Foreign Land Investments in Developing Countries

– Contribution or Threat to Sustainable Development?
Foreword

This is the seventh volume in the Swedish FAO Committee’s publication series. The purpose of the publications is to spread knowledge about and interest in issues of global cooperation, in particular the work of the UN specialised agency for agriculture, forestry, fisheries and food (FAO).

We live in a time of many difficult global challenges, in which efforts to ensure food security and fight climate change have been further aggravated by the economic crisis, which according to FAO and World Bank analyses has increased the number of people suffering hunger by over 100 million. This number is now close to 1 billion.

The food crisis in 2008 had dramatic consequences for many of the world's poorest countries, with prices of various agricultural commodities rising sharply. People in the countries dependent on food imports – ‘Low-Income Food Deficit Countries’ (LIFDCs) – were particularly hard hit. After temporary relief, there are strong indications that the situation is deteriorating again as a result of failed harvests and protectionism.

This volume seeks to contribute to debate by providing various perspectives on a new, complex problem affecting food security, namely, the acquisition by foreign investors of rights to use or own land in developing countries, a process often labelled as ‘land grabbing’. In Sweden we had a similar phenomenon, known as ‘baggböleri’, in which small forest owners were tricked out of their livelihoods and their forests cut down. As a result of this, however, Sweden established a system of forest management that has set an example to the world.

There is a growing awareness that agriculture and food security in developing countries must be accorded significantly higher priority and in this perspective investments in agricultural production are required. But if investments are made merely for the purpose of securing another country’s food security, the food situation in the producing countries may deteriorate. Surpluses and deficits are normally evened out through trade between equals.

The Swedish Government is of the view that investments must be compatible with sustainable development. The important principle of ‘using resources without using them up’, in other words, of using land resources sustainably, is dealt with in several of the contributions.

Control over land and the behaviour of governments are naturally a matter of national sovereignty, but account must be taken of the people who use the land that is sold or leased. Have those who depend on the land been able to influence developments or are they losing their sources of livelihood? The risk is that particularly weak governments undersell land rights and enter into long agreements that can prove to be disadvantageous and difficult to break. Investments should contribute to the countries’ development and ability to support a rapidly urbanising population.
This publication has been commissioned by the Swedish FAO Committee. This time the Committee has chosen to allow several writers to spotlight the issue from their own perspectives. The writers are responsible for their own contributions. The publication is intended to stimulate thought and further discussion on the key role of agriculture in development and food security.

Magnus Kindbom
Chair of the Swedish FAO Committee
The Swedish FAO Committee discussion paper: Foreign Land Investments in Developing Countries: Contribution or Threat to Sustainable Development?

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CHAPTER 1: INTERNATIONAL INVESTMENT IN DEVELOPING COUNTRY AGRICULTURE – ISSUES AND CHALLENGES

David Hallam, Director, Trade and Markets Division, United Nations Food and Agriculture Organization

The recent surge of interest in international investment in developing country agriculture has attracted much media interest and international concern more generally. Certainly, complex and controversial economic, political, institutional, legal and ethical issues are raised in relation to food security, poverty reduction, rural development, technology and access to land and water. On the other hand, lack of investment in agriculture over decades has meant continuing low productivity and stagnant production in many developing countries, especially in sub-Saharan Africa. FAO estimates that additional investments of $83 billion annually are needed if developing country agriculture is to meet food needs in 2050. Given the dwindling resources available for investment in agriculture from national budgets or official development assistance, foreign direct investment in developing country agriculture could make a significant contribution to bridging the investment gap. The question is how its impact can be optimised to maximise the benefits and to minimise the inherent risks for all involved.

The pattern of recent foreign investment in developing country agriculture

Unfortunately, there are no comprehensive detailed data on the extent, nature and impacts of these investments although some general features are apparent. Foreign investment does appear to have increased although the number of projects actually implemented is less than the number being planned or reported in the media. Foreign investment in agriculture still accounts for a very small percentage of total FDI flows in most developing countries – less than two percent in African countries. The main form of recent investments is acquisition mostly through long-term leasing of agricultural land and often large-scale with many involving more than 10,000 hectares. The total amount of land in Africa acquired by foreign interests in the last three years is estimated at more than 20 million hectares but land under foreign control remains a relatively small proportion of total land areas in host countries. The main investors have been from the Gulf States but also China and South Korea and the main targets for investment have been countries in Africa but

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1 This is a shorter version of the paper. The full text is available at www.regeringen.se/fao
there are also investments elsewhere. Investors are primarily private sector but governments and sovereign wealth funds are also involved in providing finance and other support or in some cases directly. In host countries it is governments who are engaged in negotiating investment deals. Recent investments differ from the previous pattern of foreign direct investment in that they are resource-seeking (land and water) rather than market seeking and involve acquisition of land and actual production rather than looser forms of joint venture.

**Investor and host-country motivations**

The main underlying driver for the recent foreign investments in food production appears to be food security and a fear arising from the recent high food prices that dependence on world markets for foods supplies or agricultural raw materials has become more risky. The recent volatility of international food prices, especially when aggravated by export restrictions taken by major grain exporters, has understandably provoked concerns about the cost and availability of food in those countries heavily dependent upon imports for their food security. Increasing food self-sufficiency is not a plausible option where, as in most Gulf states, land and water constraints are worsening so investment in food production overseas was seen as one possible element of a food security strategy. This offered investment opportunities to the private sector which governments and financial institutions have been willing to support. Investors outside countries with food security concerns have also seen profitable opportunities for portfolio diversification into food production investments, especially as returns on other investments became less attractive. Others have been motivated by the prospects offered by biofuel developments.

At the same time, many developing countries in Africa and elsewhere are making strenuous efforts to attract such investments, encouraging international access to land resources whose ownership and control in the past have typically been entirely national. Foreign direct investment is seen as a potentially important contributor to filling the investment gap, although how far these investments go towards meeting their real investments needs is uncertain. The financial benefits to host countries of asset transfers appear to be small with land rents demanded typically low. However, foreign investments are seen as potentially providing developmental benefits through for example technology transfer, employment creation and infrastructural developments. Whether these potential developmental benefits are actually likely to be realised is a key concern.

Land investments are only one strategic response to the food security problems of countries with limited land and water resources and discussion of these investments needs to be set in the wider context of discussion of food security strategies more generally. A variety of other mechanisms can contribute to promoting food security for resource-
constrained food importers. Investment could be in much-needed infrastructure and institutions which currently constrain much developing country agriculture. This, together with efforts to improve the efficiency and reliability of world markets as sources of food might raise food security for all concerned more generally through expanding production and trade.

Near Drakensberg, South Africa - Unravelling the land tenure issue
Photo FAO/P C Zietsman

The “land grab” and alternatives
The much-publicised “land grab” involving the acquisition of agricultural land in developing countries for food production is just one form of investment and one which arguably is least likely to deliver significant developmental benefits to the host country. Some investors see acquisition of physical land assets as providing a measure of security to their investments. However, it is not clear that it is necessary or desirable: acquisition of land does not necessarily provide immunity from sovereign risk and can provoke social, political and economic conflict.

Some developing countries are seeking foreign investments to exploit “surplus” land currently unused or under-utilised. However, selling, leasing or providing concessional access to land raises the questions of how the land concerned was previously being utilised, by whom and on what tenurial basis. In many cases, the situation is unclear due to ill-defined property rights, with informal land rights based on tradition and culture. While much land in Sub-Saharan Africa may currently not be utilised to its full potential, apparently “surplus” land overall does not mean land is unused or unoccupied. Its exploitation under new investments involves reconciling different claims. Change of use and
access may involve potentially negative effects on livelihoods and food security.

In many circumstances, other forms of investment such as joint ventures or contract farming and out-grower schemes may be preferable to land acquisitions. Such arrangements can offer greater scope for smallholders to be included and can in principle offer just as much security of supply to investors. It is interesting to note that in other contexts, vertical coordination tends to be based much more on such non-equity arrangements than on the traditional acquisition of upstream or downstream stages. These may be more conducive to the interests of the host country, offering more accessible benefits to smallholders and their associations. However, even here there are likely to be questions as to the compatibility of the volume and quality needs of investors with dispersed smallholder agriculture.

**What are the developmental benefits of foreign investment?**

A key issue is the extent to which benefits from foreign investments spill over into the domestic sector in a synergistic and catalytic relationship including with existing smallholder production systems and other value chain actors such as input suppliers. The fact that many developing countries are seeking to attract inward investment suggests that they see these benefits as desirable and real. A prerequisite for such a relationship is a domestic agricultural sector with absorptive capacity. Benefits should arise from capital inflows, technology transfer leading to innovation and productivity increase, upgrading domestic production, quality improvement, employment creation, backward and forward linkages and multiplier effects through local sourcing of labour and other inputs and processing of outputs and possibly an increase in food supplies for the domestic market and for export. However, the necessary conditions for positive spillover benefits may often not be present in which case policy interventions are needed to create them. Additional political and ethical concerns are raised where the receiving country is food insecure. While there is a presumption that investments will increase aggregate food supplies this does not imply that domestic food availability will increase, notably where the intention is that food produced is exported to the investing country. It could even decrease where land and water resources are commandeered by the international investment project at the expense of domestic smallholders or where foreign investments push up land values. Extensive control of land by other countries can also raise questions of political interference and influence.

Research into the nature and impacts of recent foreign investments has tended to rely on case studies. As would be expected, investments involving large-scale land acquisition in situations where local land rights are not clearly defined and governance is weak can be problematic. Case studies reveal a frequent lack of transparency in land transfers, limited consultation with local stakeholders and no recognition of their rights.
Land transfers can involve displacement of local smallholders and loss of grazing land for pastoralists with consequent negative impacts on livelihoods and no compensation. Instances are also noted of environmental damage arising from additional demands on local water resources caused by large-scale production of crops such as oil palm and sugar. At the same time, there is evidence of some positive effects of foreign investments. They can lead to significant employment creation although this needs to be balanced against loss of traditional livelihoods where smallholders are displaced. Foreign investments in agriculture in Ghana, for example, are estimated to have created 180,000 jobs between 2001 and 2008. On technology transfer, the case study evidence is mixed, with productivity – enhancing technology spillovers apparent in some cases but not in others. The UNCTAD World Investment Report 2009 concludes that technological contributions of transnational corporations have been limited since technologies developed for the production of commercial crops are not easily transferable to smallholder production of staples. Evidence on the contribution of foreign investments to local food security is also mixed. It is difficult to generalise from the case studies as to the benefits or otherwise of foreign investments. More research is needed. The historical evidence on the effects of foreign direct investment in agriculture also suggests that the claimed benefits do not always materialise and catalogue concerns over highly mechanised production technologies with limited employment creation effects; dependence on imported inputs and hence limited domestic multiplier effects; adverse environmental impacts of production practices such as chemical contamination, land degradation and depletion of water resources; and limited labour rights and poor working conditions. At the same time, there is also evidence of longer-run benefits in terms of improved technology, upgrading of local suppliers, improved product quality and sanitary and phytosanitary standards.

Policy options and considerations
The benefits of foreign investment are not automatic: care must be taken in the formulation of investment contracts and selection of suitable business models and appropriate legislative and policy frameworks need to be in place to ensure that development benefits are obtained and the risks minimised. The investment objectives of investors need to be reconciled with the investment needs of developing countries. Investment priorities need to be identified in a comprehensive and coherent investment strategy and efforts made to identify the most effective measures to promote the matching-up of capital to opportunities and needs. Apart from the financial terms and conditions of the investment, host countries need to consider inter alia local sourcing of inputs including labour, social and environmental standards, property rights and stakeholder involvement, consistency with food security strategies, distribution of food produced between export and local markets, and distribution of revenues. Such issues might be part of an investment contract. Obviously, where investments are joint ventures
which include host governments as a partner local interests can be better protected, always provided that government recognizes these.

The actual investment contract is one element of the legal framework surrounding international investments. Domestic law and international investment agreements provide the legal context for investment contracts with the latter generally prevailing over the former. Investment contracts can also override domestic law, especially where as in many cases domestic law is not comprehensive or clear in terms of defending local stakeholder interests. The legal framework may tend to favour the investor rather than the host country and in particular to favour investors’ rights over those of host country stakeholders. This points to the importance of strong investment contracts which reference host country concerns. Clear and comprehensive domestic law is essential.

Beyond policy and legal frameworks to minimise inherent risks and maximise benefits, a variety of policy measures are available to host countries to attempt to attract international investment and steer it towards priority areas. Provision of information concerning investments needs and priorities can bring opportunities to the attention of foreign investors. Host countries can also create a more positive investment climate through policies which reduce transactions costs and reduce investor risks. Many developing countries have introduced extensive policy reforms in this respect in recent years, liberalizing entry conditions and establishing investment promotion institutions to facilitate inward investment. Many have signed international investment agreements or bilateral treaties and other international agreements and conventions for contract enforcement, arbitration and dispute settlement. No matter how successful developing countries are in attracting foreign investments, appropriate domestic agricultural and rural development policy measures need to be in place to ensure that local agriculture can benefit. Policy towards foreign investment needs to be an integral part of comprehensive agricultural and rural development strategies.

The case for international action

The perceived risks attached to foreign investments have led to calls for international action to regulate them. In the absence of strong domestic legislation and equitable investment contracts, an international initiative – whether a voluntary code of conduct, guidelines or statement of principles - could highlight host country interests but could also be seen as a guide for investors to socially responsible investment. The case for an international response highlighting the need for transparency, sustainability, involvement of local stakeholders and recognition of their interests and emphasising concerns for domestic food security and rural development appears to have broad political support. FAO, the World Bank, UNCTAD and IFAD are developing a minimum set of principles for responsible agricultural investment that respects rights, livelihoods
and resources along these lines. These principles based on detailed research concerning the nature, extent and impacts of foreign investment and best practices in law and policy are intended to distil and encapsulate the lessons learned and provide a framework to which national regulations, international investment agreements, global corporate social responsibility initiatives and individual investment contracts might refer. The principles proposed by the four organizations are

i) respect for land and resource rights: existing rights to land and natural resources are recognized and respected;

ii) food security and rural development: investments do not jeopardize food security and rural development, but rather strengthen it;

iii) transparency, good governance and enabling environment: processes relating to investment are transparent, monitored, and ensure accountability by all stakeholders;

iv) consultation and participation: all those materially affected are consulted and agreements from consultations are recorded and enforced;

v) 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;

vi) social sustainability: investments generate desirable social and distributional impacts and do not increase vulnerability;

vii) environmental sustainability: environmental impacts are quantified and measures taken to encourage sustainable resource use while minimizing and mitigating negative impacts.

There are already existing international instruments and commitments that address similar concerns though in slightly different contexts. The first principle draws on the FAO Voluntary Guidelines on Governance of Land Tenure and other Natural Resources. The Equator Principles address some of the social and environmental issues referenced in the last two principles. The OECD Guidelines for Multinational Enterprises and various human rights commitments including the Voluntary Guidelines on the Right to Food also provide relevant models and references. Nevertheless, the further development of these principles demands widespread consultation with all stakeholders including governments, farmers’ organizations, NGOs, the private sector and civil society more generally. Such a consultative process is inevitably lengthy but without inclusive, comprehensive and effective consultation and input from all interested parties it is unlikely that anything workable could be achieved. However, experience shows that the very process of developing such principles, guidelines and voluntary codes can itself be beneficial in terms of promoting more responsible investment behaviour.
CHAPTER 2: Land speculation and the rights of the poor: the case of sub-Saharan Africa

Professor Göran Djurfeldt, Lund University

In the summer of 2009, newspapers around the world published a cryptic news story to the effect that the government of Madagascar had signed a long-term agreement to lease a million hectares of farmland to the South Korean industrial corporation Daewoo. A million hectares! That’s a quarter of all arable land in Sweden. If we assume that this land was not uncultivated and that the average amount tilled by a farmer in Madagascar is one hectare, this would mean the government was prepared to deprive a million farmers of their soil.

Or what did the government have in mind? No details of this bizarre agreement were published. It did, however, become an issue in the ongoing power struggle between two political fractions on the island, that of the elected president, Marc Ravalomanana, and a popular businessman and radio station owner, Andry Rajoelina, who eventually managed to oust his rival and take power himself. One of Rajoelina’s first steps was to terminate the agreement with Daewoo. It may be some time before we learn what actually happened.

The deal between Daewoo and Madagascar helped spotlight the phenomenon known as land grabbing. (Incidentally, wouldn’t it be better to call it land confiscation? To confiscate someone’s property implies that the process has both legal and government support and therefore is legitimate to some extent. As we shall see, both government involvement and legal endorsement are present in an African context – but legitimacy is not always self-evident. When legitimacy is unquestionable, language of a more neutral kind should perhaps be used, e.g. land purchasing or leasing.)

