Event 2. Breakout Sessions

• **Mechanics:** Presentation and commentator from the IP team

• **Breakout Session 3: Sustainability Topics**
  • **Chair:** Ivan Nimac
  • **Presenter** Arthur Appleton, Syed A. Mahmood, Grahame Dixie
  • **Discussants:** Wim Douw
A. History
   1. 2008
   2. Principles of Responsible Investing

B. Lessons from the field
   1. 179 Agribusiness investments over 50 years
   2. 39 Mature agribusiness visited – investors, managers & 900 of surrounding communities

C. What this means to our work
   1. Summary
   2. Advice to Policy Makers
2008  Changed everything

- Stock market crashed - but agricultural stocks held up
- Food prices rocketed - export bans where threatened, food importers were terrified
- Higher agricultural prices - impacted positively on the profitability of farming
- Ever increasing demand for food / agricultural products – finite amount of land, and diminishing supply of water for irrigation – appreciation of natural resource assets

CONSEQUENCE:  Real interest in Investing in farming, “It’s a land Grab !”
1. Land and natural resource rights of existing land users are respected
2. Investments do not jeopardize food security – rather strengthen it
3. Policy framework ensures transparency & accountability
4. Agreements based on extensive consultations with all potentially affected communities
5. Investors respect human rights, reflect industry best practice, viable economically, and result in durable shared
6. Investments generate broad social benefits for all surrounding communities
7. Investments are environmentally sustainable

1. Food Security & Nutrition
2. Contribute sustainable, inclusive economic development & eradication of poverty
3. Fostering gender equality
4. Involving youth
5. Respect tenure of land, fisheries forests and access to water
6. Conserve / sustainably manage natural resources, increase resilience and reduce disaster risks
7. Respect cultural heritage
8. Promote safe and healthy food
9. Inclusive and transparent governance systems
10. Assess impact and promote accountability
Lesson 1 - level of risks is very high – especially for green field sites, 7-9 years to play out, often bought & sold many times.
Lesson 2 - Causes of failure – Flawed concept, bad management and issues – that are beyond the control of the investor e.g. civil unrest, Government policies & markets
Lesson 3 - Significant differences between business models, Outgrowers & large farms the most risky, next processing operations and Nucleus Estates the least because the business model well understood, and limited processed crops.
Lesson 4  A small proportion of large scale agribusiness investments can be transformational

• For instance:
  – Dramatically open new markets
  – Introduce profound technological changes
  – kick start new industries

• Cases include:
  – Salmon Farming in Chile
  – Nucleus States with outgrowers for sugar in Africa
  – Oil Palm production shifting between regions
Lesson 5 - Large range in perceptions by surrounding community but the share of positive / negative socio-economic impacts, by investor Ratio  +3 : -1

Average= 73%
Lesson 5 (continued) pluses jobs, markets, infrastructure, outgrowers, the most difficult issue is land, followed by environmental issues (water).
Lesson 6 – Good Investors are looking for clarity & consistency in policies & regulations, basic infrastructure

- Host country policy and regulation
- Infrastructure
- Employment
- Suitability of environmental conditions
- Access to finance
- Land disputes
- Water availability

![Bar Chart]

- All investments
- Estate/ Estate & Outgrower
- Processors/ Traders
Lesson 7: A U shape in land utilization – driven primarily by insufficient finance

![Graph showing land use and investor share by percentage range for different samples: Full sample, Africa only, and Asia only. The graph displays the distribution of land use percentages with corresponding investor share percentages.]
Lesson 8: The larger the land deal the more likely it is likely to be behind schedule, have low numbers of employees/unit area & to not be profitable

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Share that are profitable</th>
<th>Share behind schedule or below capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>New processing</td>
<td>71%</td>
<td>29%</td>
</tr>
<tr>
<td>New cultivation</td>
<td>18%</td>
<td>64%</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Size of investment (ha)</th>
<th>Share that are profitable</th>
<th>Share behind schedule or operating below capacity</th>
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<tr>
<td>&lt; 1,000</td>
<td>70%</td>
<td>10%</td>
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<tr>
<td>&gt; 50,000</td>
<td>33%</td>
<td>67%</td>
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</tbody>
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**FIGURE 4.1: Total Area of Investment and Job Creation**

\[ R^2 = 0.3957 \]
Lesson 9 On balance, investments studied generated positive socio-economic benefits for surrounding communities and host countries.

- Extraordinarily wide range of outcomes:
- But many negative impacts and room for improvement.
- Significant interaction between three aspects

Financial & Operational success ≈ Satisfied Surrounding Communities ≈ Experienced and well resourced investors
Lessons 10 - Government and Private Investors are very clear about what support they are asking for

**Government**
- How should we pre-screen investors & investments
- How should we regulate, manage & monitor relations between investors & outgrowers, esp. prices
- What should be the terms of our contracts with investors
- How can we Govern FDI that takes into account the important principles
- Can we make ESIA meaningful

**Private Sector**
- How should we implement principles
- We need clarity & stability in the policy environment
- How can we ensure that we have a voice in policy decisions
- How can we achieve a balance between transparency and confidentiality
Advice to policy makers

**DO**

- Know what development you want,
- Be more choosy about the investor, business model, enterprise
- Set up process, review investments systematically
- Encourage alternatives to large scale land investments
- Support 1st movers, but not at scale
- Have a plan B for failure or exit
- Guide & support outgrowers inclusion in business models
- Consider ESIA as management & monitoring tool

**DO NOT**

- Under value your natural resources
- Offer more different terms to foreign investors than locals.
- Encourage mega land deals
- Make multiple gambles on the same new business model,
- Allow investors to have land without making productive investments
- Short cut existing land regulations
- Expose Small Holders to Financial risks

**Decision trees**
- Devising relevant contracts
- Guidance to investors
- Pre-screening...
And if you have been . . .

Thanks, for listening
Summary of fieldwork findings: main positive to enhance and negatives to reduce

<table>
<thead>
<tr>
<th>KEY POSITIVE IMPACTS</th>
<th>KEY NEGATIVE IMPACTS</th>
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<tbody>
<tr>
<td>EMPLOYMENT</td>
<td>LAND DISPUTES</td>
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<tr>
<td>ACCESS TO MARKETS FOR OUTGROWERS</td>
<td>UNCLEAR TERMS OF LAND DEAL</td>
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<tr>
<td>SOCIAL DEVELOPMENT PROGRAMMES</td>
<td>RESETTLEMENT</td>
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<tr>
<td>FINANCIALLY INCLUSIVE MODELS</td>
<td>FAILURE TO USE LAND</td>
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<tr>
<td>FOOD SECURITY</td>
<td>LACK OF CONSULTATION</td>
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<td>TECHNOLOGY / INNOVATION</td>
<td>FINANCIAL FAILURE OF INVESTORS</td>
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<td>ACCESS TO INFRASTRUCTURE</td>
<td>LACK OF DISPUTE MECHANISMS</td>
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<tr>
<td></td>
<td>ENVIRONMENTAL IMPACT, INC. WATER</td>
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