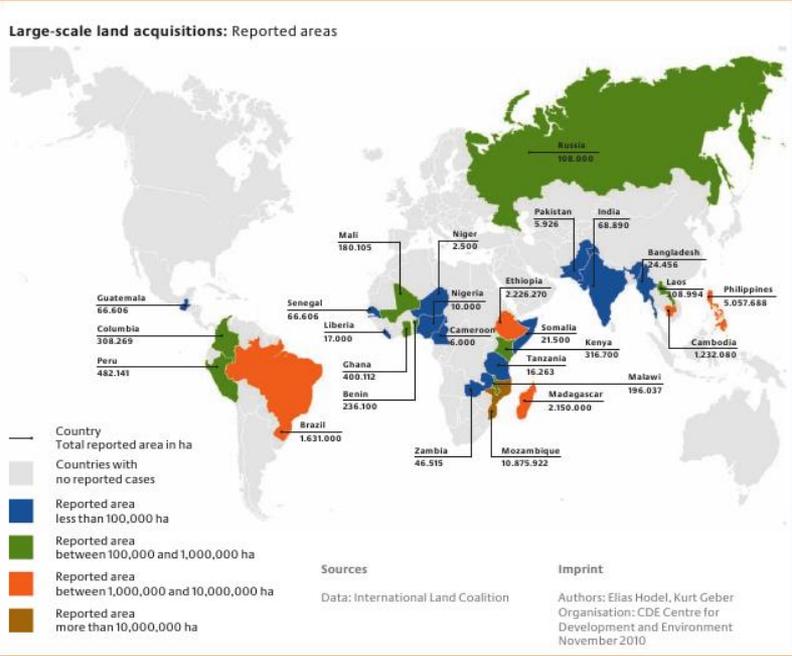
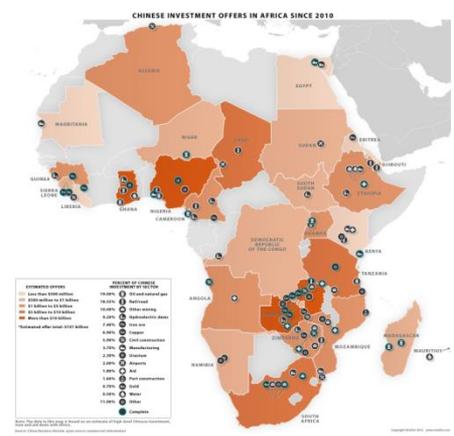
>>

## 1 Overview – comparative studies

Großflächiger Landkauf und Pachtgeschäfte (in 1000 Hektar)



Quelle: www.landmatrix.org (2013)



## 2 Drivers, Motivation, Challenges of FDI

### 2.6 Legal barriers for FDI in land in low and middle income countries

#### Formalization of property rights of land

Popular scholars advertise the formalization of property rights of land to reduce poverty and empowerment for the poor and reduce the barriers for FDI

**(De Soto, 2000; Fairhead et al. 2012; Li 2014 World Bank)**

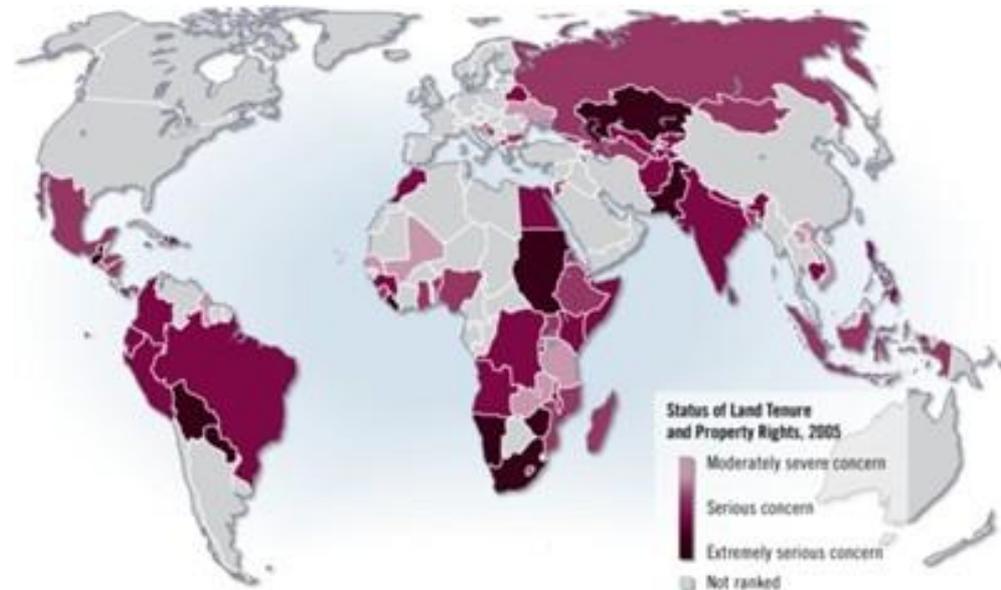
Formalization of property rights in low and middle income countries ?

Pro	Contra
enhanced market access	deligitimization is enhanced
...	...

## 2 Drivers, Motivation, Challenges of FDI

### 2.7 Example: 5 Dimensions of land acquisition

#### Legal Perspective



- Traditional land tenure. Most of the indigenous nations or tribes of North America had no formal notion of land ownership (formal rules).
- These rules may be established by the state or by custom, and rights may accrue to individuals, families, communities, or organizations.
- The customary rules of land tenure predominate in Africa (e.g. Ethiopia and Mozambique, the nations' land belongs to the state)