Since the Daewoo affair, land grabbing or confiscation has reached almost epidemic proportions. It is difficult to estimate the number of agreements reached between states in, say, sub-Saharan Africa (hereinafter SSA) and domestic and foreign investors. A report from the Global Land Project (Friis and Reenberg 2010) is based on data concerning 177 cases encompassing between 51 and 63 million hectares in all, i.e. approximately 15 times the total amount of Swedish farmland.

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1 This is a shorter version of the paper. The full text is available at www.regeringen.se/fao
A World Bank report is more cautious in its estimates (World Bank 2010), noting that 32 million hectares of African farmland figured in the media in connection with reported agreements between governments and investors between October 2008 and 31 August 2009 alone². Since the total amount of land being farmed in SSA was estimated at 221 million hectares in 2007, this comprises 14 per cent of all cultivated land in the region!

If all these agreements were to result in the establishment of large plantations, and drive countless smallholders and herdsmen from their land, the entire agricultural structure of the African continent would be changed at a stroke. We would shift from a smallholder-dominated system with minor pockets of plantation farming to an agricultural structure resembling that found in Latin America. One obvious comparison is with Brazil, which is distinguished by a predominance of big latifundios and a formerly agrarian population that has largely been urbanised and now constitutes a significant proportion of the urban poor.

This is not exactly an encouraging scenario. At worst, such a structural change driven by foreign and domestic investments could put an abrupt end to the whole discussion about pro-poor agricultural growth. Many, including the undersigned, have regarded such growth as the prime means of combating poverty in SSA.

On the other hand, pro-poor agricultural growth has been criticised as ineffective by a number of experts in the debate, most prominent among them being Oxford professor Paul Collier. He is the author of The Bottom Billion, a book that seeks to determine why poor countries fail to develop despite extensive foreign aid. In an article in the British newspaper The Times in the spring of 2008 (Collier 2008), which provoked much discussion, including an interesting ‘E-Debate’ on the Future Agricultures website (Future Agricultures 2008), Collier championed large-scale farming as the solution to Africa’s food supply crisis. If the extensive land speculation we have witnessed in SSA leads to a future emphasis on large farms, Collier’s vision will be realised sooner than anyone might have expected.

Is this the beginning of the end for African small farmers? What lies behind this epidemic of leasing and purchasing agreements? To answer these questions, we need to begin by looking back at the turbulence that has plagued the world’s food markets in recent years.

² Both the World Bank and the Global Land Project, as well as others, draw their data from a blog established by an NGO called GRAIN that has sought to monitor all media reporting on land grabs. See GRAIN. Food Crisis and the Global Land Grab: http://farrmlandgrab.org, which I myself monitored up until 10 September 2010.
Access to land

That demand for land in SSA and other parts of the developing world has risen is beyond doubt; it is clear, too, what forces have provided the impetus. The question is, will there be enough land?

The latest estimates of the world’s land reserves turn perceptions of global land scarcity on their heads. Leading actors in this field are the Austrian International Institute for Advanced System Analysis (IIASA), which supplied some of the raw data for the above-mentioned World Bank report on land grabs published in September 2010 (World Bank 2010).

The IIASA bases its material on analyses of satellite images with very high resolution. This makes it easy to estimate the amount of cultivated land in the world, and also forest acreage. Of greater importance still, and much more advanced, is the institute’s ability to assess what land reserves are available, what their agro-ecological potential is, and how far from infrastructure they are located. With the aid of GIS technology it is also possible to estimate potential yields and the economic potential of cultivating different crops, given factors such as the distance to the nearest major market.

The results of these estimates discredit apocalyptic warnings that the world’s land reserves are not extensive enough to feed a growing population. The IIASA estimates that there are 445 million hectares around the world that are neither cultivated nor forested and that are suitable for rain-irrigated agriculture. This is about a third of the acreage currently being farmed. More than half of this acreage lies within a six-hour journey of the nearest town of more than 50 000 inhabitants. The remainder is situated still further from the markets, given the means of transport currently available.

The SSA region itself has an estimated 94 million hectares of agro-ecologically viable land within six hours of the nearest market and suitable for the cultivation of maize (45 m.ha.), soya beans (39 m.) and other crops (wheat, sugarcane, oil palm). The region has a further 109 million hectares at a greater distance from the market and therefore of less interest for the time being. These figures are to be compared with the estimate mentioned earlier putting currently farmed acreage in SSA at 221 million hectares.

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3 The world is divided into 2.2 million cells with 5 minutes azimuth, i.e. roughly 9 x 9 km.
4 GIS stands for Geographical Information Systems, which deal with the processing of spatial data.
It should be noted that this land is not forested. A conclusion to be drawn here, therefore, is that growing global demand for grain and other food products can *in principle* be met without having to utilise currently forested areas for the purpose. For anyone concerned about the world’s forests, this is a welcome piece of news.

On the land we have discussed above, agricultural production is at present virtually non-existent. Then there is the added fact that in the SSA region, yields from the land already under cultivation are well below their potential. This is confirmed by the research I myself have engaged in together with Swedish and African colleagues. We have twice visited and interviewed the same farming households in nine African countries, first in 2002 and then again in 2008. To start with, we estimate that in most villages the majority of farmers only produce 30–40 per cent of the amount produced by the best 5 per cent of farmers in the village (see for instance Larsson 2005). This suggests that there is enormous potential close at hand.

In the study we have cited, the World Bank uses a slightly different approach in its calculations (World Bank 2010). If the theoretically possible yield for a given crop = 1, the OECD countries are rated at approximately 0.8, i.e. 80 per cent of the potential. In other words, farmers in the OECD zone are close to the theoretical maximum crop. In SSA, production is rated at 0.2 of the theoretical maximum yield for maize, 0.3 for oil palm and soya beans, and 0.5 for sugarcane. This serves to underline the conclusion we have already drawn, i.e. that the production potential is huge. Applying the World Bank estimates, it would seem that maize production, for instance, could be quadrupled, using only land already under cultivation.

Citing our own results once again, it would also seem that with the application of the methods already being used by the best farmers in each village, yields of maize, rice and sorghum could be doubled (Larsson 2005). Yet production levels would still only be half the levels found in the OECD countries.

So the wave of land grabbing that has washed over SSA and other regions must be viewed in the light both of the food price crisis and of more recent research findings that point to major production potentials, on both cultivated and cultivatable land in SSA. The situation is similar in Latin America and the Caribbean, with large cultivatable areas available (totalling 123 m.ha., compared with 202 m.ha. in SSA). The potential is more limited there, however, since production levels in the region are generally about twice as high as those in SSA (i.e. production in Latin America and the Caribbean stands at approximately 40 per cent of the theoretical maximum).
How should we view land grabbing?

It is a little too soon to judge the long-term consequences of the land grabbing epidemic that has swept the developing world. One of the more simple reasons for this is that it takes a long time from the point at which an investor enters into an agreement with the government of the country concerned – and (preferably) with the small farmers, herdsmen and others concerned as well – until results become apparent. Very few of the agreements hitherto documented have reached the production stage as yet. Indeed, few have progressed beyond the stage of negotiating with other relevant actors besides central government officials.

In fact, many of the agreements reached may never produce anything but a statement of intention. Svensk Etanolkemi AB (SEKAB), for example, has reportedly pulled out of Tanzania, where this municipally-owned Swedish company had planned to grow sugarcane and jatropha, i.e. raw materials for the manufacture of biofuels. It was probably not influenced in this by the fact that the Wami river valley in the Bagamoyo district it had leased from the Tanzanian government contained a number of rice-farming villages (Cotula, Vermeulen et al 2009, p. 73). A more likely explanation is the drop in biofuel prices noted since 2008, brought on by the drop in oil prices.

Whether one looks at the shorter list compiled by the World Bank (World Bank 2010) or the longer list from Global Land Project (Friis and Reenberg 2010), one is struck by the fact that many of the agreements involving foreign investors have been reached with governments that are not among the most democratically minded in SSA. On the contrary, one of the countries concerned is the DR Congo, where a devastating civil war has claimed millions of victims and where the central government could scarcely be said to be in control of the country. Sudan, led by Omar Bashir, a man wanted by the International Criminal Court for genocide in Darfur, is another major actor, having concluded many agreements even before 2008, particularly with companies from the Middle East.

Big is not always beautiful

There is a persistent myth concerning agriculture which says that, just as in industry, large-scale production is rational and efficient. ‘Big is beautiful’ says the myth, while scientific research has largely concluded the opposite. Agricultural economists have been puzzled by the fact that when yields per unit area are compared for large and small farms, the latter are often found to be the more productive. Researchers almost unanimously agree that this is due to the fact that small farmers mainly produce with the help of family labour, while large farms depend either on employees or on some other form of outside labour, such as seasonal
migrant farmworkers or, to delve into the past, slaves and serfs. The trouble with outside workers is that they are not very strongly motivated, which means that employers feel they have to keep them under constant surveillance to ensure that they do not laze around in the fields or even sabotage production.

Family labour, on the other hand, tends to be highly motivated. Unlike day labourers, family members do not demand to be paid at the end of each day but are prepared to wait until the crop has been harvested and possibly sold as well. Should the harvest fail, and assuming that their situation is not too perilous, they can join the farmer in tightening their belts and hoping for better luck next time round. Thus labour price and motivation represent the crucial difference between small farms and large and explain why big is not always beautiful.

Mechanisation can change the picture to some extent, however. In another study (World Bank 2009), the World Bank asked agricultural economists in a number of African countries to calculate production costs, yields and profit margins for a range of crops among both small farmers and large producers. Their findings showed that in the case of cassava, maize, rice, soya beans and sugarcane, small farmers performed better than large commercial farms. This is due partly to the above-mentioned advantages of having properly motivated and (insofar as payment is required) lower-paid labour, but also to the fact that large commercial farms have to pay taxes and charges on their input goods (seed, fertiliser, pesticides, mechanical equipment and fuel). A further factor is that, relatively speaking, small farmers get better returns from using better seed and organic fertiliser (World Bank 2009, particularly Chapter 4).

Agricultural economists have been aware of this for at least a century. Nevertheless, the myth concerning the efficiency of large farms has persisted, often with tragic consequences.

Why did Stalin and the Russian communists elect to have large state farms (sovkhozes) and collective farms (kolkhozes)? Because they thought modern agriculture required large units. Why did Mao Zedong think he could ensure a safe food supply in China by forcing peasants together in collective farms? For the same reason. And with the same devastating results – millions of dead from starvation and bloodshed.

Officials in African ministries of agriculture, and African politicians with them, are frighteningly enchanted by the same myth – that Africa’s food crisis can only be solved by large-scale production. The same applies to investors, whether domestic or foreign. Many imagine they can just

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5 It is perhaps worth noting that various forms of slavery are still fairly widespread in a number of African countries.
enclose land, import tractors, harvesters and all the input goods, and
then make a fortune from virgin soils. Forecasts are tricky, but there is
reason to believe that many will lose the money they have invested.

Past experience speaks against these investors’ projects, as does the fact
that much of the land involved, which government officials claim to be
state-owned, actually has many different users.

**Property systems in sub-Saharan Africa**

Under constitutional law in many African countries, all land is owned by
the state. This is a government bureaucrat’s wet dream. Private property
as defined by Roman law is only to be found in a handful of countries in
SSA. These include South Africa and the former settler colony of Kenya.
In other countries, various kinds of property systems coexist. Small parts
of the acreage may be hived off and registered as private land, but most
of it is subject to *overlapping rights systems.*

A typical example could be an area that the state considers its own
whereas in point of fact it belongs to a village. The village might equally
well be a clan or a family that has traditionally held the right to the land
within a vaguely demarcated area, with forest, bush or some other
outlying terrain acting as a buffer to the next village. In the village, it is
either the elders or a chief – or sometimes a state-appointed and
authorised official – who distributes holding rights to the members of
the family. There may be *outsiders* in the village who do not enjoy the
same land rights as the villagers themselves. This applies not only to
immigrants from other parts and other ethnic groups. Women, too, are
often counted as outsiders, since they tend to come from another village
or family that has no right to the land in question.

To make matters even more complicated, there may be overlapping
rights to the same land. While an individual farmer has right of use to a
certain piece of land, grazing rights may belong to another, e.g. the
members of a migratory tribe of herdsmen, as in the case of northern
Nigeria where different ethnic groups occupy different niches in the
ecosystem. The same is true of water sources, rivers and streams, where
ownership does not automatically belong to whoever has right of use to
the land, as practised in the West.

Civil servants in the capital draw straight lines across maps – just as the
old imperialists once did at the Berlin Conference of 1884 when they
created many of the artificial divisions that form today’s nation-states in
SSA.

Nowadays, investors are allocated leases for land that is nominally owned
by the state but which in reality and by tradition belongs to many
different individuals, families and groups. This is certain to cause
conflicts in the future, and, bearing in mind all the weapons that are scattered around SSA, there will doubtless be much bloodshed. Thus the fact that many of the investors have targeted outright ‘gangster states’ is no less alarming.

Another factor that has entered the equation is technological change, which according to some experts in the debate turns the negative link between farm size and acreage productivity on its head. Brazil is the example most frequently cited.

Is Brazil a model country?

Many years ago, when Normal Borlaug – the Nobel laureate generally regarded as the father of the Green Revolution – was travelling through the cerrado, he is said to have observed that nothing of importance could be grown on this dry, savannah-like tableland surrounding the Amazonas. How wrong he was! The Brazilian cerrado was long considered uninteresting from a production viewpoint, rather as until recently the world looked upon the Guinean savannah extending from West Africa via East Africa all the way down to Mozambique. Today, the cerrado is one of the world’s leading production areas, especially for soya beans and sugarcane, but also for cattle. Thanks to the cultivation of the cerrado, Brazil has in the space of just forty years turned itself from a food importing country into one of the largest exporters of agricultural produce in the world.

The main obstacle to cultivation of the cerrado was that the soil naturally contained too much aluminium for it to be farmed by conventional means. Via Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA), a state-owned agricultural research company, the Brazilian state invested
huge sums in plant breeding and other types of research, thereby paving the way for the Brazilian export ‘miracle’. One of the company’s successes was the development of new varieties of soya beans that are not affected by the high incidence of aluminium in the cerrado’s soils (World Bank 2009; Anonymous 2010). Another success story concerned sugarcane. Brazil was the first country to run its car fleet on ethanol, produced from sugarcane grown in its giant plantations. Brazilian ethanol is often considered more environment-friendly than for instance biofuels made from American maize or European rape. Brazilian sugarcane has not crowded out food crops to the same extent, and nor has it been grown on devastated forest land to any great degree.

There are hardly any smallholding on the cerrado. The farms there stretch from horizon to horizon and are highly mechanised. At harvest time, armadas of harvesters trundle across the soya bean fields. Doesn’t this point to new conditions for agricultural production and the end of an era for small farmers?

It is difficult to answer this question in the absence of more detailed data and research on production conditions at Brazil’s large farms. One aspect worth noting, however, is that in contrast to SSA they have hardly any small farmers to compete with. Ever since the colonial era, Brazil agriculture has been distinguished by its large estates. These were established not because they were economically efficient but as rewards from the Portuguese king to his faithful supporters. The owners of the new estates on the cerrado appear to have got in ahead of any small farmers who may have been interested, gaining access to huge amounts of land via government contracts and investing heavily to make the soil fit for production. Large farmers also benefit from hidden subsidies through cheap credits and access to EMBRAPA’s new seed varieties at prices far below the development costs.

It cannot be taken for granted that Brazil’s savannah farming methods would work in the Guinean savannah. Also, the presence of established small farmers and other holders of land rights can create problems for investors. Whether people are driven from their land by force, with the attendant risk of armed conflict, or more respectable attempts are made to negotiate with those concerned, the costs of production once it has finally been established may be so high that they jeopardise the investors’ profitability.

Instead of imitating Brazil, African governments could seek to imitate Thailand, another country that has become a successful food exporter. Thai agricultural policy has opposed concentrating land in large plantations and instead sought to encourage smallholdings. This would suggest that the question of large farms versus small farms has less to do with efficiency than with political priorities (see World Bank 2009), a subject we will return to below.
Are small farmers a doomed class?

Today, African agriculture belongs to the small farmers – and their husbands, as people like to add. Most food production in SSA takes place on smallholdings largely worked by family labour, especially the womenfolk. And this situation will persist for some time to come. This is why for the foreseeable future pro-poor agricultural growth is the most promising strategy for agriculture in the region. There is a great deal of potential in African smallholder agriculture. In the case of Africa’s largest food crop, maize, our research indicates that those who use improved seed and organic fertiliser produce 50–70 more than those who do not (Larsson 2005). When we compare production by the same households in 2002 and 2008, we find that those who began using improved seed and fertiliser during the period recorded 25–40 per cent higher production levels than those who did not (Andersson, Djurfeldt et al, forthcoming 2010). If for the sake of argument we imagine that all African maize producers were rapidly to gain access to such technology, production would increase by between 25 and 40 per cent and SSA would become self-sufficient in maize. By the same token and based on the same data, we find that those who produce for the market produce 30–70 per cent more than those who do not. Particularly noteworthy is the fact that those who began selling maize during the period 2002–2008 increased their production by between 50 and 70 per cent.

To a great extent, producers’ access to markets is dependent on infrastructure and on the prices in these markets. Potentially, improving infrastructure in rural areas would have a very favourable effect on food production. The above research findings also suggest that if the economic advances made by many African countries in the first decade of the new millennium are sustained, this will have a significant impact on food production, primarily by boosting demand for food crops. Our findings showed that every one per cent increase in GDP per capita resulted in a two per cent increase in maize production during the period 2002–2008. Finally, the collapse of the Doha round meant that many countries in SSA began protecting their domestic food production with tariffs, which benefited many domestic food producers (estimate based on the models in Andersson, Djurfeldt et al, forthcoming 2010). Unfortunately, the collapse of the Doha talks also meant that many countries negotiated bilateral trade agreements instead. Europe, for instance, is negotiating new trade agreements (so called Economic Partnership Agreements, EPA) with many African countries. The danger is that African governments will be pressured in these agreements to bargain away their right to protect themselves against the dumping of cheap farm produce from the EU countries.

We are nearing a conclusion: Many of the land investments in SSA over the past year have been made in dictatorships where the investors – rather naively, one imagines – believe they can reap profits because the
host government is corrupt and incompetent. There is a considerable risk that various holders of land, grazing and water rights will be evicted. Poor people will suffer. There is also a substantial risk of armed conflict. Must it really be this way?

**It depends on policy and democratic influence**

When I myself began looking into the above-mentioned blog from GRAIN, the first item I happened upon concerned foreign investments in Chinese milk production. An Australian company, Fonterra, has leased land in two Chinese provinces (Hubei and Hebei), imported cows from Australia and begun producing milk. The company has been a pioneer in the Chinese dairy industry but has gradually lost ground since domestic entrepreneurs have followed in its wake. It is true that Fonterra, via its local partner SanLu, was involved in the melamin scandal that hit the Chinese dairy industry a year ago, with serious consequences for company profitability (Fox 2010, see also http://farmlandgrab.org/15118). Its investments in China must nonetheless be regarded as a textbook example of how a country can utilise foreign investments to build up production capacity in a given sphere. In this, the dairy industry is not an exception but reflects what the Chinese have done in a number of different spheres.

As for democracy and human rights, there is a greater difference between the People’s Republic of China and the Democratic Republic of the Congo than might first be imagined. If China is corrupt, DR Congo is even more so. In China, civil servants and individual officials are inspired by a sense of nationalism to a far greater extent than their counterparts in DR Congo. This may explain the difference between the way the two countries exploit foreign investments, i.e. whether politicians and senior officials in the country are more interested in enriching themselves than in learning from outsiders how to build up domestic capacity, as in the case of the Chinese dairy industry.

It would be better if more African countries adopted the Chinese approach rather than the Congolese one. SSA is known, however, for its low level of central government capacity and its high level of corruption. It therefore seems likely that the ability to exploit foreign investments for the good of the country is low in the region as well.

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6 DR Congo is in the second-lowest category in Transparency International’s Corruption Perception Index with a rating of 1.9. Sudan, mentioned earlier, is further down on 1.5 points. China is a couple of categories higher up on 3.6 points, and thus less corrupt. Transparency International. "Corruption Perception Index: http://media.transparency.org/imaps/cpi2009/." Retrieved October 4, 2010.
Conclusions

Land grabbing in poor countries, where foreign investments are involved, can easily be seen as a new form of colonialism. The reports I have referred to above do in fact make depressing reading in this regard. Substantial foreign and domestic investments have been made in dictatorships, and the investors seem to believe they will benefit from the governments being corrupt and incompetent.

There are, however, some hopeful signs. Over the past year or two, for instance, international civil society has woken up to what is happening. International NGOs like landgrab.org, the Global Land Project, the Food First Internation Action Network (FIAN), Friends of the Earth and the American Oakland Institute are addressing the phenomenon. The latter is interesting in that it is monitoring the practice of land grabbing from the perspective of Corporate Social Responsibility (CSR). In a report entitled (Mis)investment in Agriculture, the institute calls attention to the fact that many of the investments are dubious from a CSR perspective and also violate international codes of conduct. The Oakland Institute criticises two organisations in the World Bank group – the International Finance Corporation (IFC) and the Foreign Investment Advisory Service (FIAS) – that promote direct investment in poor countries, accusing them of failing to ensure that investors comply with the ethical guidelines regarding for instance free, prior informed consent (FPIC) (see Cotula, Vermeulen et al 2009 p.70; and Daniel and Mittal 2010).

Finally, Brazil is not a model country where pro-poor agricultural growth is concerned. The rise of Thailand and several other Asian countries that have successfully fought poverty while at the same time achieving success in agricultural export markets shows that – to quote a familiar slogan – another future is possible.

References


Corporate Social Responsibility (CSR) is defined by Wikipedia as essentially the deliberate inclusion of public interest into corporate decision-making. “Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms.” (http://en.wikipedia.org/wiki/Corporate_social_responsibility, downloaded 2010-11-12)


Chapter 3 - part 1: Large-scale international land investment in developing countries

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Scope
According to a recent World Bank report, 45 million hectares of land were sold/leased (long-term leasing is more common than direct sale of land) in 2009. It also notes that the figure may be higher since not all land transactions are indeed transparent. On the other hand, many agreements appear to have been reduced in scope or come to a complete standstill (or have even been cancelled) after world cereal and oil prices have fallen back again.

Individual projects cover tens of thousands or hundreds of thousands of hectares; the largest cover almost 500 000 hectares. Perhaps the largest of all, covering 1.3 million hectares, caused a political crisis and regime-change in Madagascar and was cancelled. There seems to be a particularly strong interest in land investments in Africa, where not a great deal has previously been invested in agriculture and forestry, in countries with relatively large areas of underutilised land and relatively low population density (in those areas). In a recent report, FAO and others note that 2.5 million hectares have been leased (approved projects) to international investors in only just African countries in 2004–2009 (Ethiopia, Ghana, Madagascar, Mali and Sudan) with investment commitments from the international companies/countries of almost USD 1 billion.

Hence the scope is large, but it is unclear how large. It is likely that the interest of capital-rich countries and companies in large-scale international investments in agriculture and forestry will persist, albeit varying with the economic cycle.

Forestry
Land acquisition for the establishment of forest plantations is a special case, but requiring even larger areas. FAO (2007) estimated that 75 per cent of all global forest products by 2050 will come from planted forests. The International Institute for Applied Systems Analysis (IIASA)

1 This is a shorter version of the paper. The full text is available at www.regeringen.se/fao
recently assessed that a further 25 million hectares of forest plantations on arable land are needed by 2030. The largest potential for the expansion of plantations exists in the South. Major international actors are already operating in the forest sector in the South, for example in Brazil, China and Laos. The industry has its eye on Africa, and to some extent is already there.

A way out of the crisis or pure neo-colonial exploitation?
Such a large inflow of capital to the agricultural sector in developing countries (cf. almost 1 USD billion to five countries in the example above, and USD 1.2 billion in total aid to the agricultural sector across Africa in 2004) will lead to increased production and development that can benefit the recipient countries and their populations. But it also entails great risks, which are often highlighted by various NGOs (often on grounds of principle or ideology). Several major international organisations see both potential and risks, as reflected for example in the title of a recent publication by IIED, FAO and IFAD: ‘Land grab or development opportunity? Agricultural investment and international land deals in Africa’. Some of the arguments for and against are listed below.

Advantages/potential
+ Increased productivity – more food/fibre/biofuel for the country’s own population and or that of the ‘buyer country’.
+ Access to new technology – investments mean that new and more productive technology can be used and also benefit the rest of society.
+ Infrastructure investments – there is often a need for new roads, ports or other infrastructure to make large-scale agriculture possible and to reach markets.
+ Job creation – work opportunities are created for the local population in agriculture and related agro-industries.
+ Tax revenues – the jobs created and production in itself generate tax revenues in the host country that can be used for more general development.
+ Some production can take place through contract farming with small-scale farmers, who are thereby guaranteed a market for their produce, small-scale agriculture is developed alongside large-scale agriculture and possibly also agro-industries.

The incentive for the host/selling country is not primarily (or not at all) the land/lease prices (these are often ridiculously low), but rather the promises and prospects of investments and advantages as outlined above.

Disadvantages/risks
- Production focuses on the international market, not on local (food) needs, and thus does not benefit food security at all; rather it increases the local people’s vulnerability for example by growing biofuels for a European market instead of food for a local market – not ecologically
- The local population’s rights and traditional land uses are not respected; for example, minority groups lose grazing land or are forced to move without being compensated fairly – not socially sustainable.
- Not all those affected are represented in the land sale/lease negotiations; for example, negotiating government representatives do not represent, or perhaps are not even aware of, the local villagers’ land use. Local users and minority groups risk being steamrollered – not socially sustainable.
- In corrupt systems, representativeness is even worse; officials may be more interested in personal gain than in what the local population or country may gain from a proposed project – not socially sustainable.
- Large-scale production risks destroying forests, grazing land, etc. and therefore reduces people’s access to, for example, fuel wood, cattle pasture and other extensive land use. The biodiversity of these environments is therefore also threatened – not ecologically sustainable.
- The common risks posed by large-scale farming – overconsumption of water, extensive use of pesticides, monocultures, etc. – not ecologically sustainable.
- Large-scale commercial agriculture wipes out traditional production and traditional life patterns and creates dependency on the new system as well as causing negative social impacts on local communities – not socially sustainable.

The role of the international community: advice...
Agriculture and forestry in developing countries are likely to be on many different scales in the future; small-scale farming will continue but there will also be medium-sized commercial farms and large-scale
internationally owned agriculture and forestry companies/projects. As mentioned above, the potential advantages are great but the risk of negative impacts caused by large-scale land investments in developing countries is also great and serious. Land acquisitions and investments of this kind are taking place today, bringing advantages and disadvantages, and they are likely to continue in the future. Sticking our heads in the sand and maintaining that these types of agreements should not exist is hardly constructive. Decisions regarding consent for these types of projects and investments are, of course, always the responsibility of the host country (in one way or another). The international community can assist by offering advice and action.

The voluntary guidelines in this area “Voluntary Guidelines on Responsible Governance of Tenure of Land and other Natural Resources” that FAO is preparing should follow “Principles for Responsible Agricultural investments that Respect Rights, Livelihoods and Resources”. The voluntary guidelines are human rights based and will provide practical guidance to states, civil society and private sector on responsible governance of tenure. Land acquisition processes and investments that follow these voluntary guidelines should be well positioned to be considered fair by states, investors and affected local populations. The international community should provide a service, for example through FAO, to review and monitor land acquisition processes according to these guidelines. Even if the decision-making power ultimately lies with individual states, they should be able to see the advantages of receiving such a service from FAO. This would support change processes in individual countries and, in cases where the above does not result in critical observations, prove that the country in question has an efficient regulatory framework. Similarly, investors should be interested in having the process reviewed and approved according to the guidelines. Approval under the principles would establish that the investors in question do not fall into the category of ‘pure neo-colonialism’ but instead are responsible companies/investors. It would be beneficial for local organisations, the local population in general and various NGOs if the review could be conducted at international level so they would not be at the mercy of the much stronger negotiating parties representing governments and investors.

Review and monitoring under the principles and guidelines mentioned above would therefore serve as a kind of certification to verify a fair and sustainable land acquisition process. To ensure that such a certification process is credible and respected by the various parties, it must be conducted by an organisation that has the confidence of the parties and the international community. FAO is surely such an organisation. The international community has a responsibility to act to ensure that the large-scale land acquisition processes that have become commonplace in recent years are conducted in a manner that is socially, economically and
ecologically sustainable, for example, through a certification process in accordance with the principles mentioned above. Not acting would mean sticking our heads in the sand, especially when we have the knowledge that is reflected by the principles above.
Chapter 3 – part 2: Livestock diversity for current and future needs – risks and opportunities¹

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Livestock are more important than you think...

All over the world, livestock play an important role. Not just for food, but also for making use of pasture not suitable for growing cash crops. Grazing animals contribute to maintain an open landscape. In developing countries, animal products have a special role to play as they contribute to a balanced diet by providing, above all, valuable protein. Of the approximately 1 billion poor people in the world, 70 per cent depend on livestock for their livelihood. Animals in these countries also play a major role as working animals and for the production of fibre, leather, energy and manure. For many people, animals are the only capital they possess. In many societies, animals are especially significant for traditional or cultural activities in connection with festivities or events of various kinds. In developing countries, food-producing animals often represent 30–50 per cent of the income from agriculture. This is why it is especially important that the role of livestock in food security is highlighted when foreign investments in agricultural land increase to such an extent that they represent a threat to, or risk ruining, the chances of poor people to keep their livestock.

... and have been adapted to changing conditions

Livestock are important because of their diversity and the ability of various species and breeds to produce food and other useful products under changing conditions. Animals play a major role in mountainous areas as well as in coastal areas, in warm and cold climates, in rainy and dry areas, and in extensive and intensive production systems. They have developed over thousands of years to become adapted to all of these environments so that they can produce food and reproduce naturally, in the service of human beings. They have, with their varied characteristics (whether they be ruminants or non-ruminants) developed to be able to make use of various by-products from crops and the food industry. This is why they are a natural part of the ecosystem in all parts of the world.

Many of the world’s livestock breeds are endangered

Under the auspices of the FAO, an extensive project has been conducted over a number of years to clarify what exactly the situation is concerning farm animal genetic resources. This inventory was a result of the member

¹ This is a shorter version of the paper. The full text is available at www.regeringen.se/fao
states’ commitments following the Convention on Biological Diversity (CBD) and the warning reports that have appeared about increasing numbers of endangered species. The inventory was compiled in a ‘State of the World Report on Farm Animal Genetic Resources’ and presented to the FAO member states at a conference in Interlaken in 2007. The report showed, among other things, that of the world’s more than 7,500 identified livestock breeds, 9 per cent are reported endangered and 21 per cent risk facing the same fate. However, we do not know what the situation is for more than a third of the breeds. The most important causes of breeds disappearing are the modernisation and, to a certain extent, industrialisation of agriculture, above all in the western world, with its demand for productive animals. There have also been countless failed attempts in developing countries to improve animal breeds using western breeds and methods, but the long-term perspective has been lacking in breeding efforts, as well as organisational structure and education. It has often been the case that cross-breeding in one generation has worked well, but with breeds that are not adapted to the climate, higher degrees of cross-breeding often lead to disappointing results. Then it may be too late to ‘save’ the indigenous breed. At the same time, it can be noted that there are many indigenous breeds in developing countries that are considerably under-used, in the sense that they could be spread geographically more than they currently are, and that the genetic variation within that breed has not been used to improve the breed in order to increase productivity.

The consequences of natural disasters and civil war can pose a completely different threat. The long drought in parts of eastern Africa in 2007–2009 had catastrophic consequences for animal populations, which died of starvation in large areas. Cattle were most vulnerable, whereas goats coped the best. Therefore, one important question in the wake of climate change is how to best build up new animal stocks and what types of animal we should look for to get production going again. This would probably be poultry, sheep and goats, but the challenge is that this is supposed to happen in cultures where cattle have the highest status.

A similar threat, but more clearly originating with humans, lies in the potential consequences of major land investments by foreign business interests that do not take account of traditional livestock farming and the conditions it requires. If these investments result in the mobility of cattle over large areas being restricted, this could lead to serious overgrazing and the erosion of remaining pastureland, spread of diseases, and ultimately to the end of livestock farming. This would be particularly devastating in dry areas that receive little rain and where livestock have been specially adapted for production in conditions of scarcity. Because it is small-scale farmers who lack land rights, they are the ones who lose out when pastureland is sold. This means that small-scale farmers’ income and survival prospects would disappear, as would the animal stocks that have been bred over centuries to develop the kind of
characteristics that may be of particular importance in a future when climate change will require this type of animals.

Global plan for the conservation and development of genetic diversity

At the conference in Interlaken, a joint declaration was adopted on the assessment made concerning the state of farm animal genetic resources. In a subsequent ‘Global Plan of Action’, the governments committed to taking necessary measures to ensure that we have the long-term genetic diversity that an unpredictable future may require, and that we use genetic resources in a sustainable way. The action plan gives four priority areas of action:

1. Characterisation, inventory and monitoring of trends and associated risks
2. Sustainable use and development of livestock breeds
3. Conservation of endangered breeds
4. Policies, institutions and capacity-building

Conserve breeds through development!

Unlike with plants, most conservation work entails continuing to develop the living animal populations through breeding in long-term, sustainable breeding programmes. Although it is possible to freeze semen and possibly embryos (ex situ), the process of restoring populations in a living state becomes almost an impossibility. However, semen banks can help to recreate the genes, but hardly the genotypes (the breeds), and it is primarily the genes that we should be conserving. But this occurs at the expense of breeds that are perhaps culturally interesting. Conserving unprofitable breeds with sufficient numbers of animals to avoid in-breeding or genetic drift and to safeguard their long-term survival (in situ) is very costly and inefficient compared with the conservation of genes in semen banks. Therefore, the most important thing of all is to carry out as far-sighted breeding as possible with the breeds we have so that we can prevent valuable breeds or genes from becoming endangered in the future. We can do this best by ensuring that the breeds develop so that they continue to be commercially or culturally
valuable. Valuable genes may also be conserved, and come to use, in new forms of economic and social significance for humans, e.g. in ‘synthetic’ breeds that have been developed through crossing several breeds or animal populations. There are many good examples of this in both the developed and the developing world.

Indeed, all our breeds have evolved over time. The term ‘breed’ is therefore not genetically defined; instead, it is determined by cultural values and how the breeding objectives have been defined for animals in a particular geographical area. In the end, what to call a breed is an administrative decision. An obvious example for us in Sweden is that our Swedish SRB breed was ‘created’ in 1928 by merging the studbooks of the related RSB and Ayrshire breeds. In the FAO statistics, RSB is therefore stated as being extinct! However, a new ‘breed’ has emerged – SRB – which has really shown itself in an international context to be worth conserving through continued breeding with long-term, sustainable breeding objectives in mind.

The future global needs for animal products, that studies by the FAO, IFPRI and others have demonstrated, and the fact that we are facing ever clearer signs of climate change, mean that there is every reason to safeguard the genetic diversity in our livestock populations. But this has to happen in the right way. Conserving breeds is not enough; we have to ensure that they develop if they are to survive. Our awareness of this is not as great as in developing countries, where the issue of access to food and survival is manifest. Here in Sweden, we still put a great deal of energy into conserving small breeds without the necessary assessment of their potential development and future use, while without any debate, such a large and important breed of pig as the Swedish Landrace was recently allowed to completely disappear in a Nordic trade-off over which breeds each country should look after. This is not living up to the intentions of the Interlaken Declaration.
Chapter 3 – part 3: - Land acquisition, agriculture and plant biodiversity

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Land acquisition in the south is an increasing phenomenon. However, foreign interest of natural resources in general is nothing new. It has for long caused a range of social and political constrains in our history and been the issue behind many riots, wars and has at least in part been the driving force of colonialism. In the light of independence, human rights, Millennium-goals and in the context of global food security and growing populations this new trend of “land grabbing” is alarming. At the same time new reports are publishing data on declining numbers and extinction of animals, plants and various microorganisms (Butchart et al. 2010). Climate change is here one important factor together with habitat loss. The latter is mainly linked to agriculture and food/fiber/biofuel production, which are major incentives of land acquisition seen today, besides oil and minerals.

Tropical regions have the largest species diversity. It is believed that tropical regions compared to temperate areas diversify faster due to higher rates of speciation or due to lower extinction rates (Mittelbach et al. 2007). This high biodiversity level has experienced a threat for rather a long time period. When tropical forest regions are turned into farmland or existing farmland in the tropics are used for modern agriculture, the plant biodiversity is being reduced. To harvest large quantities of any crop plant product requires access to advanced seeds, reduced numbers of competing weeds and inputs of nutrients. Thus, any type of agriculture activity threatens to reduce species diversity. This is true ranging from small farmers, burn-beating practice to large farms practicing modern agricultural technology and plantations. It is however widely known that large farms and plantations with intensive monoculture for example of tea, cotton, sugarcane, rice, maize, soybeans and other crops do incite higher impact on the surrounding environment. The conflict of interest is obvious and since farmland is becoming scarce and the world population is growing, it will indubitably become difficult to protect all species. Ironically advanced agriculture cannot survive without new genetic resources to be implemented in plant breeding programs and development of new varieties. Creating efficient

1 This is a shorter version of the paper. The full text is available at www.regeringen.se/fao
gene bank systems where wild and other important species-collections can be stored can at least partly solve this specific problem. However in order to enrich plant biodiversity it also must be exposed to its natural environment (Fi et al. 2009), not to mention the overall importance of access to protected geographical areas to promote survival of wild animals, plants and all other organisms (van Buskirk and Willi 2004; Harvey et al. 2008).

In attempts to solve the controversy between agriculture and biodiversity a number of conservation plans and strategies have been undertaken (Brooks et al. 2006; www.ebd.int). These management attempts are broad in nature, the ecosystems are complex and the progress and success so far varies widely. It is clear that no single plan can work to protect biodiversity in all countries but learning from success stories and drawbacks combined with regional adaptation to various environmental conditions and agricultural production schemes combined with tight links to advisory teams is the balancing act that is required for a successful way forward (Firbank et al. 2008). It is essential that the EU, the USA and other countries not only meet and make claims on paper, but also support implementation of scientific sound and regional adapted plans in reality for the south.

Zinder, Niger. Inhabitants of the nearby village of Zangon standing in line at a cereal bank. Cereal banks hold a reserve of seeds for the community during difficult growth periods. ©FAO/Issouf Sanogo

The Nagoya Biodiversity Summit in Japan just finished. The meeting achieved three inter-linked goals: adoption of a new ten year strategic plan to guide international and national efforts to save biodiversity through enhanced action to meet the objective of the Convention on Biological Diversity, a resource mobilization strategy that provides the way forward to a substantial increase to current levels of official
development assistance in support of biodiversity, and a new international protocol on access to and sharing of the benefits from the use of the genetic resources of the planet. The growing trend of land acquisition seems not to have been on the meeting agenda this time. An international agreement on this specific topic may become urgent in near future but it most likely fits better in other summits e.g. G20 than biodiversity.

Landowner and peasant relationships or land ownership even if under leasing contracts, do easily cause uncertainties and feelings of a new era of submission of a master or colonialism. There is a need of national regulations in this new movement and countries like Tanzania and Mozambique have now implemented native usufruct on different geographic regions. Likewise, it is important that large-scale land deals driven by more developed countries for example China and large private investors in Africa and elsewhere, manage to balance introduction and implementation of modern agricultural technologies against demands of domestic land reforms and food related conflicts. Land acquisition is a new movement and therefore no investigations linked to its appearance and impact on plant biodiversity has been reported. It may not be a major driver of species extinction but one factor among others that most likely not promote presence of a rich wild flora and sustainable agriculture.

Selected references


Chapter 4 – part 1: Emerging Foreign Investments in Agriculture: Food Security and Land Rights in Africa

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Background

Agriculture, particularly food production, has been seen correctly as the most dramatic manifestation of failure in Africa’s development as well as the major source of hope for its recovery and long-term sustainable development. Agriculture is the mainstay of most people in Africa, supporting 70-80 percent of the total rural population, including 70 percent of the continent’s extremely poor and undernourished. Agriculture production has been declining steadily in Africa during the last two decades or so; and this phenomenon has been particularly consistent in so far as food production is concerned. In Sub-Saharan Africa alone, 194 million (34 percent of the population) are chronically undernourished. At the same time, there has been a progressive growth in food imports in the recent past years. The food shortage is a source of enormous concern. ‘We see such shocking sights of farmers queuing for food aid. The 70 percent of our population working in agriculture cannot feed themselves, let alone 30 percent that are not in the sector. Many African countries rely on food aid and the continent spends $25 billion every year importing food.’ People suffering from hunger are marginalized within the economy, contributing little to output and still less to demand, and they are also constantly vulnerable to shocks.

African agriculture faces many challenges in a globalising world, in which access to markets, both local and global are hotly contested. Cheap foodstuffs produced by heavily subsidized farmers are being dumped, displacing the harvest of local producers’. Exports from African markets are also facing rising barriers through imposition of new standards and norms in European and US markets and private sector actors such as

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1 This is a shorter version of the paper. The full text is available at www.regeringen.se/fao
2 FAO 2005. The State of Food Security in the World; Eradicating World Hunger-Key to Achieving MDGs
3 Ibid
5 Comprehensive Africa Agricultural Development Programme. AU/NEPAD, July 2003
supermarkets. Smallholders are fighting a hard battle against such unfair practices.\textsuperscript{6} It has been argued by some, that smallholder farmers need to be encouraged to leave the agricultural sector, help consolidate larger holdings, better able to cope with demands of the global economy; seek employment as farm workers or shift to industrial sectors. The large farms, it is argued will increase yields, efficiency and economic growth. On the other hand, others see it differently, that large scale land acquisition can result in local people losing access to the resources on which they depend on for their food security and livelihoods; residents may be directly dispossessed on the land they live on, often their long standing heritage; power will shift from women to men as land becomes commercialised; and local users pushed from higher value lands to more marginal lands.\textsuperscript{7} Also it is important to recognize that, holding land rights as a smaller-holder farmer creates national stability and equity, and that access to land, shelter and food is a fundamental human right, conferred on all citizens of a country.\textsuperscript{8} Most significant is that, being a livelihood asset, land in Africa also tends to have a spiritual value, provides a basis for social identity, networks and is catalytic for collective sense of justice. In this sense, it is argued that purely economic calculations are unlikely to do justice to local perceptions about proposed large scale land investments and deals.\textsuperscript{9} As long as the rural population continue to depend on their livelihoods and their food security on land, loss of it is likely to have major negative impacts on local people, despite compensations and creation of jobs promised in large scale agricultural investment. Loss of land to the community is permanent.\textsuperscript{10}

While the best agricultural land is used for production of export, little of the produce finds its way into the local market. African governments are usually more interested in attracting foreign direct investments (FDI) than seeing how best to promote local enterprise in land. For African countries agreeing to such deals, the possible advantages are also attractive. Since African agriculture rarely attract significant investment or external aid, and the current global economic recession has made external financing more scarce, leasing land to foreign governments and companies for large scale cultivation can seem like a way to boost an underdeveloped sector and create new job opportunities.\textsuperscript{11}

\textsuperscript{6} International Institute for Environment and Development (iied), Natural Resource Institute (NRI) and Royal African Society (RAS), 2005. Land in Africa. Market asset or secure livelihood? Issue Paper No. 136
\textsuperscript{7} IIED/FAO/IFAD
\textsuperscript{8} Ibid.
\textsuperscript{9} IIED/FAO/IFAD
\textsuperscript{10} Ibid.
\textsuperscript{11} Laishley R. ‘Is Africa’s Land up for Grabs? Foreign Acquisition: Some Opportunities, but many see Threats’. In African Renewal, October 2009. P4
It is important to note that large numbers of the poorest people, most of them women, live in farming households and depend for their livelihoods and food security on the productive use of agricultural land. Access to land enables families to produce food and provides source of livelihoods for rural workers and urban poor, while grazing of livestock on extensive rangelands is a source of livelihood for pastoralists and therefore access to pasture land is critical. Gathering fruits, leaves and wood-fuel from common lands is a regular source of income for women and poorer households, as well as a vital coping strategy for the wider population in times of drought and famine. Privately-owned land can be loaned, rented or sold at times of hardship, and thereby provides some kind of security. At the same time, it is a heritable asset, and a basis for wealth and livelihood security of future rural generation. These uses tend to be undervalued in economic terms. Large-scale land acquisitions may further jeopardize the welfare of the poor, depriving them of the safety-net function that these types of land use fulfils. The benefits to local communities also depend heavily on how investment projects are designed and managed particularly when they are operated by foreign labour.

In many countries of the continent, the ultimate ownership of land remains in government hands, with land allocated administratively, rather than through the market which brings serious risks of rent-seeking and corrupt behaviour. This situation is worsened by the fact that for some of the land that is being acquired for foreign investment projects there are no formal titles to the land, as most of the smallholder farmers in Africa, generally still use land under customary tenure arrangements. The poor therefore run the risk of being pushed off the land in favour of the investor, without consultation or compensation. Thus unequal power relations in the land acquisition deals can put the livelihoods of the poor at risk”. In some cases, land leases are justified on the basis that land being acquired by foreign investor is ‘unproductive’ or ‘under-utilised’. It is important to recognize other use rights on land such as grazing and gathering wood-fuel, which are critical sources of livelihood, especially for women. Nearly half area of sub-Saharan Africa constitutes of drylands and is particularly useful for pastoralism. In this context, there is a real risk that land considered ‘empty’ or ‘idle’ will be sold or leased to investors, including foreign investors, without taking into account the important services it renders to the pastoral communities.

12 Ibid.
14 Ibid.
Worse still, land-lease deals are not made on equal terms between the investors and local communities as the bargaining power in negotiating these agreements is on the investors’ side, which is often supported by the host state or local elites. IFPRI states: “Smallholders who are being displaced from their land cannot effectively negotiate terms favourable to them when dealing with such powerful national and international actors, nor can they enforce agreements if the foreign investor fails to provide promised jobs or local facilities”.15 In several instances, foreign investors buy-up land for large-scale agriculture while local elites profit from the resale. The culture of secrecy that surrounds agricultural land deals raises concerns about government conduct in relation to issues of public interest. The lack of transparency undermines government accountability, and increases the opportunities for corruption and other inappropriate acts. This has potential implications for access to land, water and food for individuals and communities in areas subject to these contracts, impacting on their human rights to an adequate standard of living.16 IFPRI’s compilation of media reports on overseas land investment reveals the magnitude of the emerging trend in land investment in Africa.17 This is presented in Table 1, showing target countries, investor country and nature of the deal.

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15 IFPRI, (2009); ‘Land Grabbing’ by Foreign Investors in Developing Countries: Risks and Opportunities’ Joachim
17 IFRI Policy Breif 13. 2009
<table>
<thead>
<tr>
<th>Target Country</th>
<th>Investor Country</th>
<th>Nature of Deal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Republic Congo</td>
<td>China</td>
<td>2.8 million he secured for biofuel oil palm plantation</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>India</td>
<td>US$ 4 billion invested, including in agriculture, flower growing end sugar estates</td>
</tr>
<tr>
<td>Kenya</td>
<td>Qatar</td>
<td>40,000 ha leased for fruit and vegetable cultivation in exchange for funding US$2.3 billion port</td>
</tr>
<tr>
<td>Malawi</td>
<td>Djibouti</td>
<td>Unknown area of farmland leased</td>
</tr>
<tr>
<td>Mozambique</td>
<td>China</td>
<td>US$800 million investment to expand rice production from 100,000 to 500,000 metric ton; political opposition to deal</td>
</tr>
<tr>
<td>Sudan</td>
<td>Egypt</td>
<td>Land secured to grow 2 million tons of wheat annually</td>
</tr>
<tr>
<td>Sudan</td>
<td>Jordan</td>
<td>25,000 ha secured for livestock and crops</td>
</tr>
<tr>
<td>Sudan</td>
<td>Kuwait</td>
<td>Giant strategic partnership; no further information</td>
</tr>
<tr>
<td>Sudan</td>
<td>Qatar</td>
<td>Joint holding company set up to invest in agriculture</td>
</tr>
<tr>
<td>Sudan</td>
<td>Saudi Arabia</td>
<td>9,200-10,117 ha leased for wheat, vegetables, and animal feed; 60% paid by Saudi government</td>
</tr>
<tr>
<td>Sudan</td>
<td>South Korea</td>
<td>690,000 ha secured for wheat</td>
</tr>
<tr>
<td>Sudan</td>
<td>United Arab Emirates [UAE]</td>
<td>378,000 ha total invested in by UAE</td>
</tr>
<tr>
<td>Sudan</td>
<td>UAE [Abu Dhabi fund for Development]</td>
<td>30,000 ha secured for corn, alfalfa, and possibly wheat, potatoes, and beans</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Saudi Arabia</td>
<td>500,000 ha requested for lease</td>
</tr>
<tr>
<td>Tanzania</td>
<td>China [Chongqing Seed Corp]</td>
<td>300 ha secured for rice</td>
</tr>
<tr>
<td>Zambia</td>
<td>China</td>
<td>2 million ha requested for jatropha [biofuel]</td>
</tr>
<tr>
<td>Angola</td>
<td>Lonrho [UK]</td>
<td>25,000 ha leased for rice. Lonrho is negotiating for a further 125,000 ha in mail and Malawi</td>
</tr>
<tr>
<td>Democratic Republic of Congo</td>
<td>Agriculture [South Africa]</td>
<td>10 million ha offered to farmers' union</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Unknown private investors Saudi Arabia</td>
<td>Land leased in exchange for US$100 million investment</td>
</tr>
<tr>
<td>Madagascar</td>
<td>Daewoo [South Korea]</td>
<td>1.3 million ha secured for maize</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Trans4mation Agric-tech ltd [UK]</td>
<td>10,000 ha secured</td>
</tr>
<tr>
<td>Sudan</td>
<td>Jarch Capital [USA]</td>
<td>400,000 ha in southern Sudan signed with local army commander</td>
</tr>
<tr>
<td>Ethiopia [East Africa Agri-business]</td>
<td>Dubai world Trading Company [UAE]</td>
<td>5,000 ha secured in joint venture for tea</td>
</tr>
<tr>
<td>Cameroon</td>
<td>Unknown company [China]</td>
<td>10,000 ha secured for rice production</td>
</tr>
<tr>
<td>Egypt</td>
<td>Jenat [Saudi Arabia]</td>
<td>10,000 ha secured for barley wheat, and livestock feed</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Flora Eco Power [Germany]</td>
<td>13,000 ha secured for biofuel crops; contract farming arrangement</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Sun Biofuels [UK]</td>
<td>Land secured for jatropha [biofuel]</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Skebeb [Sweden]</td>
<td>100,000 ha secured for biofuel</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Sun Biofuels [UK]</td>
<td>Land secured for jatropha [biofuel]</td>
</tr>
<tr>
<td>Tanzania</td>
<td>CAMS Group [UK]</td>
<td>45,000 ha purchased for sweet sorghum [biofuel]</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Sun Biofuels [UK]</td>
<td>5,500 ha secured for jatropha [biofuel]</td>
</tr>
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Many of the government to government deals are aimed at meeting food needs, especially in the state of Arab Gulf and South Korea. The Gulf Research Centre, a Dubai-based think tank, published a paper in May 2008 calling on Gulf states to invest in agriculture abroad by stating that, ‘self sufficiency is not an option for the arid and increasingly populous Gulf Cooperation Council Countries (GCC). Therefore, close dialogue with exporter countries and investment in agricultural projects in Africa, South East Asia and Eastern Europe could add to the GCC countries’ food security’. The Director General of Arab Organization for Agricultural Development (AOAD), supported this strategy and called on the private sector in the Arab world to step up investment in farming projects by stating, “sufficient investments in Sudan, the most fertile country in the region, could meet the region’s needs of cereal and other basic food items. I am convinced that if there is areal interest and seriousness by investors in the farming sector, then the whole Arab world needs of cereal, sugar, fodder and other essential foodstuffs could be met by Sudan alone…. There is an urgent need now to forge a common Arab agricultural policy and implement fully if we want to tackle this gap…”

Indian companies backed by their government, have invested dollars 1.5 billion in Ethiopia to meet rising domestic food and animal feed demand. Commercial enterprises, many of them European and Chinese companies have been in the lead to cultivate jatropha, sorghum, and other bio-fuels in countries such as Madagascar, Mozambique and Tanzania. The focus of this explosion is in Africa, because it is believed that there is plenty of cheap land and labour available, as well as favourable climate. The fact that Africa has not been able to develop its arable land, agriculture lagging behind other sectors while aid from donor countries for the sector has dropped to less than 5 percent of total aid; the offer by foreign investment to develop agricultural land appears very attractive. However, with actual returns on agricultural investment being found already to be far lower than anticipated, the political and economic reality for African governments can be very sobering.

Chinese enterprises are reportedly negotiating to lease 2.8 million hectares in the Democratic Republic of Congo to grow oil palm and further 2 million hectares in Zambia to grow jatropha (a crop used for bio-fuel). Sudan has agreed to lease 690,000 hectares to South Korea to grow wheat. A media report by non-governmental organization GRAIN suggests that close to 6 million hectares of farmland has been or is being earmarked for possible development by foreign entities.

19 The East Africa, October 4th, 2010
20 Laishley R.
This worrying trend informed the East African Community to advise partner states on food security ‘to resist leasing or selling large chunks of land to foreign entities for food production or bio-fuels for export, as this would affect food security in the region’. African countries like Egypt and Libya have also shown interest in acquiring rich farmlands in the region for growing food for their people. The global food crisis has triggered the proliferation of farming land acquisition in East Africa—Kenya, Tanzania, Uganda, Ethiopia and Sudan. In Kenya, Tana River Delta and the Coast in general have been the main target, raising the questions where the local communities will get alternative land for agricultural activities to become self-sufficient in food. In the Tana River Delta, 40,000 hectares has been leased to the Qatari government to produce horticultural products for Qatar, 16,000 hectares to Mumias Sugar for sugar plantation and agro-fuel and 50,000 hectares to a foreign firm for bio-fuels with possibilities of displacing tens of thousands of peasant farmers, currently using this land for food crops. In Nyanza Province of Kenya, over 17,500 hectares around Yala Swamp wetlands located on the shoreline of Lake Victoria has been leased to a US firm, Dominion Farms Limited, to produce rice. In all the above cases, no proper consultation with local communities took place; no comprehensive impact assessments were made prior to the initiation of the projects; and it is most likely that the displaced population will be severly impacted in terms of their food security and options for livelihoods.

In Tanzania, 500,500 hectares has been leased to a foreign firm to produce rice, wheat, coffee, flowers, Aloe Vera and bio-fuel. Uganda has leased 840,127 hectares to Egypt to grow rice, wheat, and produce organic beef. Ethiopia on the other hand has given out 600,000 hectares to foreign entities, which FAO estimates to be 4% of the fertile land.

At a Conference held on ‘Regional Dialogue on the Politics of Food Security in Eastern Africa’ with participants drawn from Sudan, Ethiopia, Rwanda, Burundi, Kenya, Uganda, Tanzania, governments were criticized for failing to protect their agricultural workers from exploitation; Participants expressed disapproval of leasing land to foreigners without the explicit consent of existing users, in a manner that causes abrupt dispossession and food insecurity.

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21 Laishley R.
23 The Eat African
IIED/FAO and World Bank all confirm the shortcomings of investment schemes which include: Having no environmental safeguards; undermining domestic efforts to increase food production; and the potential use of land rights for local farmers. At the same time, the studies also point to possible benefits which are: creation of jobs, introduction of new technologies, improvement in quality of agricultural production and opportunities to develop higher-value agricultural processing activities which might increase food supply for domestic market and for export. Nevertheless, local expectations of benefits may be unrealistically high as a result of unclear terms, conditions and over-optimistic promises which in turn may lead to frustration and anger, vis-à-vis the investment. Clarity is therefore needed about the cost and benefits of the business transaction from the start of the project, including realistic estimates and honest communication of what the project will bring. According to the IIED/FAO/IFAD study, concentration in land use has major implications for the future of the world agriculture, with possible changes in: the balance between small-scale and large scale farming and the future livelihoods of today’s small-scale farmers; the relative importance of export-led agriculture and; the role of agribusiness and the degree of vertical integration in agricultural production, processing and distribution.  

The blanket labeling of all farm investments as ‘land grabbing’ is undermining some of the positive aspects of land investments. If large scale land acquisition cause land expropriation or unsuitable use, then foreign investment in agricultural land can become politically unacceptable. IFPRI recognizes the need for enforcement with institutional arrangements to be modelled after the EU code of conduct on bribery in the context of foreign investment, not only for countries that are targeted for investments, but also countries where the investment originate so that the investor can be held accountable. Since the foreign investment on land is trans-national in nature, a combination of strategies are critical in order to minimize the threats and realize benefits such as consultation with local communities, international law, government policies, involvement of civil society and the media.  

The Special Rapporteur on the Right to food states that neither host States nor investors should wait until codes of conduct are adopted to act in accordance with human rights since these already exits, for example in guidelines on land policies and governance by international

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25 IIED/FAO/IFAD
27 Oliver De Schutter,
and regional organization. The home States of private investors are also under the obligation to regulate the conduct of these investors abroad, particularly if the host States appear unwilling do so. The World Bank and its private sector arm, the international Finance Corporation which are already bound by the international human rights law are called upon to immediately make their support to large-scale investment in farmland, conditional upon compliant with the principles of existing international human rights norms.

Most important is to recognize that land remains the basis of rural incomes, food security and livelihoods in sub-Saharan Africa and that food production is essentially an activity of small farmers. On the Right to Food it is stated that obligations of the state are to respect, protect and fulfil the human rights to food; refrain from infringing on the ability of individuals and groups to feed themselves where such an ability exists; and to prevent others, especially private actors such as firms - from encroaching on that ability. The State is also called upon to actively strengthen the ability of individuals to feed themselves.28 The right to food framework contributes important lessons to the debate of large-scale land acquisition and leases since there are important human rights challenges, and investments that can affect land rights.29 Of special concerns are: the right to food will be violated, if people depending on land for their livelihoods, including pastoralists, were cut off from access to land, without suitable alternatives; if local incomes were insufficient to compensate for the price effects resulting from the shift towards the production of food for exports; or if the revenues of smallholders were to fall following the arrival on domestic markets of cheaply priced food, produced on the more competitive large-scale land acquisitions or leases. States are therefore called upon to take into account the rights of current land users in the areas where the investment is made, as well as the rights of workers on the farms; and be guided by the need to ensure the right to self-determination and the right to development of the local population.

Concluding from this debate, it seems as if large-scale investment in farmland can work for the benefits of all stakeholders, but only if the negotiations leading to such agreements comply with required procedures insuring informed participation of communities and transparent benefit-sharing arrangements, taking into account human rights and the right to food, which would be negatively impacted by such investments. Agreements to acquire large areas of land should under no circumstances be allowed to go against the right to food commitments of the States concerned, while the host State is obliged to protect the human right under its jurisdiction, the investor has a responsibility to

28 International Covenant on Economic, Social and Cultural Rights, Article 11
29 Oliver De Schutter
respect such rights and not to create obstacles to the State discharging its obligation under the international law.

In order to ensure the right to food for every African, political will and country-based solutions will help Africa feed itself by raising agricultural productivity in sustainable ways. Local solutions are already working in Africa. Malawi for example, is now self sufficient in food production, while five years ago it faced a major food crisis. Malawi achieved this by significantly increasing government support for its farmers, which resulted in feeding its 15 million people and exporting 400,000 tonnes of maize in 2009. In Rwanda, agricultural revolution has begun. The plan is bold and the pay-off substantial. Government support to farmers was provided to help them afford needed farm inputs. The result was agricultural growth rate of 15 percent in 2009 and national food security. A growing number of countries are now increasing their support such as; Mali is now spending 11 percent of its total budget on agriculture, Burkina Faso 15 percent and Ethiopia 17 percent. Two things are critical in bringing about this emerging agricultural revolution – political will and government support. When African leaders do their part, African farmers will deliver. Change is coming and what matters for millions of Africans is ‘the democracy of the stomach’.

References

AU/NEPAD, 2003 Comprehensive Africa Agricultural Development Programme.


30 Akin Adesina and Wangare Matthai
31 Ibid.
32 Akin Adesina and Wangare Matthai

East African, October, 4th, 2010 ‘Are they Appropriate Agricultural Investments or Land Grabs’? Depends on Who You Ask.

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New Agriculturist, WRENmedia production


Chapter 4 – part 2: AN EXAMPLE OF LAND DISPLACEMENT

Eslony Hatimbula, Zambia Land Alliance

This is a brief background as to how the issue of land displacement came to Zambia Land Alliance through a District Land Alliance, which is one of the branches of the Alliance in the country. The people of Macha in Choma district of Southern Province reported the issue in 23rd December 2009, and a site visit was made to ascertain what was happening. During this it was found that an investor had cleared quite some parcel of land, and had planted Jatropha around the houses of the local community. At some point in time, the matter was taken to court and some amount of money was sourced by the local community (smallscale farmers) for hiring of a lawyer to represent them. The local chief got the money and promised the community that he would discuss the matter with the Republican President so that the land could not be taken away, or rather people not to be evicted from this land. Unfortunately for the community, on the actual day of hearing of the matter, the chief was nowhere to be seen, the so-called lawyer was not there, and the court ruled against the community.

This said land is believed to be for the Brethren In Christ Church (BIC). The BIC church has a title deed, and hence all the people who were found in that area were squatters. The people affected did not know that the land had a title deed, and not of its strength. Meetings were held to consult the people on what they wanted to be done. Their response was that they needed their land, for the majority of them had been on this same land for more than 30 to 40 years. The people on this land were in three categories; those who were given land as part of their benefits after working for the missionary (BIC), whilst others came in as a result of their relatives or to do some business, and the third group who had been there ever since.

The BIC Church entered a leased agreement with the investor for a period of 35 years, and since the investor was interested in growing Jatropha, there was no way he could go ahead with this with the people inside the same land. Land Alliance held a number of meetings with the local people and Government in trying to find the best intervention. Unfortunately, the church was not interested in holding any discussion. While Land Alliance together with the community was still finding the best way to address the matter, the Church went ahead and in September 2010 applied for a court order to have the people evicted from the land. It was at this point that the Church decided to evict the people to pave way for the investor. At the point of eviction over 3 118 people were affected and had their property destroyed, including the following: food
stuffs, pigs, goats, chickens and houses. They were destroyed through the bailiffs whose mandate was the church. Today hundreds of people are homeless. Some of the Priests and Pastors from the church equally had their houses burnt for supporting the people and were excommunicated from the church.

As mentioned already, the mission (church), at one point had no money to pay for its retirees and that is how some of them found themselves in this area. They were given parcels of land as benefits, of which they were to hold a permanent ownership. The church decided to defy the earlier agreement and preferred to lease the land to an investor. The investor together with the church sort to remove the people by force. As per now, people have lost a lot of property, and since it is summer time people need land to grow crops for their consumptions.

In November 2010, Zambian Land Alliance had a meeting together with the affected people to estimate the situation. A number of issues were raised, among others the following:

- Those whose parents were given land by the mission as a benefit thought that the mission should find other parcel of land for them to settle.
- The community is of the opinion that the matter must go back to court so that the people can be given a chance to be heard by a competent court.
- There was a strong feeling from the people that boundaries were not considered when homes were being burnt. The most urgent intervention is to look for a surveyor to resurvey the land to determine the boundaries, and if it will be found that the burning was effected even in areas where they should not have been burnt, they think they are entitled to compensation for the damage caused.
to their property. Furthermore, they should be allowed to quickly go back and grow crops for their families.

- The surrounding village headmen and the chiefs need to meet and see how the people can be reallocated some parcels of land elsewhere.

However, at the moment the community is looking for well-wishers and donors who can come to their aid in terms of funds, for their matter to be taken back to court so that a litigation could be done. The rest of the money could be used for resurveying the land.

The cardinal point is that the investor is there to grow a biofuel crop (jatrofer) whose benefit is not to the local people at all. After harvesting this crop, it will be exported to some European countries where it is needed, and the local people have no benefit whatsoever from the growing of biofuel crop.

This is a clear indication of poor and weak land laws. The 1995 Lands Act does not protect the interest of the local people, but instead the interest of the investors and the well-to-do people.

**EFFECTS OF THIS EVICTION**

- Loss of homesteads
- Loss of farm land
- Reduction in agricultural activities and production, and hence food insecurity and exacerbated hunger situation as their produce was burnt to ashes as well as poverty
- Loss of income
- Mounting mistrust between the victims and those involved in land administration
- Engagement in prostitution that lead to acquisition of HIV AIDS since their accommodation has equally been gated, more especially on the school going children whose buildings in which were renting as boarding house
- Promotion of marginalised groups
- Migration of displaced people to the unplanned areas
- Overcrowding due to limited parcels of land which likely will cause pandemic diseases
- Exploitation by so-called new land owners
Undesirable competition for resources, such as land to build houses and pastoral land, that cause social conflicts
Chapter 5 – part1: Responsible Investment – A Nordic Investors’ Perspective

By Heikki Rissanen, Stora Enso Group Forest Operations

This text reflects the personal views of the author, and it does not necessarily represent the opinions of Stora Enso. For further information on Stora Enso’s sustainability principles, policies and practices, please visit: www.storaenso.com/sustainability
www.storaenso.com/globalresponsibility

Why invest in the South?

Forest industry companies have over the past decades invested in the South for one primary reason – they have been in search of low wood costs. There are variations between countries and regions in other cost items, but the wood cost is the factor which really makes the difference. This is simply due to the fact that wood growth is so much faster in the best regions of, say, Brazil or South East Asia than in regions which traditionally dominated the forest industry. Today, the best eucalyptus plantations can produce an average of more than 50 m³sub/ha/a. Wood can be harvested after seven years instead of seven decades. Uniform trees grown on relatively flat lands bring cost benefits in harvesting. Fast-growing plantations can be established in relatively compact areas, which reduces transport costs.

"South" in this context means regions which are relatively close to the equator, i.e. more or less within the tropical and sub-tropical latitudes. From a wood growing perspective – and ignoring all other factors – the best areas have been identified both on the southern side (esp. Latin America and Africa) and on the northern side (esp. Asia) of the equator where both temperature and rainfall conditions are favourable.

The fact that these areas are also part of the so-called developing world is rather more a challenge than an attraction from the investor’s perspective. Investment in a developing country is normally more difficult and more risky than elsewhere. The investor, particularly the overseas investor, faces challenges related to poor or missing infrastructure, availability of skilled labour, bureaucracy, and overcoming the cultural barriers.

1 This is a shorter version of the paper. The full text is available at www.regeringen.se/fao
Over the past decades, one former developing country after another has scaled up the economic ladder. Such emerging economies (like China or Brazil) have been able to curtail (albeit not remove altogether) the impact of the above mentioned obstacles. Their attractiveness is further increased by a growing demand for the investor’s products.

**Stora Enso’s brief history in the South**

Stora Enso’s history of large scale investments into the South extends back to the 1990’s. In Brazil, the efforts resulted in the establishment of large scale eucalyptus plantations and construction of a pulp mill, Veracel, in the state of Bahia. In Asia, the first plantation project in Indonesia was not as successful as expected, and after some years the company sold the plantation assets. A new plantation project initiated in Guangxi, China is now well on its way and it could result in a major industrial investment. Other projects are in the pipeline – for example, a new pulp mill is being planned in Uruguay.

Today, Stora Enso has major plantation assets in Brazil, China and Uruguay, either fully-owned or together with joint venture partners. In addition, the company runs small-scale operations in Laos and Thailand. Stora Enso has stated that plantations and emerging markets are essential elements in the company strategy. Thus, the company aims to continue on this road which involves an increasing presence in the emerging economies.

Brazil. Mosaic landscape with production forest and rainforest

**How is forest industry different?**

There are two features which differentiate forest industry investments in the South from many others:
• The investment will normally involve the establishment of tree plantations which cover wide land areas.

• The investment often involves the establishment of a large-scale mill, such as a pulp mill. Such a project is big, typically way over one billion euros, and it is done in the long term. Once established, a pulp mill will stay where it is for decades. Obviously the investor wants to control the supply chain, and in particular the wood supply costs. This is why the pulp mills in the South typically own (or lease where owning is not possible) the tree plantations, or at least most of them.

Land use is a particularly delicate issue in a number of developing countries and emerging economies. Therefore, the combination of large scale tree plantations controlled by one investor is a major source of controversy and conflict related to forest industry investments in the South.

Firstly, land tenure is often either (i) unclear or (ii) perceived as unfair – or both. A key issue is that very often the rural population does not have a clear title to the land which would help them raise funds to develop their farming or other business. Entrance of a powerful investor is seen by many as threat to the rights of these people. – An investor would argue that both the rural population and the large scale investor definitely can co-exist, and in fact benefit from each other.

Secondly, competition for land has intensified. With increasing population, this pressure is likely to continue. Some argue that scarce land should be primarily (or even totally) reserved for food production. Others point out that industrial tree plantations are not a real threat to other uses. For example, in Brazil tree plantations covered in 2007 about 5.6 mill. ha or 0.65% of Brazil’s land area, while agriculture accounted for 9% and cattle ranching some 20%. Whichever the case, there is a wide array of interests concerning land use, some more powerful and others less so.

Thirdly, there are environmental arguments against large scale tree plantations. “Tree monocultures” are said to be a threat to biodiversity, they are alleged to use up the water resources, various herbicides and/or pesticides are perceived to pollute the environment, etc. – To counter these, it is sometimes noted that tree plantations should be perceived as any other crop which is a raw material for beneficial products, and through good management the adverse environmental effects can be minimized.

It follows that, from a sustainability perspective, a responsible forest industrial investor must recognize and deal with at least the following types of issues (with attached examples):

• Social: The company is likely to affect and change the livelihoods of a large number of rural people, some of whom belong to the most
vulnerable groups in the whole society. By and large, the proposed investment should represent a change for the better for these groups.

- **Political**: The company may have to walk a tightrope between conflicting, often politically motivated interests by different stakeholders. Each party may want to use the project and/or investor to drive their own agenda. The company should be able to steer clear of these conflicts and at the same time maintain an open dialogue with the stakeholders.

- **Environmental/social**: To start with, a responsible investor must adhere to best environmental practices and employ best available technology. Further, a plantation project should preferably improve the overall ecosystem services in the affected area. At least the following aspects are to be considered: (i) plantations should not replace existing native ecosystems (such as native forests); (ii) they should not displace necessary food production; (iii) in some cases they can take off pressure from surrounding areas through the provision of products such as fibre, fuelwood, etc.; and (iv) it would be reasonable to expect that they would increase carbon sequestration and enrich biodiversity particularly when established on marginal and/or degraded lands.

- **Legal & bureaucratic**: Naturally, it would be out of the question for a responsible investor to wilfully break the law. When operating in a challenging environment the investor above all needs patience to let the administrative and legal processes run their respective courses.

**Sustainability must be integrated with business**

Stora Enso sees sustainability not as a separate issue but as an integrated part of its business. The company has received a lot of external recognition for its efforts, for example:

- Ranked the best Nordic company by the Carbon Disclosure Project (CDP) for its reporting on carbon emissions.
- Received the highest score among the forestry and paper companies listed in the Dow Jones Sustainability Europe Index and being the second best in the Dow Jones Sustainability World Index.
- Selected for the FTSE4Good responsible investment index for the 10th year in a row.

The company is quite proud of these achievements. At the same time it is fully aware that there is still a lot to do.

**How this works in practice**

Below are some examples of the issues and challenges which Stora Enso has faced in the plantation projects.

**Veracel, Brazil**

Veracel is a joint venture between Stora Enso and the Brazilian company Fibria. It runs a pulp mill (start-up in 2005) and grows eucalyptus
plantations in southern Bahia, Brazil. The plantations are CEFRLOR (endorsed by PEFC) and FSC certified.

**The approach**
Initially, Veracel’s sustainability agenda focused on some key issues. These included:
- making sure that the mill and plantation adhere to the best environmental practices;
- economic and social improvements in the local community (education, vocational training, employment); and
- rehabilitation of remnants of the Atlantic rainforest.

Thus for example, about half of Veracel’s land was (and will be) reserved for nature conservation. Corridors of rehabilitated natural forest run patches of plantations, creating a mosaic-like landscape. Some 400 ha of rainforest is restored every year, and the company runs an important education and training centre on its grounds. – The Veracel team also worked very hard for and were very proud to receive the CERFLOR and FSC certificates.

The economic impacts have been significant. In 2006, Veracel supported directly and indirectly over 30,000 new jobs; it accounted for nearly one fifth of all new jobs created in the southernmost part of the state of Bahia in 2003-06, and about 60 percent of economic growth. Apart from these local and regional economic impacts, a significant number of people benefited from education and vocational training as well as improving infrastructure and services.

While Veracel’s actions were generally well received, there were also complaints. For example, there was an apparent gap between the expectations and reality regarding Veracel’s impact. In other words, Veracel either had not communicated clearly enough what the benefits would be, or some people had misunderstood – or, as is often the case, both.

**Recent challenges**
In 2009, pieces of Veracel land were invaded and briefly occupied by organisations such as Brazil’s Landless Workers’ Movement (MST), The Fight for Land Movement (MLT) and the Federation of Agricultural Workers of Bahia (FETAG). All cases were resolved peacefully. Also last year, a judge from the State of Bahia investigated claims made by the public prosecutor of the City of Eunapolis against Veracel and the Government of the State of Bahia. The judge decreed that during his investigations Veracel would not be allowed to establish new plantations in the municipality of Eunapolis. The public prosecutor’s claims were based on information that Veracel had exceeded its permit limits. In fact, Veracel’s plantations in Eunapolis only made up 17 percent of the municipality’s total area, which is below the permissible limit of 20
percent. The legal process did not affect Veracel’s operations – the existing plantations were not under dispute and possible future expansions were planned elsewhere.

Recently in 2010, FSC has started an audit process following claims that there had been irregularities in the certification process. The outcome of this FSC internal auditing is not yet known at the writing of this text.

Comments
The various movements representing the rural landless people’s interests are a vocal force in Brazilian politics, and their ultimate target is a reform which would bring about a more equitable distribution of land assets. In other words, the issue is not so much legal than it is social and political. The sustainability agenda has been under revision quite recently. There is increasing emphasis on social issues as well as stakeholder dialogue. Veracel actively promotes income generation in local communities, for example by supporting local farmers growing cassava for flour and starch production, as well as local bee-keeping businesses, through the provision of training, materials and access to land. Veracel has also been continuing agroforestry trials initiated in 2008.

Despite the image created by e.g. the land invasions, Veracel actually maintains good relationships with the area’s 17 indigenous communities, and supports educational schemes and other initiatives designed to strengthen the cultural identity of the communities. It also continues with local infrastructure improvement projects.

Veracel is a good example of a project which has done a lot of the right things but which at the same time faces a number of challenges. The sustainability performance requires continuous improvement, and it is clear that the company needs to improve its communication related to these issues and its dialogue with the stakeholders.


Guangxi, China

Stora Enso has invested in Guangxi, China, since 2002. The project aims to build a large-scale mill that will produce pulp, paper and/or paperboard, and to establish eucalyptus tree plantations to supply raw material for the mill. The mill investment decision has not yet been taken – the planning and calculations are still underway. The target is to plant about 120,000 hectares with eucalyptus trees before the industrial project is finalised. The plan is to lease these areas from state-owned forest farms as well as from collectives (social land); the latter would account for roughly 40 percent of the total.

The approach
The Guangxi project sustainability focus areas have included, amongst others:

- Ensuring the observation of best environmental practices and building up a strong sustainability governance and management.
- Promoting vigorously work safety and improving the conditions for contractors.
- Building up social relations & stakeholder dialogue.

In this work, the project has made extensive use of outside help. This has included UNDP China for the Environmental and Social Impact Assessment; an internationally recognized specialist to help identify the gaps before the project can apply for FSC certification; and periodic reviews by the International Finance Corporation (IFC, a part of the World Bank Group, is a financing partner in the project); in addition, CIFOR has studied the project. The project has also received its share of critical reviews, by press and by NGOs; painful as they may have felt, the company takes them as another learning opportunity.

The various reports have both commended Stora Enso’s approach and its implementation and given concrete suggestions and constructive criticism on matters where improvement is crucial. Most suggestions focus on land leasing.

**Recent challenges**

Guangxi is an area where land disputes have deep historical roots, and they are also connected to the general land tenure situation in China which is now under transition. The disputes have from time to time led to confrontations between different interest groups and unfortunately also to violent incidents. (These are described in detail in Stora Enso’s 2009 Sustainability Performance Report, available at: http://www.storaenso.com/media-centre/publications/sustainability-report/Documents/S_Stora_Enso_Sustainability_2009.pdf)

These conflicts as well as other earlier observations from the field gave Stora Enso reason to suspect that even its own performance was not up to standards, particularly related to the land leasing process. As a result, the company started a systematic review of the process; this also involved the screening of every land-lease contract (about 2300 in all). The result: a number of them did not fulfil the company standards even though quite a number of the contracts were also perfectly fine. This finding, in turn, led to a major exercise where the sub-standard contracts are being modified. This work is still underway, and it will take some time before everything is sorted out.

Apart from the contracts themselves, the project’s land-lease process has been under criticism. Especially the use of middle-men has been highlighted as this common business practice leads to the final land-use
right holder, the individual farmer/family, receiving less than the full economic rent for the land.

Comments
Guangxi is another example of a project which meets a unique combination of challenges. Much of the operations in the field will be labour-intensive, and this has necessitated extraordinary efforts into working safety. Many contractors and workers come from remote villages and townships, and therefore another effort is made to ensure that their working conditions meet adequate standards.

The land-leasing process is complicated in China. This is partly due to the history and evolving change of the land tenure, partly to intertwined public and private interests, and partly to deep-seated business practices. All these factors do not always work in favour of the farmer. The systematic contract and process review which the company has initiated aims to improve the whole process.

Surveys and reports, practical work in the field, and discussions with different stakeholders have kept the project on its toes, and as a result it is constantly monitoring its sustainability performance. Whenever required, the project is prepared to rethink the whole sustainability agenda. In the foreseeable future, land-use issues will continue to occupy a central place on this agenda.

Laos
Stora Enso has a small plantation project in Laos initiated in 2007. This project has applied a best practice approach to identify suitable areas for plantations through land mapping done together with the concerned communities. The project has also developed a unique concept of applying agroforestry techniques which benefit both the local villagers and the investing company.

Large swathes along the Ho Chi Minh trail of rural Laos are still plagued by the legacy of the war, namely the countless unexploded bombs buried just under the surface of the soils. This and the persistent poverty in the area are important reasons why the rural people still have to resort to extensive shifting cultivation, still at the risk of their lives. This is a low-yielding practice – in fact, many a farmer can only get enough rice & other staples for 3 to 4 months per year from farming.

The Stora Enso project has introduced two important innovations: (i) new, cost-efficient bomb-clearing methods and (ii) locally adapted agroforestry – summarized by the slogan “100% bomb clearing, 70% agriculture, 30% plantation”. In the bomb-clearing the cost has been brought down to a fraction of previous practices, without compromising the result. This sets the stage for more efficient soil preparation and
tillage with less resources and introduction of mechanized tree plantation establishment and rice cultivation. The agroforestry involves a practice where the plantation trees are planted in rows which are much further apart (up to 10 m) from each other than in “traditional” industrial plantations. Local farmers can plant their food crops (mainly dryland rice) between the rows during the first years of plantation rotation.

The initial results have been impressive. For the first time in a long time, the farmers can grow enough food. At the same time, the plantation wood growth has not suffered. Both the local communities and government authorities have expressed their enthusiasm for the approach. (In fact, at some stage there was a local demonstration in a village where the participants demand was that Stora Enso must make sure that the project continues.)

A sceptic could point out that this is all still small scale; and what about the future when people’s expectations will rise and when the issue of land ownership may become a hot political topic; and so forth. Yes, the evidence is still anecdotal, and there is no doubt that new challenges wait just around the corner, but in any case the project appears to be a very promising benchmark.

Conclusions

As said, the tree plantation investor wants to control the wood flow, at least most of it. That is how the investor can be sure that he/she has planted the best possible trees, that the plantations are managed in a professional way, and that the wood harvesting and transport operations can be synchronised with the mill production. If any link in the supply chain is broken, the cost advantage of fast-growing plantations starts to erode very quickly.

Nevertheless, many of the successful investors have also recognized the need for cooperation with local farmers. They have instituted various schemes where the local farmers produce a part of the required wood raw material, say 20 percent or even more. This has some specific advantages – it provides additional income for the local communities and enhances economic development; it may increase the goodwill enjoyed by the mill; it shifts a part of the capital expenditure away from the mill.

Still, the basic feature of large-scale tree plantations controlled by one operator will remain an essential part of the forest industry investments in the South, especially when we talk about pulp mill projects which are very large indeed.

All projects are unique in the sense that they will meet their own specific combination of challenges. However, it is possible to extract some universal lessons from past and present projects, including the following:
• The sensitivity of land-use issues cannot be over-emphasized, especially in a situation where the whole land tenure system is in a flux. A prudent investor would try to walk in his/her mind the extra decade or two into the future, identify potential pitfalls and think how to avoid them.

• Controversy and conflicts are inevitable, as in any human endeavour.

• It really pays to use outside help to point at deficiencies and improvement areas in the operations. This calls for a strong ego and a humble mindset, so that the benefits of a second opinion can be fully utilized.

• A project against impossible odds may prove a huge success. The rise of the whole Brazilian forest industry is but one example.

• For a company like Stora Enso, there is no real alternative to being a responsible investor, no alternative to stubbornly sticking to the company’s sustainability principles.

November 2010
CHAPTER 5 – part 2: Perspectives on forest investments in Latin America

By Björn Rasmusson, BHEROS

"The old colonies are going back to producing cheap raw materials for the rich parts of the world!"

True or false?

Investing in forests

Forests are almost always a good investment. The land itself is an inflation-proofed asset and timber prices show continual growth over the longer term. What could be better, then, than to invest in a country where the trees grow faster than anywhere else and that also shows stable political and economic development?

Brazil is an excellent example of such a country, and increasing numbers of international forestry enterprises and ‘institutional investors’ are covetously eyeing up suitable forest areas. Brazil has the best conditions for producing timber, partly because of its accessible forest areas that do not have to compete with other types of land use, and partly due to its warm climate with rainfall all year round. Production per hectare and year can be 10 times greater than in Sweden, which means a timber price (ex works) of EUR 20 compared to EUR 50 in Sweden. It makes sense for capital, both domestic and foreign, to seek out this type of investment.
The history of Brazilian forests

In the 1970s the government decided to give tax breaks to companies that planted forests. These tax breaks have gone now, but they meant that Brazilian entrepreneurs and companies – which had hardly been involved in forestry before – were the ones to take the first steps towards a modern forest industry. Fast-growing forest plantations of pines and eucalyptus trees were established. In Sweden we heard about forests that grew by 40 cubic metres per year (60 today!). Aracruz (now Fibria and the world’s largest wood pulp producer) had just got going. Forestry directors in Sweden were disconcerted. How was this possible? Was this, perish the thought, perhaps even a threat to the Swedish forest industry?

This is the country I came to as a young forest officer in 1978. In my bag I had an employment contract with the Elof Hansson trading house in Gothenburg, and it was my job to sell Swedish forest machinery, locally manufactured and adapted to conditions in Brazil. That year, Brazil produced a modest 2 million tonnes of pulp. Today, growth from planted forests is over 200 million m3 per year, and 16 million tonnes of wood pulp is produced – more than in Sweden.

Forestry is a relatively new chapter in Brazil’s history and in a short time it has proved prosperous. With its favourable climate and land and, not least, its serious investment in technology and genetic development, the country has quickly become one of the leading forestry countries in the world. As the country has reached political stability and an ordered economy, the investment climate has generally improved. The newly awakened interest in investing in forest land demonstrates with admirable clarity that Brazil has succeeded, off its own bat, in positioning itself as a forestry country. More investors are now following suit and foreign fund managers are expected to play an increasingly important role in the future development of forestry. The question is what this means for the local population, for the development of forestry and for Brazil?

Institutional investors

The first ‘institutional investors’ came to Brazil at the end of the 1990s. Today, the largest are the US pension funds GFK, RMK and RMS. In recent years – and after the financial crisis of 2008 in particular – new actors have emerged. Some NGOs make their voices heard when foreign companies buy up land in developing countries. Populist politicians use nationalist terms to demand restrictions on foreigners’ land purchases. ‘Land grabbing’ is a term that was coined following the food crisis in 2008, when foreign companies began to appropriate agricultural resources in developing countries, especially in Africa. It was thought that ‘foreigners buy land that would otherwise produce food for the poor population’. Is this criticism justified when forest land is now being bought in the ‘new’ forestry countries in South America? To answer the
question, one needs to form a view of the extent of this and then take a closer look at the consequences.

Are old colonies returning to their role of producing raw materials for the rich parts of the world?

Ultimately, foreign forest investments are still relatively rare. Until the 1970s they were conspicuous by their absence. When Brazil became independent in 1822, sugar was the main export product. The exploitation of mines and agriculture had begun, and later other sectors were developed as well. It was the English, in consensus with wealthy landowners, who invested capital in the mining industry and infrastructure. At the end of the 19th century Brazil experienced a boom in exports of ‘neocolonial raw materials’, such as coffee, rubber, sugar, gold and diamonds. Greater stability and increasing prosperity meant that the entire continent attracted investors. However, the forest industry was conspicuous by its absence and the great majority of paper needs were met through imports right up until the 1970s. Until then, forestry had been limited to occasional tree-felling in the rainforests and local sawmills and papermills in the south.

So how much forest land is currently owned by foreigners? It is easy to imagine that it could be large areas. The reality is that there are 5.6 million hectares of planted forest land in Brazil, which corresponds to 0.6 per cent of the country’s surface area. Four per cent of this is owned by ‘institutional investors’. So we are talking about an area covering 250,000 hectares, a quarter of the size of Skåne. Brazil being the object of ‘old-fashioned imperialism’ when institutional investors buy land on behalf of their clients has hardly become an issue yet.

The question in the heading above also contains another mistake. The timber from the plantations is processed almost exclusively in Brazil, which is currently the fourth largest producer of wood pulp in the world.

Unfortunately this is a commonly held belief, especially concerning company forests. For those of us who work in forestry, this is not true, regardless of who owns the forest: small-scale landowners, foreign pension funds or forestry companies for that matter. Forest plantations are now normally established on degenerated pastureland that cannot be used for much else. Forestry production means that this land regains its vitality and humus, and thus its ability to retain moisture. One reason why agricultural land is not used is the price of land: agricultural land is simply too expensive.

In the 1970s it was certainly not uncommon for rainforest to be cleared to make way for forest plantations. The ‘coastal rainforest’ (Mata Atlantica) was already seriously destroyed by the spread of agriculture, a landscape change that is unprecedented in Brazil’s history. The situation is different today – only 7 per cent of the original rainforest that once
covered a third of Brazil is left. Legislation to protect rainforests has become more stringent and the forest agencies conduct checks and monitoring that were not done a few years ago. Moreover, the forestry companies – with the eyes of the world on them – are taking more responsibility for the environment. It is normally the case that half of land ownership is for production forest, i.e. plantations, while the other half is wetlands and rainforest which is being restored and protected.

**New actors are a prerequisite for future expansion**
Most companies are planning to expand, which in most cases means doubling capacity; at the same time, plans are under way for new factories. In 2020 it is expected that Brazil will produce at least 20 million tonnes of wood pulp. Besides the paper and wood pulp industry, forests support a significant fibreboard and timber industry. Charring is also done on a large scale – charcoal is used to a great extent by steelworks to produce steel from iron ore. Eucalyptus is currently one of the most profitable ‘crops’ and this development is securing sales from new plantations and encouraging more landowners to plant forests. The forestry industry welcomes more suppliers and a more diversified timber market to secure the raw material for future expansion. Domestic forests tie up a lot of Brazilian capital, and criticism of large monocultures of certain types of tree that are not native to the Brazilian flora (eucalyptus and pines) has become tougher. There is express resistance, mainly to eucalyptus, in the environmental movement. The burgeoning interest on the part of private forest owners is tending to neutralise this criticism, which has so far been levelled exclusively at the major company forests.

**Forests create new jobs**
Some claim that mechanised forestry does not create new jobs in rural areas and is thus contributing to people moving to shanty towns. The fact that mechanisation has gained momentum means opportunities for educating a specialised workforce, higher wages and fewer occupational accidents. We have seen the same development in Sweden since the 1950s. It is surprising, therefore, that arguments against mechanisation remain in criticism of forestry. Forests do indeed create jobs, as does the associated forestry industry – and most importantly, it creates a major indirect labour market with infrastructure, schools and services in emerging communities. Compared with the degenerated pastureland that existed before the forests were planted, major value is created that benefits the population of rural areas. One can always argue in favour of further processing of the timber, e.g. in the form of saw timber, the establishment of sawmills, timber industry, pellet production, etc.

**Risks and difficulties when investing in forest land**
So what are the difficulties and risks for foreign investors planning to buy land and plant forests? One of the direct consequences of the rush
to buy forest land in recent years is a marked rise in land prices. This has meant that some of the established companies are waiting before they buy up more forest land, as prices are simply too high. For those who already own large areas of pastureland, this is a good opportunity to plant forest. Turnaround time for forests is 6–7 years, which means that a return is within reach. If one thinks that this is too long to wait, potential buyers of timber are happy to help with the financing. Otherwise, one can sell the land at these historically high prices and invest in the hot property market in the cities.

For those investors who still want to get into the game, they just have to swallow the bitter pill, kick themselves that they did not buy land 5 years ago, but nonetheless feel assured that the price of land is insignificant compared to many other factors, such as timber growth.

Another risk is that of underestimating bureaucracy and the complexity of legislation. This applies in particular to tax and employment legislation. Land purchases in South America are by definition complex, but this does not have to halt a project. It is essential to have good advice and partners with local knowledge.

Populist politicians sometimes campaign for restrictions on foreign ownership. However, it is thought that this risk will diminish. The Brazilian constitution prescribes, with a few exceptions, equal rights for foreign and native investors alike. Realpolitik and reality have almost always shown that foreign investments are welcome.

StoraEnso under occupation in 2009
Militant organisations sometimes recruit people to invade productive land with the aim of drawing attention to the land reform they claim needs to be implemented. The basic idea may be a good one – handing unused land over to landless agricultural workers, who would thus have their own land to cultivate. In reality, however, this has developed into organised crime which ultimately only makes the domestic mafia richer. In the worst case scenario, such actions can increase uncertainty over land investments and normally end up as drawn-out court cases.

The future
Latin America will be international investors’ first choice of when it comes to forest production for the next 10–20 years. Forest areas will grow and with higher growth we will see the selection of raw materials double by 2020. This larger selection of timber will be followed by investments in new factories and increased production of wood pulp, paper and sheet materials. Exports of these products will grow further. We will also see an increase in the use of biomass as energy. New mechanisms for financing forest plantations are emerging and new actors, such as investment companies, pension funds and private
investors, are becoming increasingly important. A more differentiated timber market is emerging. The new plantations are concentrated in suitable regions, primarily in Brazil, Argentina, Chile, Uruguay and Colombia. The new forest regions in these countries are the ones with reasonably low land prices and improvements in infrastructure. Forest plantations reduce the pressure on the rainforest, restore the production capacity of degenerated land, absorb carbon dioxide, create prosperity in rural areas and provide new raw materials to growing companies in the areas of wood pulp, timber and steel, not forgetting energy. To sum up, investments in forest plantations in Latin America are good for everyone: the nation, rural areas, industry, the environment and, not least, the investors themselves.

Curitiba, November 2010

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Chapter 6: Sida assistance to natural resource tenure

Secure access to natural resources can be an essential catalyst for increasing food security, promoting sustainable development and reducing rural and urban poverty. Since many poor and marginalised groups depend on natural resources for their livelihoods and shelter poor natural resource tenure is of particular importance to them. By encouraging investment in a resource, secure tenure could lead to greater productivity, efficiency and sustainability in both rural and urban areas. It may also reduce the vulnerability of households to shocks by providing a valuable safety net and a source of shelter, water, food and income in times of hardship. A more equitable distribution of resources enables the poor to benefit from broad-based economic growth. Secure resource tenure is also important for ensuring the realisation of fundamental human rights, particularly the right to an adequate standard of living, which includes access to water, food and housing.

Due to increased demand for land, e.g. in relation to large-scale investments, tenure security has become increasingly important in protecting poor people’s access to natural resources and increasing their bargaining power.

Over the years, Sida has supported land policy reforms and land administration in both urban and rural contexts in Africa, Asia, Latin America, Eastern Europe and Central Asia to strengthen tenure security on the one hand, and to develop markets on the other hand. Sida’s support has included capacity building for land institutions, land titling or land certification processes for individual and communal lands respectively, the development of various kinds of land administration systems, land legislation and policy development at national levels, local governance of land and other natural resources in relation to decentralisation and devolution processes, for example. Sida has also supported international organisations and networks engaged in land issue1.

Below are three examples of programmes/projects supported by Sida in Africa. They all focus on natural resource tenure but from different perspectives. The Ethiopian programme’s main focus is individual land certificates, whereas the project in Mozambique focuses on community land. The entry point for the third example is community-based forest management in Tanzania, where decentralisation and local management are in focus.

Secure land tenure in Amhara, Ethiopia

Landlessness, especially among the young, is a serious and growing problem in the countryside in Ethiopia. In the past, the problem of landlessness was addressed through periodic land redistribution. In Amhara, the last redistribution of land was carried out in 1997. Land management problems, such as soil erosion, overgrazing and deforestation have steadily increased in Ethiopia despite numerous interventions. In a situation where the government owns all land and farmers have user rights for the land, the lack of tenure security was one reason why farmers did not make improvements to their land. The assumption is that when farmers feel they have a secure right to their land and know that their efforts will bear fruit for themselves and their family in the future as well, then they are prepared to invest in the land.

The planning of the Sida-Amhara Rural Development Programme (SARDP) began as early as 1995. In 2002, land administration became a component of SARDP, with the goal of establishing a system for enhanced security of holding rights. A land administration system was piloted in two areas – East Gojam (Adisena Gulit) and South Wollo (Gerado Endoher). The land administration system is based on a set of principles and a unique combination of government and local influence. The system is managed by the Bureau of Environmental Protection and Land Administration and Use (BoEPLAU) and controlled by Land Administration Committees (LAC). The LAC, which is a body trusted by the farmers, is formed by local residents elected by the communities and responsible for many of the practical land certification aspects.

The system involves providing certificates to landholders. In February 2009, BoEPLAU reported that over three million landholders had received temporary certificates and almost two million had received primary certificates. In total, over 98 per cent of land-using households have received a certificate. Studies in Amhara have shown that in areas where landholdings have been registered and certified there are increased investments in farming equipment, people are aware of the value of certified rights to a piece of land, tree planting has increased, the number of land disputes has declined and the self-esteem of the farmers has been boosted. In addition, farmers now dare to complain to the authorities and politicians, and because both the husband and wife are named as land users, women’s rights have been strengthened. More land is also rented to other users and agricultural production has increased.

The SARDP has also supported the establishment and capacity building of BoEPLAU. A separate Sida-funded project – a spin-off from SARDP – has supported the establishment of a Land Administration Institute at Bahir Dar University. The Institute trains specialists in land administration and provides them with the skills they need to implement the system.
The results from the SARDP tenure programme are impressive, but many challenges still remain, including continued capacity building due to high staff turnover and continued efforts to complete the second-level certification and to maintain and update records. The members of the local Land Administration Committees (LACs) work without any payment. They need to be compensated so as to give them an incentive to continue as well as to avoid corruption. Furthermore, a system for cost recovery must be introduced. In addition, systems for the management of communally held rural land, often under tremendous pressure, must be developed, tested and introduced. An increasing number of investors are seeking land in Ethiopia to start commercial farming. The land administration must be able to deal with this so as to ensure, for example, that landholders are adequately compensated when land is expropriated.2

Community Land Use Fund (Iniciativa para Terras Comunitárias), Mozambique

Iniciativa para Terras Comunitárias (iTC) is an independent fund to strengthen the capacity of communities to secure their land and resource rights as a basis for promoting sustainable development in Mozambique. Its focus is capacity development in demarcation and registration of traditional community land in accordance with Mozambique’s land and natural resource legislation. This is combined with capacity development in land use planning and productive use of natural resources. The fund finances proposals submitted by communities or, more commonly, by service providers working with them (mainly national NGOs but also the private sector). The ongoing pilot phase (2006–2011) covers three provinces (Manica, Gaza and Cabo Delgado), with a view to scaling up activities to the national level in the event of success. Changes in project implementation and budget were introduced following a ‘strategic analysis’ carried out in 2008.

The fund is managed by a consortium of KPMG Mozambique and the UK-based Natural Resources Institute (NRI). A total budget of about USD 8.2 million is funded by a consortium of six European donors.

Despite rapid urbanisation, the majority of the Mozambican population lives in rural areas (65.5 per cent in 2005, according to the United Nations in 2007). As most rural dwellers depend on land and natural resources for their livelihoods, a recent mid-term review of the project concluded that the work of iTC is at the very heart of the country’s rural development challenges.

SARDP, BoEPLAU, Orgut Consulting 2010. Land Registration and Certification: Experiences from the Amhara National Regional State in Ethiopia.
A rapidly changing context has further increased the relevance of iTC. Firstly, new large infrastructures (e.g. roads, bridges, pipelines) are linking previously remote areas and creating new opportunities for market access and agricultural intensification. These processes tend to increase competition for higher-value lands in the newly connected areas, and security of rights tends to acquire growing importance. Secondly, large-scale investments in agrifood, biofuels, timber plantations, game reserves, tourism concessions and other activities may help promote economic development and generate employment, but may also increase the pressure on the land. Data suggests that, in Manica Province, approved land acquisitions have recently grown sharply. Thirdly, with almost 70 per cent of its national territory covered by forests, Mozambique is well positioned to play a central role in the emerging carbon credit markets. Clarity as to who has what rights over what resources, and thus who should receive payments for carbon sequestration, is crucial if carbon credit schemes are to work.

While no systematic impact assessment has been carried out as yet, the mid-term review mission found concrete evidence of positive impacts: stronger community organisation and empowerment; greater security of rights and reduced natural resource conflict; links with local economic development; and greater capacity in private sector and NGO service providers. A cooperation agreement with the Millennium Challenge Corporation to use the same approach and management structure in support of land delimitation and demarcation in three new provinces as in the DFID-led iTC also constitutes a major achievement. 3

Community-based forest management in Suledo, Tanzania
The Land Management Programme (LAMP) worked on the sustainable management of natural resources from a pro-poor growth, local empowerment and good governance perspective. Community-based forest management in Suledo was one component of LAMP. The Sida-supported programme was finalised in 2010.

The Suledo area in Kiteto district (app. 167 000 ha and 25 000 inhabitants in nine large villages) had long suffered from severe land conflicts between the Maasai traditional pastoralist way of life and a growing agricultural population. The valuable forest resources were rapidly depleting as a result of illegal logging, large-scale land grabbing, soil mining and environmental degradation becoming a threat. In 1993, the government solution was to try to declare the area a forest reserve, which was met with strong resistance from the population as it threatened the livelihoods of everyone in the area.

The entire programme approach was built on the Tanzanian legal and policy framework, but showed an alternative way of development according to this framework. The most important features were: the village is a legal entity with a democratically elected government, the Land Acts and the Forest Act (which in their recent forms were both influenced by experiences from LAMP in a direct way).

Local approach: The starting point was participatory land use planning exercises, where everyone in the villages agreed to divide and demarcate the land into specific management zones: totally protected areas, areas where the resource could be used with a special permit, grazing zones, and agricultural and living zones. A set of local rules – specific to each village – was established that made up a management plan. The management plans gained legal powers through their registration as village by-laws. Through the by-laws the village can issue (and charge for) permits for forest usage and collect fines from those who violate the rules.

The sub-village and later Village Assemblies (composed of all village inhabitants) elected ‘Environmental Management Committees’ that were able to enforce village by-laws and were charged with daily supervision and management. Patrolmen were selected among the villagers. They patrolled the vast area, identifying breaches of the by-laws and reporting these to the Environmental Management Committees, that were an integral part of the elected Village Government.

Through the sub-contracting of a local NGO, Legal and Human Rights Centre, barefoot lawyers known as Village Legal Workers were trained – one man and one woman in each village. They informed all villagers of their rights to land according to the Tanzanian Land Acts. They were also called to settle individual disputes over land. In time they provided additional information, covering other human rights, such as rights concerning women, children, democracy and inheritance. They became instrumental in ensuring that individuals know their rights in relation to government bodies and the collective.

Integrated approach: The success in solving land conflicts and improving livelihoods would not have been possible without a number of complementary actions financed through LAMP, such as: a dry land farming and soil fertility initiative that improved the income per area, reducing the need to expand agricultural land; micro-business to develop alternative income sources, again to reduce pressure on the land; livestock improvement to improve livelihoods and reduce grazing pressure; water supply for people and livestock; development of non-timber forest products, especially beekeeping as an alternative source of income; capacity building for village and district governments, which led
to improved services and an improved ability to protect the area and develop livelihoods.

The villages were supported by the District Administration in areas such as organisation, technical issues and conflict resolution.

Challenges still remain but a few examples of results that have been noted are: land conflicts between the pastoralist Maasai and the agricultural population in the area have decreased significantly as a result of all groups participating in land use planning and agreeing in consensus; forest management has been a lesson in practical democracy; and the experiences gained have influenced the new Land Acts (1999) and the Forest Act (2002). Based on the experiences from Suledo and two other similar areas in LAMP, National Guidelines for Community-based Forestry Management have been developed. The Suledo CBFM-component was one of six projects world-wide that received the UNDP Equator Initiative Award at the Johannesburg Summit in 2002, and the environmental degradation of the forest has ceased.

After years of preparations, the harvesting of a 500 hectare pilot coupe of SULEDO forest began in 2010, generating income for the local communities.4

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Sida: A Position Paper for Sida - Natural Resource Tenure (Extract5)

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4 Based on: Managing our Forest. Experiences from the SULEDO Village Land Forest Reserve, 2010.


5 Full text incl. appendices are available at www.sida.se/
1. Introduction

In many developing countries, poor and marginalised groups depend on natural resources for their livelihoods and shelter. Pro-poor natural resource tenure is therefore crucial to poverty reduction, achievement of the Millennium Development Goals and full realisation of human rights. Sida has an important role to play in supporting efforts to achieve these goals.

This paper outlines Sida’s position on natural resource tenure and provides guidance for activities where tenure issues are at stake. Rather than providing solutions, the paper aims to support Sida staff and partners in their own analysis and dialogue, and in their development and implementation of policies and programmes.

The paper complements and adds value to a number of other Sida policy documents. It gives effect to the Swedish Policy for Global Development, which provides the overarching framework for Swedish development cooperation. It also complements a number of earlier Sida policy and position papers that cover access to productive resources. In contrast to these earlier documents, this paper tackles tenure issues in an integrated fashion.

This paper also builds on the Paris Declaration on Aid Effectiveness – applying its key principles of ownership, harmonisation, alignment and accountability to resource tenure activities – and the European Union Land Policy Guidelines, which provide the framework for EU donor activities on land tenure. Compared to the EU Guidelines, this paper is broader in scope in that it comprises urban land, water, wetlands, coastal areas, forests, grasslands, protected areas, genetic resources and, to some extent, sub-soil resources.

This position paper is the outcome of both an internal and external Sida consultation process. It also draws on a more comprehensive background document reviewing major natural resource tenure issues.

4. Key messages concerning natural resource tenure

1. Secure tenure for the poor is key to poverty reduction and the realisation of fundamental human rights.
2. Tenure interventions must build on local conditions and include a thorough understanding of local practices and customary tenure systems.
3. Women’s tenure security needs special attention. Women responsible for household income, food and children often lack secure access to resources owing to discriminatory norms and practices.
4. Tenure security may be promoted through formalisation of rights, which may be done in different ways. What best serves the poor
depends on the context. While individual titling is relevant in some cases, registering collective rights or long term use rights is more appropriate in other cases.

5. Control over natural resources is an important source of power. Establishing pro-poor tenure systems requires tackling power relations at all levels by applying principles of democratic governance.

6. Securing tenure requires tackling both technical and political issues. Enabling access to the resource tenure system on the part of the poor is key to avoiding elite capture and ensuring equitable benefit sharing.

7. Weak tenure systems and resource competition are root causes of conflict. Addressing tenure may be a key step towards consolidating peace in post-conflict societies.

8. Secure tenure promotes sustainable use of resources. Environmental degradation is often the result of inappropriate tenure systems.

9. Land, water and other natural resources have many different users and overlapping uses. Distinct tenure arrangements apply to different resources and uses.

10. Linkage of resources, such as between land and water or between urban and rural land, requires coordination and cooperation among authorities. Similarly, this applies to nations sharing trans-boundary resources, such as rivers and wetlands.

5. Sida’s entry points

Sida has an important role to play in supporting efforts that reduce poverty by means of addressing natural resource tenure.

*Poverty Reduction Strategies*

Poverty Reduction Strategies (PRS) provide an opportunity for Sida to address natural resource tenure in its wider poverty reduction context, and work with governments committed to poverty reduction in order to address resource tenure issues. This may involve budget support and coordinated sector-wide approaches. Decisions taken as to Sida’s potential involvement in land tenure issues and other areas, and its modalities, scope and scale, occur through dialogue with governments, civil society and other donors. This is based on an analysis of the issues that are crucial for a specific country, and an assessment of the cases in which Sida could and should try to make a difference.

*Donor coordination*

Sida will continue its efforts to harmonise its support with other donors, multilateral agencies and development banks involved in natural resource tenure. The European Union Land Policy Guidelines provide one framework for this.
Programming

Sida tackles resource tenure issues through specifically targeted programmes and other programmes that, while not primarily tenure-related, offer entry points. This applies to programmes in both rural and urban areas and may take the form of technical support, training and other types of capacity building, support in policies and legal development, alternative dispute resolution, and other forms of support, based on the needs of each specific case.

Sida also supports non-governmental organisations and civil society organisations that provide checks and balances on government decisionmaking, build citizens’ capacity to use the opportunities offered by the law to advocate for and acquire/secure resource rights, and contribute to tenure reform implementation.

Programming at the national level depends on country-specific needs and opportunities within the framework of Swedish policies and priorities, as formulated in country strategies and elsewhere. Programming is based on thorough discussions with Sida’s partners.

Sida supports regional and global networks for debate and lesson sharing. It also facilitates south-south cooperation and sharing of experience, knowledge and information.

Extracts from Sida studies no. 23: Natural Resource Tenure – a crucial aspect of poverty reduction and human rights6

1.1 What is natural resource tenure?

A person or community’s rights to land and other natural resources define their natural resource tenure. Resource tenure is defined as all the ways by which people gain legitimate access to natural resources for the purpose of management, extraction, use and disposal. Legally, tenure is a bundle of both rights and obligations – the right to own, hold, manage, transfer, or exploit resources and land, but also the obligation not to use these in a way that harms others (Bruce, 1998, p. 7; FAO, 2002, p. 10).

6 The full text of the study is available at www.sida.se
1.1.1 Major types of resource tenure

Generally, four major types of resource tenure are identified. These types are defined on the basis of those who exercise exclusive rights to the resource:

- public/state property – rights held by the state in which the public sector exercises rights over the resource
- private property – rights held by an individual or legal entities such as corporations
- common property – rights held jointly by a group of people
- open access – no specific rights exercised by anybody; a vacuum situation

In discussions on tenure, there is often confusion between an “open access system” and a “common property system”. The term “open access” (oa) describes a system where no property rights exist, or rather where property rights, for different reasons, cannot be enforced. This happens, for example, when traditional rights to land are abandoned and the state claims ownership of land but cannot enforce its rights to the land. This results in a “vacuum” where nobody (neither the state nor the local resource users) has the power or the legitimacy to enforce rules of use. If the resource in question is under pressure i.e., production is lower than potential demand, then open access will result in depletion of the resource as no one has defined rights and everyone has unrestricted use of the resource. There are no specific rights assigned to anyone and no one can be excluded from using the resource.

Common property (cp), in contrast, is the term used for the situation where a resource is owned by a group of people. This is often the case with forests, grazing land, water and fisheries. Common Property Resources Management (cprm) systems often emerged in traditional systems. The characteristics of a functioning cprm system are often as follows: the group is homogenous, the resource has a defined boundary, resource appropriation is relative to provision, there is sufficient consensus in the group on how to use the resource, the group feels that it can influence rules of use, a sanction system is in place, there is a transparent and accountable conflict resolution system, with monitoring possible and, last but not least, the group has the power to exclude other users. Although many of the traditional cprm systems are still functioning, many are deteriorating. According to some observers, the deterioration in many third world countries is due to a growing insecurity about what rules to abide by when the state tries to modernise the land tenure system. The traditional system and the modern system exist side-by-side and the groups in society who will profit from adhering to the new system will do so while ignoring the traditional systems.

Although these four major types of tenure can be distinguished in theory, they often overlap in practice and change over time. At the same
time, the notion of “resource” is also not as simple as it might seem. A single item (a tree, field, stream) may be many different resources all at once. In the same way, the notion of “right” is not straightforward either. Different people have different types of access to these different resources in different ways at different times of the year. For example, all members of a community may be allowed to bathe in a river or collect drinking water, but only certain farmers may be allowed to draw water for irrigating fields and decide how to distribute that water in the dry season, while the state may claim ultimate “ownership” of the water, including the right to reassign it to others. Even on land declared as state forest land, individuals from a community may have the right to collect medicinal plants or fallen branches for firewood (use), local groups may have the right to plant trees (management) and guard them (exclusion), but the state may retain the right to approve any felling of trees and collect revenue from users. In an urban setting, the state might have leased a plot of land to an individual who, in turn, makes an illegal subdivision and rents it to several people. In turn, these people have tenants who, for example, have access to a bed for the night but are not allowed in during the day, or have access to the veranda during the day for selling commodities, but sleep elsewhere at night.

Much of the literature on property rights points towards state-enacted and enforced law, designating who owns what. The existence of laws that define property rights relationships is not sufficient. In many cases, the state does not have enough resources to enforce formal property rights, and informal rights may exist without – indeed, often conflicting with – formal state recognition.

A variety of tenure forms are found in rural and urban areas, ranging from squatting on invaded land to various forms of informal or formal tenure.

Schlager and Ostrom, 1992, pp. 249–62 propose a useful classification of these bundles of rights in a hierarchy, ranging from limited, short-term rights to extensive, long-term rights to the benefit (which in this case is a stream) as follows:

- **Access**: the rights to enter a defined physical property. This might apply to recreational water use (such as swimming), where the main “use” is simply to be in the water, but would generally apply only to non-consumptive, in-stream uses.
- **Withdrawal**: the rights to obtain the benefits from that property by taking out some of the flow. In water resources, in-stream uses versus withdrawal right owners represent an important distinction.
- **Exclusion**: the rights to determine who will (and will not) have access to the resource.
- **Management**: the rights to regulate use patterns, thus transforming the resource and potentially altering the stream of benefits from that
resource. Management rights also provide the ability to define access or withdrawal rights.

- **Alienation**: the rights to sell, lease or bequest the rights to the resource.

*Access* and *withdrawal* are considered use rights, while exclusion, management and alienation are rights of control over the resource. “Ownership” is often conceived of as holding the full bundle of rights. With this hierarchy as a guide, it is proposed that making queries about which types of users are able to claim which types of rights, and what type of legal framework those rights (or claims) are based upon, becomes easier.

Rice field in the rain forest of Sarawak, Malaysia. In this area, shifting cultivation is the most common form of agriculture, which means that rice fields are left to recover after a few years of use, and are thus naturally reforested. However, the state only recognised “visibly” cultivated land as customary land when delimitations for industrial timber concessions were made. Large areas used for shifting cultivation were then converted to fast-growing timber and oil palm plantations – and the communities lost both their forests and their agricultural lands. Photo: Margareta Nilsson

### 1.2 Why resource tenure matters

Tenure rights to resources play a fundamental role in governing the patterns of natural resource management, as well as in the welfare of individuals and communities dependent on those resources. Any policy that shapes resource tenure rights potentially plays a major role in promoting or inhibiting economic growth, equity of resource
distribution, empowerment of resource users and the sustainability of the resource base, environment and climate.

If we can understand existing natural resource tenure rights – how they are determined, and the role of policy in that determination – we can design successful policies to prevent further depletion of natural resources, enhance the resource base and ensure sustainable resource utilisation which can, in turn, improve household welfare.

1.2.1 Secure access to resource tenure for poverty reduction
Secure access to land and resource tenure is an essential catalytic force for poverty reduction, economic growth and sustainable development. The importance of secure access to productive resources is a reoccurring theme in a number of donor policies. Many donors recognise that natural resource tenure insecurity or unfavourable tenure conditions tend to strike at the foundation of the livelihood systems of the rural poor.

Secure access to resource tenure rights encourage investment, which can lead to higher productivity and efficiency. Tenure insecurity leading to loss of access can imply destitution, and discourage farmers from making investments to increase productivity and investments for the reorientation of farm production for the market or for reducing vulnerability and adapting to climate change (dfid 2007, Sida 2004).

Poverty and tenure insecurity are still mainly regarded as rural problems in Africa and Asia, although land conversion and the allocation of new functions to land is gaining importance in peri-urban areas, which puts new pressure on the urban poor. Increased tenure security is, again, an issue in the case of informal, and/or illegal land occupation of the poor on the urban fringe, who are either fleeing from deteriorated living or environmental conditions in rural areas, or have been evicted from other rural, or even urban, sites. The issue of illegal land occupation is also most likely to grow with increasing amounts of forced migration due to the impact of environmental degradation and climate change. Tenure security is an issue when it comes to overcrowded living conditions (slums) and environmental hazards, the occurrence of which may be caused by the density, hazardous location of settlements and exposure to multiple pollutants.

For example in Sida’s Urban Policy, it is stated that equal rights of access to housing require improved property rights and other forms of

7 Secure rights to resources reduce household vulnerability and guarantee a basic level of selfprovisioning and supplementary income. For many poor people natural resources, and the investments they can make in them, are their largest single capital asset. For example the possibility of selling or leasing land provides a safety net for poor people who cannot farm themselves.
secure tenure, especially for the poor who are most at risk from forced eviction and other violations of human rights (Sida 2006).

1.2.2 Food security
Access to productive resources is a crucial factor in the eradication of food insecurity and rural poverty. Rural landlessness is often the best predictor of poverty and hunger. The poorest are usually landless or land poor. Inadequate right of access to land, and insecure tenure of those rights, often result in entrenched poverty and are significant impediments to rural development and the assurance of food security. Improved access to land allows a family to increase household food production, thereby helping to ensure household food security. Improved access to land may enable the family to increase household income by producing a surplus for sale in the market and may improve the ability of a household to access credit. Secure access to natural resources often provides a valuable safety net as a source of shelter, food and income in times of hardship, and a family’s land may be the last available resort in the case of disaster.

Natural assets associated with land include water, forests and natural pastures. Moreover, land rights often include collective rights held by social groups and rights of access to common property resources. In addition to agricultural land, forests, rangelands, wetlands and wildlife resources are important sources of livelihood and food security.

References:


