



## Assessment and appraisal of Foreign Direct Investments (FDI) in land in view of food security

Specific contribution to the study on "Foreign direct investments (FDI) in land in developing countries"

## Imprint

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Deutsche Gesellschaft  
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(GTZ) GmbH  
P.O. Box 5180  
65726 Eschborn  
Germany

T +49 6196 79 - 0

F +49 6196 79 - 1115

E [info@gtz.de](mailto:info@gtz.de)

I [www.gtz.de](http://www.gtz.de)

### **Division 45 - Agriculture, fisheries and food, GTZ, Eschborn:**

Sector Project „Land Management“ (Tanja Pickardt)

Sector Project „Agricultural Policy and Food Security“ (Dr. Marlis Lindecke)

Future Initiative „AgroInvest“ (Dr. Christian Henckes)

### **Contact:**

Tanja Pickardt, Sector Project „Land Management“

Dr. Marlis Lindecke, Sector Project „Agricultural Policy and Food Security“

Dr. Thomas Breuer, Planning Officer

### **Responsible:**

Dr. Marlis Lindecke, Sector Project „Agricultural Policy and Food Security“

### **Author:**

Dr. Lioba Weingärtner

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### **Contact to the Federal Ministry for Economic Cooperation and Development**

Dr. Stefan Schmitz

### **Design:**

Jeanette Geppert,

[www.jeanette-geppert.de](http://www.jeanette-geppert.de)

### **About the series:**

This study is part of a series on Foreign Direct Investment which also features the study “Foreign Direct Investment in Land in Developing Countries” and four country cases on FDI in Cambodia, Lao PDR, Madagascar and Mali. They can be ordered via [i-punkt@gtz.de](mailto:i-punkt@gtz.de).

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## List of abbreviations

AfDB	– African Development Bank	IFAD	– International Fund for Agricultural Development
AU	– African Union	IFPRI	– International Food Policy Research Institute
BMZ	– Federal Ministry for Economic Cooperation and Development	IIED	– International Institute for Environment and Development
EC	– European Commission	PDR	– People’s Democratic Republic
FAO	– Food and Agriculture Organization of the United Nations	RtF	– Right to Food
FDI	– Foreign Direct Investments	TC	– Technical Cooperation
FIAN	– Food First Information and Action Network	ToR	– Terms of Reference
FIVIMS	– Food Insecurity and Vulnerability Information and Mapping System	UNCTAD	– United Nations Conference on Trade and Development
GTZ	– Deutsche Gesellschaft für Technische Zusammenarbeit	UNDP	– United Nations Development Programme
HQ	– Headquarters	UNICEF	– United Nations International Children’s Emergency Fund
		WFP	– World Food Programme

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# 1. Executive Summary

In the context of the global food price, fuel and financial crises, foreign direct investments (FDI) in land have gained increasing scope and importance in recent years. The changing global framework suggests that FDI in land may also be of high importance in the future.

Such investments have mobilised a great number and variety of different stakeholders at global level as well as at country level both in investing countries, and in countries receiving investments. Due to a number of opportunities, but especially also challenges related to such investments, the debate about FDI in land is contentious and highly controversial.

On the one hand, FDI in land and/or agriculture in general have long been awaited for in order to support and develop rural areas in developing countries that are the home of the majority of poor and hungry people in the world and that still have untapped development potentials available.

On the other hand, there is a number of examples of harmful practices and deals in FDI in land that lead to negative outcomes and impacts for people, communities and societies as a whole, which are targeted for FDI in land and expect to benefit from it. Today, FDI in land are characterised by lack of transparency and information, high risk of corruption at different levels, and unequally distributed bargaining power among the different stakeholders involved – factors that lead to an unequal sharing of benefits and risks involved in FDI in land.

Information about land deals through FDI and their outcomes and impacts with regard to economic, social and environmental aspects is growing. There is, however, a lack of empirical evidence with regard to the outcomes and impacts of FDI in land on peoples' and countries' food and nutrition security situation and their chances to progressively realise their right to food.

The theoretical framework developed in the context of this study suggests that there are opportunities and risks involved in FDI in land. Depending on the type of contracts and specific rules and regulations agreed upon by relevant stakeholders, FDI in land can create a virtuous cycle of development in rural areas and improved food and nutrition security or a vicious cycle of marginalisation, increasing poverty as well as increasing food and nutrition insecurity of former land owners and/or users, their families, communities and possibly countries as a whole.

In order to minimise harmful practices and risks, and to maximise opportunities and benefits of FDI in land for food and nutrition security, stakeholders are encouraged to:

- Continue to put and keep the topic of FDI in land high and its food and nutrition security impact on the international and bilateral development cooperation agenda, especially in the design and implementation of rural development as well as food and nutrition security policies and strategies;

- Contribute to global and partner country efforts of collecting and documenting information, and creating and ensuring transparency at global and partner country level on FDI in land, land grabbing and subsequent food and nutrition security impacts in partner countries;
- Support research and impact monitoring and evaluation of FDI in land;
- Contribute to the global and partner country dialogue about opportunities and challenges of FDI in land;
- Based on already existing initiatives, contribute to the global and partner country dialogue about a Code of Conduct for FDI in land, incl. dialogue about addressees of such a code, modalities of signature etc.;
- Identify opportunities for partnerships and cooperation at global and country level for responsible and win-win FDI in land with fair shared benefits;
- Support sensitised and self-motivated investors in their efforts to create a win-win situation for a maximum number of poor and food insecure people in FDI in land in partner countries;
- Mainstream FDI in land, land grabbing and food and nutrition security issues and concerns in existing projects/programs at country level.
- Support partner countries in conducting a realistic assessment of the (food and nutrition security) opportunities and risks related to FDI in land, ideally before the negotiations begin and involving all concerned stakeholder groups;
- Support partners involved in FDI in land in analysing the food security effects of FDI in land during implementation and taking corrective actions if needed;
- Support capacity building of local, regional and national stakeholders involved in and/or affected by FDI in land to strengthen their negotiation, conflict management and monitoring and evaluation skills;



Food distribution (© GTZ)

## 2. Background of the study

### 2.1 The context

In 2009, GTZ on behalf of BMZ commissioned a study on “Foreign direct investments (FDI) in land in developing countries”. This study was to look in depth into the recent development of FDI in land for biomass production (food and non-food, e.g. jatropha or rubber), characterize the phenomenon, and identify main trends and patterns. Results of the study are supposed to give better insights on the topic and to provide a basis for discussions and decision-making concerning FDI in land in the context of German development cooperation.

The study was to develop an overview of FDI in land worldwide and in particular partner countries. The study consists of two parts, i.e. part 1 presenting an assessment of available global data, research papers and studies (GÖRGEN ET AL. 2009) and part 2 with four country case studies analysing detailed information available in Cambodia, Lao PDR, Madagascar and Mali (DIALLO AND MUSHINZIMANA 2009, SCHÖNWEGER AND ÜLLENBERG 2009, ÜLLENBERG 2009a, ÜLLENBERG 2009b).

The studies focus on global land resources, a description of global price trends on land markets (also in the industrialised countries), an analysis of and overview on FDI in land abroad (recent developments and trends), the identification and portrayal of impacts of FDI in land in terms of sustainable development and a description of possible links between FDI in land and concepts/support strategies of GTZ in the field of rural development (e.g. land management, food security, natural resource management).

The studies have not yet tackled the food security related aspects and impacts of FDI in land in sufficient scope and details. For this reason, this present additional study was commissioned.

### 2.2 Objectives, issues and questions

This study has the following objectives and key issues and questions to be analysed:

- 1 Identification and portrayal of risks and opportunities of FDI in land in terms of food security
  - Impacts on food security policies concerning import and export strategies of countries in general
  - Risks and opportunities for food security of particularly vulnerable groups with regard to access to productive resources
- 2 Description of coherence between FDI in land and international policies in the field of food security, esp. the Right to Food (RtF)-approach
  - Risks and opportunities for the implementation of the Right to Food (RtF) approach
- 3 Give positive and/or negative examples for impact of FDI in land towards food security, if possible from those countries, where the country studies have been performed.
- 4 Give courses of action and define a position for GTZ in this respect.

### 2.3 Methodology and report

The study is based on the structured analysis of the relevant parts of the main report and the four case studies on FDI in land complemented by internationally available documents from the internet (see References).

The present report is a complement to the main study. Although it is a free standing analysis and document, it should be read in connection with the main study and the detailed reports of the case studies in order to provide a more comprehensive picture of the scope and impacts of FDI in land globally and in partner countries.





Pineapple harvest, Benin (© GTZ)



Fieldwork, Cambodia (© GTZ)

### 3. FDI in land – the issues and scope

FDI in land have always existed in various forms (UNCTAD 2009, pp. 105-106 and 110-122) and – as a number of experts engaged in agricultural and rural development in developing countries stated<sup>1</sup> – an increase in such investments has long been awaited for in order to support development in the sector and in rural areas in Africa, Asia and Latin America.

The topic has recently gained increasing relevance and attention, and a new dynamic due to a number of factors, e.g.,

- Increasing food prices in 2007/2008 combined with high energy prices and the financial crisis in 2008 which led to riots in many countries with governments starting to look at these factors as a national security issue;
- Increased attention to the availability of food at affordable prices at country level;
- Land is becoming a more and more scarce resource;
- New dimensions in FDI in land, such as government to government deals (more private investments before), the emergence of new investors (investment funds) and extension to

new products (agro-fuels, horticulture and flowers rather than staple foods);

- Competition in the use of land for food and other purposes, e.g. agro-fuels;
- Tendency of some countries to “outsource” agricultural production through large-scale land acquisition in developing countries – with the potential of benefits but also risks for rural areas in developing countries receiving these FDI in land;
- Increasing size and financial volume of FDI in land;
- Observed cases and increasing risk of “land grabbing”
- Emergence of a number of initiatives addressing the challenges of FDI in land (see Box 1).

FDI in land are characterised by a high degree of compartmentalisation of information and a lack of transparency about the deals and their specific arrangements. There is no comprehensive data set available for a precise overview of the extent and contractual details of FDI in land. However, in the context of the increased attention to the topic, a number of initiatives have tried to compile publicly and informally available information.

<sup>1</sup> For example at the occasion of the Discussion Forum 2 “Access to land: a prerequisite for food security” at the Eschborn Dialogue in June 2009 ([www.gtz.de/en/top-themen/27382.htm](http://www.gtz.de/en/top-themen/27382.htm))

This information indicates that

- there is at least increasing interest in FDI in land, although the actual status of implementation of the deals is not always known;
- developing countries (especially least developed African and South-East Asian countries) are the main target regions for FDI in land;
- the biggest deals are negotiated with investors from Saudi Arabia, other Gulf States and some Asian countries (China, South-Korea, India) – characterised by a shortage of fertile land on the one hand and sufficient financial means on the other hand and
- the scope of some of the envisaged investments and single deals is enormous (up to 1.3 million ha) (GÖRGEN ET AL. 2009, p. 11 and annex).

### Box 1: Major initiatives addressing challenges of FDI in land

The international community has started a number of initiatives in order to address the challenges that have to be addressed in the context of FDI in land. These are:

- FAO 'Voluntary Guidelines to support the progressive realisation of the right to adequate food in the context of national food security' (see also chap. 6);
- FAO initiative for the elaboration of 'Voluntary Guidelines for Responsible Governance of Tenure of Land and other Natural Resources';
- Initiative of the Japanese Government 'Promoting responsible international investment in agriculture', concurrent with the 64th United Nations General Assembly;
- EU Working Group on Land Issues
- Code of Conduct proposed by the International Food Policy Institute (IFPRI).

Sources: FAO 2005; FAO 2009a; von Braun and Meinzen-Dick 2009; AU 2009; <http://mofa.go.jp/policy/economy/fishery/ariculture/investment.html> (accessed 23/12/2009); <http://capacity4dev.ec.europa.eu/wg/eu-working-group-land-issues> (accessed 01/04/2010)



Corn in a public market, Haiti (© GTZ)



Seeds (© GTZ)



Corn farmer (© GTZ)

## 4. FDI in land – the link to food security

### 4.1 Conceptual framework

Increasing concerns about global and national food security and increasing food insecurity due to high food prices in 2007/2008 – combined with the effects of increasing energy prices and the financial crisis, were main reasons for increasing FDI in land in the recent past (see Box 2 for the definition and dimensions of food security). The high food prices emerged due to diverse reasons. Analyses of the International Food Policy Institute (IFPRI) suggest that a combination of new and ongoing forces is driving the world food situation and the prices of food commodities. Seven major causes of imbalances and volatility in

the world food equation, which are also interconnected, are mentioned, i.e., income growth and shifting demand towards higher-value foods (increasing the demand for animal feed), agro-fuels (energy prices), underinvestment in agricultural productivity and technology, trade policies and low stocks, production shocks (emerging climate change), high input and transport costs (energy prices) and population growth. In addition, speculative capital has also played a role (von Braun, J. 2008a and 2008b). Figure 1 (next page) provides an overview of the changing global context for food and nutrition security and its link to increasing (interest in) FDI in land.

#### Box 2: Definition and dimensions of food security

##### Definition

Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Household food security is the application of this concept to the family level, with individuals within households as the focus of concern.

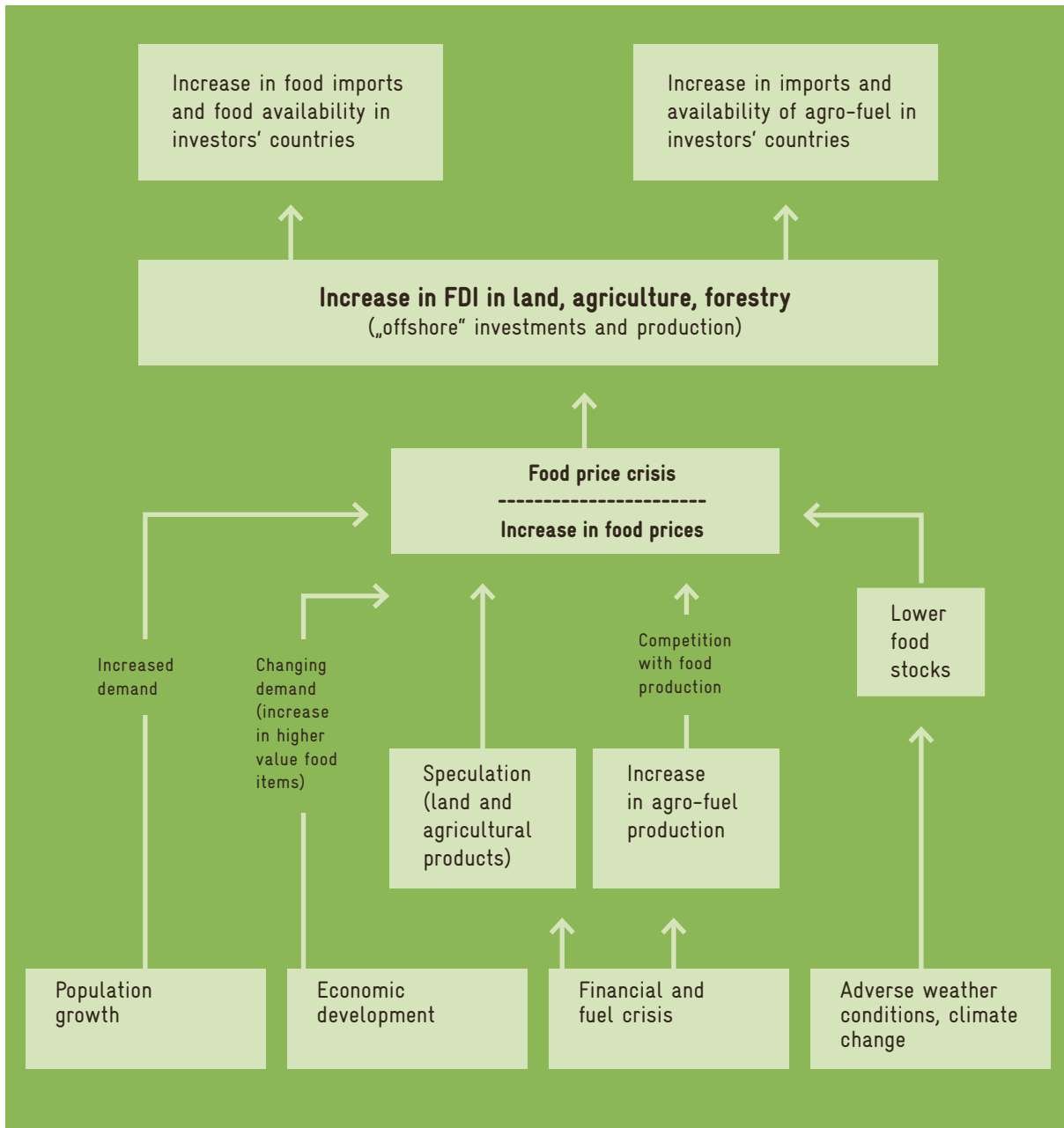
##### Dimensions

Food security has several dimensions. These are:

- availability of food in the country;
- access of households and individual household members to available food, and
- (use and) utilisation of food at household level and individual household members;
- stability of availability, access and use and utilisation can be considered the fourth dimension.

Source: FAO 2006, FAO and WFP 2009

Figure 1: The changing global context for food and nutrition security (2007/2008)



Depending on prevailing conditions, the effects of higher food prices on food security and nutrition are radically different for different countries and population groups (VON BRAUN, J. 2008a). The high prices threatened access to food for millions of food producers – many of them are at the same time net buyers of food – and consumers alike, and led to an increased number of undernourished people. According to FAO estimates, the number of people suffering from hunger every day, reached the historical peak of more than 1 billion in 2009 (FAO 2009b).

Although food prices have declined since the peaks in mid-2008, they are still high by historical standards. In addition, prices have been slower to fall locally in many developing countries. At the end of 2008, domestic staple foods (across a range of important food items) still cost on average 24 percent more in real terms than two years earlier (FAO 2009b). IFPRI's scenario analysis suggests that structural factors will keep food prices high compared to the past decade for years to come, even if the rise not necessarily continues to be as steep as in 2007/2008 (VON BRAUN, J. 2008b).

Expectations of a high and rising level of prices of food and other agricultural commodities (indirectly also related to climate change and reductions of food surpluses as a consequence of trade liberalisation<sup>2</sup>), support of agro-fuels and climate obligations, which can be met by forestation projects in developing countries<sup>3</sup>, serve as an incentive for FDI in land. These more structural factors have – combined with the described more cyclical factors in 2007 and 2008 (food price, energy and financial crises) – pushed investment in the agricultural sector and especially in land in foreign countries instead of buying food and energy on the world markets (GÖRGEN ET AL. 2009, pp. 11-12).

## 4.2 Food and nutrition security profile in the case study countries

People in the four case study countries suffer from various forms of acute and chronic food insecurity to a different degree. Table 1 provides an overview of major relevant indicators directly and/or indirectly linked to food security – affecting the different dimensions of food (in)security (see Box 1). Various types of malnutrition (underweight, wasting and stunting as well as vitamin and mineral deficiency disorders) are the consequence of undernourishment – together with other factors, e.g. health status. Poverty is seen as one of the major reasons, but also consequences of food insecurity.

Given this situation, people in these countries are already very vulnerable to structural and acute changes in the agricultural, food and general livelihood context. FDI in land in these four countries – and other countries with similar conditions and indicators – have to be treated with extreme caution and high sensitivity in order to tap the opportunities and minimize the risks for an already high number of food insecure and poor people in these countries.

2 Climate change is expected to significantly and substantively affect agricultural production (e.g., FAO without year; Diakonie Katastrophenhilfe, Germanwatch, Brot für die Welt 2008)'... the overall impacts of climate change on agriculture and food security are expected to be increasingly negative.' (FAO without year); trade liberalisation is likely to reduce food surpluses in countries that formerly protected their farmers from lower world market prices for food; both effects together may have a significant impact on food prices.

3 Climate obligation under the Clean Development Mechanism of the Kyoto Protocol may be transferred to developing countries using their land resources for forestation projects (Görge et al. 2009, p. 12).

**Table 1: Food security situation in Cambodia, Lao PDR, Madagascar and Mali**

Indicator	Cambodia	Lao PDR	Madagascar	Mali
Country classification (May 2009)	Low-income food-deficit country <sup>4</sup>	Low-income food-deficit country	Low-income food-deficit country	Low-income food-deficit country
<b>Percentage of undernourished population<sup>5</sup></b>				
1990-92	38	27	32	14
1995-97	41	26	37	15
2000-02	27	22	37	12
2004-06	25	19	35	10
Percentage of underweight children <sup>6*</sup>	28	31	36	27
Percentage of wasted children (acute malnutrition)*	9	7	15	18
Percentage of stunted children (chronic malnutrition)*	42	48	53	38
<b>Global hunger index</b>				
1990	31,7 (extremely alarming)	29,2 (alarming)	28,1 (alarming)	24,2 (alarming)
2009	21,2 (alarming)	19,0 (serious)	28,3 (alarming)	19,5 (serious)
<b>Percentage of population below income poverty line</b>				
\$1.25 a day (2000-2007)	40.2	44.0	67.8	51.4
\$2 a day (2000-2007)	68.2	76.8	89.6	77.1
National poverty line (2000-2006)	35.0	33.0	71.3	63.8
<b>Rural poverty</b>	90% of the 4.8 million poor people live in rural areas; Most of them depend on agriculture for their livelihoods; at least 12% of the poor are landless	Poverty saw a steady decline between 1992 and 2003. But, the country remains one of the poorest and least developed. Poverty is particularly concentrated in rural areas.	Members of farming families in rural areas. Living conditions in the countryside have been steadily declining in recent years. 76.7 per cent of rural inhabitants are poor (52.1 per cent of urban inhabitants)	More than 73 per cent of the country's rural people live below the poverty line.

<sup>4</sup> This means that these countries are net food importers

<sup>5</sup> MDG 1, Target 1C, Indicator 1.9

<sup>6</sup> MDG 1, Target 1C, Indicator 1.8

**Table 1: Food security situation in Cambodia, Lao PDR, Madagascar and Mali**

Indicator	Cambodia	Lao PDR	Madagascar	Mali
<b>Most affected groups</b>	Subsistence farmers, members of poor fishing communities, landless people, rural youth, internally displaced persons, mine victims; tribal people and women generally most disadvantaged	People in mountainous regions (majority of the country's ethnic peoples); resettled people in lowland areas; most disadvantaged households in areas vulnerable to natural disasters, have no livestock, have a large number of dependent and/or are headed by women	Toliara Province in the south-west of the island has the highest rate of poverty (80 per cent of its inhabitants). The majority of the rural poor are concentrated in the three most densely populated former provinces of Antananarivo, Fianarantsoa and Toamasina.	The rural inhabitants of the Sahelian and Sahelo-Saharan areas are Mali's poorest people, with the poorest living conditions (nutrition, education and health) and potential (access to land, equipment, credit and employment).
<b>Food (in)security concern (Sept., Oct. 2009 and January 2010 respectively)</b>	The European Union is providing USD 32 million to Cambodia as a part of the Food Security Support Program to improve food security of farm families affected by the soaring food prices. WFP is implementing its three-year protracted relief and recovery operation for 2008-2010 (1.8 million beneficiaries).	In spite of the national self-sufficiency in cereals, food insecure areas exist at sub-national level. One-third of the population, predominantly in upland areas, experiences rice deficit for four months in a normal year. At the end of September 2009 southern part of the Lao PDR was hit Typhoon Ketsana which affected some 250.000 people.	Proportion of food insecure among the poor vulnerable households in the capital of Antananarivo had declined to 40 percent in November 2009 (65 percent a year earlier). In the South, estimates indicate that 45 municipalities (estimated population of 560.000) are food insecure, following their low cereal harvest in 2009. Food insecurity in this region is characterised by both low availability and poor access to food.	Despite the good cereals harvest in 2008, food access remains a problem for a substantial section of the population because of persisting high food prices (millet, rice).
*most recent figures available from <a href="http://www.unicef.org">www.unicef.org</a>				

Source: own compilation from FAO and WFP 2009, IFPRI, Welthungerhilfe, Concern 2009, [www.fao.org](http://www.fao.org), [www.fao.org/giews/countrybrief](http://www.fao.org/giews/countrybrief), UNICEF, [www.ruralpovertyportal.org](http://www.ruralpovertyportal.org), UNDP 2009



## 5. FDI in land – risks and opportunities for food security

### 5.1 Effects on food security policies regarding imports and exports of concerned countries

Depending on the type of contractual arrangements related to FDI in land, various effects on imports and exports can be expected.

Considering the context described in the previous chapters, control over production of food and other agricultural products in the countries targeted for FDI in land, and the import of these products into the investors' countries are the major interests and driving forces of public and private persons and entities engaged in FDI in land.

Effects could be positive, if FDI in land not only support the production of food for export to the investors' countries, but also – directly or indirectly – support the production for use and consumption at national level, and thus improving

the national balances of food and other agricultural products. Such effects, e.g., could be expected if new technologies are introduced and/or capacities, which are built in the context of FDI in land, are available for use beyond the geographical area and time frame of the specific investment. FDI in land deals may also include specific provisions for production and use of food and other items for both export to the investors countries and local markets. A high degree of attention is, however, needed with regard to the specific and detailed contract arrangements. As the example of the contract of VARUN AGRICULTURE SARL with farmers' associations in Madagascar shows, some clauses are very vague and can be interpreted in more or less all directions for the benefit or detriment of the company and/or the farmers' associations involved (see Box 3).

#### Box 3: Contract of VARUN with farmers' association – sales for domestic and export purposes

The contract envisages the following obligations for the company VARUN AGRICULTURE SARL has agreed to sell the produce in the following manner, unless situation or circumstances otherwise demanded (The contract does not specify this clause.):

- Rice: sixty percent (60%) for domestic; twenty percent (20%) for export; twenty percent (20%) for buffer stock.
- Wheat: fifty percent (50%) for domestic; thirty percent (30%) for export; twenty percent (20%) for buffer stock.
- Maize: Fifty percent (50%) for domestic; fifty percent (50%) for export.
- Pulses: Hundred percent (100%) for exports.

Unless otherwise better sell options are available (This clause again is not specified), aforesaid selling pattern can be followed.

In addition to the above mentioned opportunities, which may materialise if well designed and adhered to, the export interests of the investors can lead to high risks of increased food insecurity in the targeted country, especially when they are already food-deficit. If the produced food is mainly exported, local availability of food will not improve through the investment.

In the context of the four case study countries e.g., which all belong to the low-income food-deficit countries, an increase in exports of food and other agricultural products from lands under FDI runs the risk of further aggravating the food insecurity

situation of the population, if these exports cannot be compensated by lower price imports.

## 5.2 Opportunities and risks for food security of vulnerable groups

FDI in land have a number of potential risks for food security of directly and indirectly affected people and population groups. All potential effects depend on the specific arrangements of the deals.

In general, there is a good common understanding of the population groups that are vulnerable to food and nutrition insecurity (see Box 4).

### Box 4: Vulnerable and food-insecure groups identified through Food Insecurity and Vulnerability Information and Mapping Systems (FIVIMS)

#### Victims of conflict

- Internally displaced people
- Refugees
- Landless returnees
- Landmine disabled
- War invalids
- War widows and orphans

#### Migrant workers and their families

- Migrant herders tending herds of others
- Migrant labourers seeking seasonal work
- Female-headed households left behind by migrant male labourers

#### Marginal populations in urban areas

- School dropouts
- Unemployed
- Rickshaw and motorcycle taxi drivers
- Recently arrived migrants
- People living in slums in urban periphery
- Dockworkers and porters
- Construction workers
- Workers in the informal sector
- Homeless people
- Orphans
- Street children
- People living alone on small fixed incomes or without support (elderly, pensioners, widows and widowers, divorcees, invalids, handicapped people)
- Beggars

#### People belonging to at-risk social groups

- Indigenous people
- Ethnic minorities
- Illiterate households

#### Some or all members of low-income households within vulnerable livelihood systems

- Subsistence or small scale farmers
- Female-headed farming households
- Landless peasants
- Agricultural labourers
- Fishers
- Nomadic pastoralists
- Sedentary herders, small-scale livestock producers and agro-pastoralists
- Forest dwellers
- Peri-urban small-scale agricultural producers and market gardeners
- Day or contract labourers

#### Dependent people living alone or in low-income households with large family size

- Elderly
- Women of childbearing age, especially pregnant and nursing mothers
- Children under five years old, especially infants
- Disabled and ill

When analysing the potential risks and opportunities it becomes obvious that different groups may be affected in different ways. It seems obvious that people in rural areas – subsistence and small-scale farmers, landless people, agricultural labourers, day or contract workers – are the most directly affected by FDI in land because of their direct link to and dependence on land (and other resources) for their livelihoods. In addition, experience has shown that special attention is needed to ensure that the interests and access of women and indigenous population groups to productive resources are maintained and/or facilitated.

Figure 2 (see next page) provides the analytical framework for the analysis of food security impacts of FDI in land on these vulnerable groups. Depending on the conditions of the deals and contracts, a vicious or a virtuous cycle is created.

The role of FDI in land is contentious because of the economic and social importance of agriculture for developing countries as well as concerns over food and nutrition security impacts and inappropriate land lease or ownership. Depending on the contracts concluded and the type of land use, effects can be devastating, e.g., in case of purchase of land by an investor who may evict former land users or owners without formal land concession without compensation. These former land users or owners then completely lose their livelihoods base, especially if they are not hired as agricultural labourers on the land or do not find alternative livelihood opportunities. And even if they have the chance to find alternative livelihoods, eviction without compensation is not justified at all.

Additional concerns are raised when the investment-receiving country itself is food insecure. Even if investments increase aggregate food supplies, this does not automatically imply that domestic food availability will increase, especially when produced food is exported to the investing country. Local food availability could even further decrease if land and water resources are directed to and used by the investors at the expense of domestic smallholders' production.

Effects of those investments can, however, also be positive for an important number of people in rural areas, e.g., if a responsible investor interested in longer term sustainable development and benefits for both the investors and local people and society as a whole concludes fair contract farming procedures with complementary measures such as access to technology, inputs and markets. This will allow increases in productivity and income that would then ideally be invested in further improvements of the food and nutrition situation of all household members.

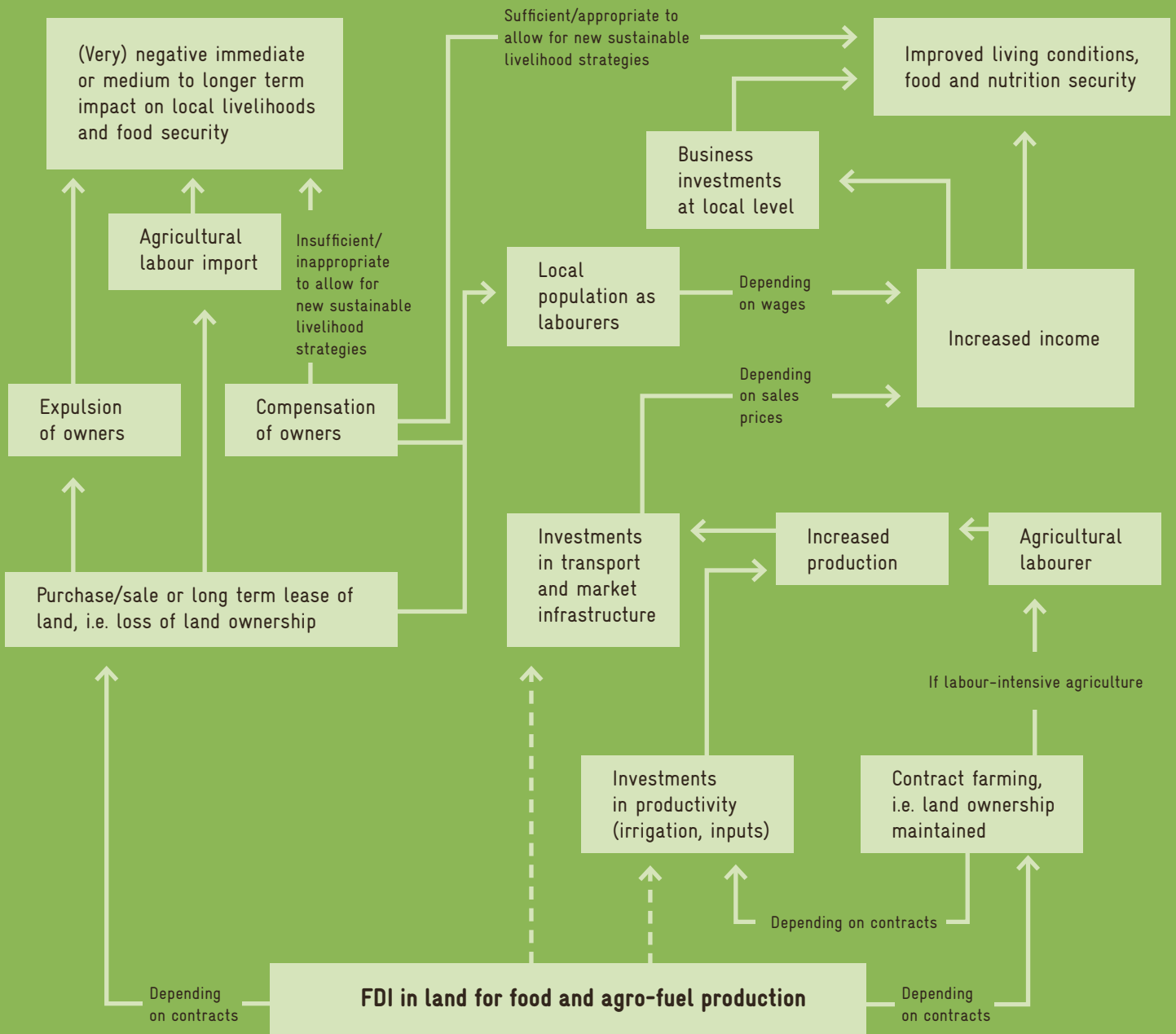
Other – more indirect – positive effects could also be expected for the food security and poverty situation of other vulnerable groups, e.g., in neighbouring rural and also in urban areas, through backward and forward linkages and multiplier effects of increased employment opportunities and incomes of people in the investment region.

However, such benefits do not occur automatically. Specific and objective-oriented efforts by both the investors and the recipient of the investment are needed to realise the full food security benefits of such land deals.

According to the UNCTAD World Investment Report (UNCTAD 2009), the degree and nature of contention varies, for example between regions, countries and types of commodities and depending on whether farming is done on new or existing farm lands, and on what the crops are used for, e.g. agro-fuels as opposed to food. Some African countries have policies that encourage private and foreign participation in agricultural production because they possess large tracts of arable land which are under-cultivated, and sometimes in relatively under-populated areas.

It is, however, very much contested whether there is any arable land available at all without any claims on it. Even in areas that seem to be under-cultivated or unutilized at a first glance, there are often some kind of customary and traditional ways of permanent and/or temporary uses attached to such areas, e.g., retreats for pastoralists or bushmen in times of drought or other stress situations.

Figure 2: Framework to analyse the food security effects of FDI in land on selected vulnerable groups



The UNCTAD (UNCTAD 2009, pp. 160-162) describes some key types of impacts of FDI in agriculture<sup>7</sup> on the different dimensions of food security in countries targeted for FDI and in the investors' countries, and highlights conditions under which food security could be enhanced.

The following effects can be observed in **countries receiving FDI in agricultural production**<sup>8</sup>:

- **Availability of food:** The investments are likely to increase the overall volume of production of certain crops. However, much of this production may be for exports. Moreover, a large share tends to be in high-value added cash crops which are normally not the staple foods of the host countries concerned. In addition, there is the danger that the involvement of big investors may adversely affect smallholders or other farmers, either through direct competition in product markets or through alternative uses for land, water and other resources (e.g. by companies involved in agro-fuel production) or food crops for export, thereby reducing the volume of food supply available for domestic consumption. The investors' involvement may also have a positive impact on the production of food crops. In particular, learning effects and productivity gains to local farmers (especially through contract farming) resulting from the transfer of agricultural technology, modern management techniques and knowledge of supply chain management can improve the capacity of local agricultural producers.
- **Access to food:** As with food availability, the impact on access is mixed. If improved productivity leads to falling employment, lower household incomes for some farmers and a negative effect on the non-farm rural economy can occur. However, much depends on the overall volume of increase in food and non-food crops and the linkages created, which may maintain income levels, e.g., linkages created through capacity development (as described above). Arguably, the overall issue is one of transition, and how governments manage the process of channelling the productivity gains in order to modernize their agriculture. If a more productive agricul-

tural industry can be used to boost the development process – as in Brazil, China and India – then rising urban and rural incomes will improve access to food. If investors largely export the crops, they require infrastructure connecting producing regions to ports. This helps improve physical access to food for urban areas, and to rural areas as well if there is a shortage which can be resolved through imports or intra-country shipments.

- **Stability of supply:** Apart from the abovementioned increased agricultural capacity in host countries resulting from productivity increases, investors' involvement in farming and plantations is unlikely to have a direct impact on the stability of food supply. However, depending on the economy, a key beneficial spill over effect on supply stability is the diversification of agriculture. However, a contrary effect is illustrated by the danger of monoculture production often practiced by big investors and leading to greater risk from disease and natural disasters. Depending on government policies, the entry by agriculture-related investors, such as manufacturers and supermarkets, into the domestic value chain may lead to enhanced stability of supply.
- **Food utilization:** Agribusiness investors can introduce higher quality and safety standards and associated practices. Their involvement in agricultural production and the domestic value chain has a number of spillovers to local farmers and other companies, such as those related to quality control, food standards and consumption patterns.

In the **investors' countries**, the following effects can be observed:

It is too early to determine what the effects of such recent FDI in agriculture/in land will be on developing the investing countries' food security. However, similar past investments in overseas agricultural production undertaken for food security reasons (Republic of Korea and Gulf Cooperation Council (GCC) countries) mostly were unsuccessful. One reason was that agriculture is among the most sensitive and most regulated industries in host countries; while on the side

<sup>7</sup> Although FDI in agriculture is not the same as FDI in land (which is the focus of this study), the described effects can often be seen – directly or indirectly – linked to FDI in land.

<sup>8</sup> Idem

of the investing country, inappropriate policies, inexperience, lack of understanding of local culture and customs by investors, low productivity and profitability of investments contributed to the failures. Another problem has to do with the fact that investment return periods for overseas agricultural investment are comparatively long, while the required initial investments can be huge because of the need to develop new arable lands and agricultural infrastructure such as irrigation and transportation facilities.

Apart from political instability in the host countries (e.g. civil war in Sudan, a significant recipient of agricultural FDI<sup>9</sup>), financial, technical and institutional problems caused most of these investments to fail in the past. Many of the investors, whether private or public, were relatively small and inexperienced. Compared to the magnitude of the food gap in GCC countries, their overseas investments in agricultural production remained small. The heavily subsidized agricultural developments in the GCC countries themselves led to an explosion of production in crops which far exceeded their overseas production.

Although the past experience overseas agricultural investments for food security was not much promising, it is worth mentioning that there are significant differences between the investment environment of the past and the present. This may result in a more successful outcome for food security of investing countries in future. First, many investing countries see the latest changes in the global agricultural industry as a sea change from the past, with high prices, shortages and volatility in food crops persisting into the future. Secondly, host countries today are generally more open to such investments, thereby reducing risks and increasing the possible benefits arising from agglomeration and scope. Thirdly, investing countries are recognizing that the heavily subsidized domestic agriculture of the past is no longer viable, and are more willing to explore new business models to ensure food security.

As these analyses show, effects of FDI in land and agriculture in general can differ enormously and very much depend on the specificities of the deals. Governments in countries targeted for FDI in land play a crucial role in

- prioritising food security and the Right to Food (RtF) over other competing land use patterns in the context of an overall development and poverty reduction policy and strategy;
- designing and implementing land deals through setting an appropriate legal framework and enforcing existing customary/traditional and modern laws;
- ensuring a conducive environment and space for an adequate participation of all relevant stakeholders in the negotiation of land deals;
- ensuring capacity building of relevant stakeholders, especially smallholder farmers, in order to level out the often existing power imbalances between the investors and people affected by the investments.

The international community can and should support national efforts in this direction (see e.g. the specific recommendations in chap. 7).

## 6. FDI in land – examples of positive and negative effects on food security

The analysis of the case study reports and the internet research conducted in the context of this study have shown that there is hardly any empirical evidence available on effects of FDI in land on (household) food security in countries targeted for such investments.

Several reasons may be named for this situation:

- Overall lack of transparency about the deals and their status of implementation;
- Relatively “young” investments with short periods of implementation so that only shorter term effects may have materialised so far;
- Lack of priority of all partners involved in the deal in analysing and publishing such information;
- Lack of access to the relevant information for “outsiders” not involved in the deals.

Thus, the analysis of effects remains rather hypothetical and theoretical. Much more detailed insights in on-going and past investments are needed in order to improve the empirical evidence of actual successes.

Thorough ex-ante analysis<sup>10</sup> is needed as a base for a systematic and comprehensive analysis of positive and negative effects of FDI in land on food security. The design, planning and implementation of such investments need to be accompanied by comprehensive monitoring and evaluation of intended and especially unintended effects.

Some of the recommendations (see chap. 7 of this report) address the described lack of empirical evidence.



Woman with processed rice, © Jörg Böthling

<sup>10</sup> Such assessments could benefit from experiences with existing poverty assessments, such as Ex-ante Poverty Impact Assessments (PIA) or Poverty and Social Impact Assessments (PSIA), which could be adapted to the specific purpose.

## 7. FDI in land – coherence with international food security policies and strategies, especially the Right to Adequate Food

There is a number of international food security policies and strategies available, formulated by international/UN organisations, donors and multi-stakeholder groups. Some prominent and recent examples include:

- The G8 L'Aquila Joint Statement on Global Food Security;
- Comprehensive Framework for Action of the UN High-Level Task Force on the Global Food Crisis;
- European Commission Food Security Thematic Programme. Thematic Strategy Paper and Multiannual Indicative Programme 2007 – 2010;
- FAO Voluntary Guidelines to support the progressive realization of the right to adequate food in the context of national food security.
- They all emphasise access to land (and other resources) as an important factor in ensuring food security and the RtF, and/or the lack of such access as an important reason for food insecurity (FAO 2005, EC 2007, High Level Task Force 2008, G8 2009).

The Voluntary Guidelines formulate state obligations to respect, promote and protect and to take appropriate steps to achieve progressively the full realization of the right to adequate food. They contain a specific guideline related to the access to

land (see Box 5) and other resources (labour, water, genetic resources for food and agriculture, sustainability and services) formulating what States have to do in these areas.

While stressing national responsibilities, the Guidelines also emphasise that national development efforts should be supported by an enabling international environment, the international community and the UN system, including FAO, as well as other relevant agencies and bodies according to their mandates. They are urged to take actions in supporting national development efforts for the progressive realization of the right to adequate food in the context of national food security (FAO 2005).

Although not legally binding, these Guidelines provide relevant and broadly recognised actions and measures to be taken into consideration in the context of FDI in land. As the Guidelines are based on multi-stakeholder groups' experiences with factors and procedures that are crucial in achieving food security at national and household level and the achievement of the RtF, the non-observance of the Guidelines carries a high risk of endangering food security and violating the RtF.





Harvest season, © Jörg Böhling

#### **Box 5: Voluntary Guideline 8B Access to land**

States should take measures to promote and protect the security of land tenure, especially with respect to women, and poor and disadvantaged segments of society, through legislation that protects the full and equal right to own land and other property, including the right to inherit. As appropriate, States should consider establishing legal and other policy mechanisms, consistent with their international human rights obligations and in accordance with the rule of law, that advance land reform to enhance access for the poor and women. Such mechanisms should also promote conservation and sustainable use of land. Special consideration should be given to the situation of indigenous communities.

Source: FAO 2006, FAO and WFP 2009

## 8. Recommendations

Based on the above presented analysis of current knowledge and experiences with regard to food security impacts of FDI in land and in line with the recommendations of the main study (GÖRGEN ET AL. 2009) and the four case studies (DIALLO AND MUSHINZIMANA 2009, SCHÖNWEGER AND ÜLLENBERG 2009, ÜLLENBERG (2009a), ÜLLENBERG 2009b) a number of recommendations are made.

The aim of these recommendations is on the one hand to support the control of threats to food and nutrition security through FDI in land, and on the other hand to support seizing the opportunities of such investments.

Stakeholders are encouraged to

- Continue to put and keep the topic of FDI in land high and its food and nutrition security impact on the international and bilateral development cooperation agenda, especially in the design and implementation of rural development as well as food and nutrition security policies and strategies;
- Contribute to global and partner country efforts of collecting and documenting information, and creating and ensuring transparency at global and partner country level on FDI in land, land grabbing and subsequent food and nutrition security impacts in partner countries;
- Support research and impact monitoring and evaluation of FDI in land;
- Contribute to the global and partner country dialogue about opportunities and challenges in FDI in land;
- Based on already existing initiatives (as presented above), contribute to the global and partner country dialogue about a Code of Conduct for FDI in land, incl. dialogue about addressees of such a code, modalities of signature etc.;
- Identify opportunities for partnerships and cooperation at global and country level for responsible and win-win FDI in land with fair shared benefits;
- Support sensitised and self-motivated investors in their efforts to create a win-win situation for a maximum number of poor and food insecure people in FDI in land in partner countries;
- Mainstream FDI in land, land grabbing and food and nutrition security issues and concerns in existing projects/programs at country level.
- Support partner countries in conducting a realistic assessment of the (food and nutrition security) opportunities and risks related to FDI in land, ideally before the negotiations begin and involving all concerned stakeholder groups;
- Support partners involved in FDI in land in analysing the food security effects of FDI in land during implementation and taking corrective actions if needed;
- Support capacity building of local, regional and national stakeholders involved in and/or affected by FDI in land to strengthen their negotiation, conflict management and monitoring and evaluation skills;



Corn farmer (© GTZ)



Farmer and water buffalo in a rice field (© GTZ)

## Annex: Overview of relevant German bilateral TC projects/programmes in the four case study countries

Project/ pro- gramme	Land allocation for social and economic development (LASED)	Support for Development of the Cadastral System (Land Management)	Land Management and Land Registration Project
Country	Cambodia	Cambodia	Lao PDR
Objective of the module	Families that had little or no land before develop land resources allocated to them and use rural services according to their needs.	A significant number of households with legal claims to land resources holds legally ensured land titles.	A coherent land policy secures the land rights of the Laotian population.
Indicators	<ul style="list-style-type: none"> <li>- At least 10,000 households formerly having little or no land are allocated land.</li> <li>- 70% of those receiving land continually use it in accordance with agreement conditions and 90% of the households, having used the land for a period longer than 5 years, received ownership rights. The proportion of women-led households corresponds at least to their proportion of the basic entirety of households with little or no land.</li> <li>- More than 70% of male and female land recipients and at least 30 % of the other inhabitants of the communes confirm that the measures implemented meet their prioritized needs and are useful for their social and economic development.</li> </ul>	<ul style="list-style-type: none"> <li>- Statistics of the areas where especially local institutions were strengthened prove a decrease in land right and land use conflicts.</li> <li>- The number of cases of illegal or unjustified land seizure decreases.</li> <li>- The percentage of land conflicts that are solved by means of discussion and negotiation increases vis-à-vis the number of cases that proceed to the courts.</li> <li>- The legal land market grows and accounts for a rise in revenues from taxes and dues: the number of registered transactions rises and land owners who pledge their registered land as collateral benefit from cheaper credit.</li> </ul>	<ul style="list-style-type: none"> <li>- A minimum of 40% of the women and men and all members of the communal administration in 1000 relevant villages are familiar with their land rights and the guiding principles of the Laotian land policy which affect them</li> <li>- Land registrations of households include 50% in the name of women and men together, and a minimum of 25% exclusively in the name of women</li> <li>- A minimum of 25% of all cases of administrative land conflicts recorded by the land administrations in the pilot regions and at national level are solved amicably using alternative methods of arbitration</li> </ul>
Objective of the phase	Cambodia has a consistent legal framework at its disposal, and a successfully tested implementation strategy for the countrywide allocation of social land concessions to families having little or no land.	See 'objective of the module'	Land rights of the Laotian population in rural areas are better secured through a decentralized land registration system.
Approach	<ul style="list-style-type: none"> <li>- Large scale pilot measures for land allocation (SLC) to households with little or no land</li> <li>- Accompanying measures of rural development (infrastructure, extension services and qualification, access to markets)</li> <li>- Measures are managed and steered at communal level</li> <li>- Participation of the population in decision making</li> <li>- Knowledge transfer as well as advising and qualifying partners in land issues</li> <li>- Rural development and donor harmonization</li> <li>- Process advice and technical support in the evaluation and use of experiences gathered from the pilot measures</li> </ul>	<ul style="list-style-type: none"> <li>- Initiating a process for improving the Cambodian land management system und contributing to building its structure</li> <li>- Working groups in four areas ()</li> <li>- Development of a land policy regulation framework and formulation of necessary bills and decrees</li> <li>- Comprehensive advancement of institutions geared to decentralization, including the private and the academic sector</li> <li>- Systematic land registration in 11 provinces</li> <li>- Creation of structures for arbitrating land conflicts out of court which particularly take into account the rule of law and women's rights</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthening the institutions at decentralised level responsible for land management and land registration in the project region</li> <li>- Supporting the national level in developing and implementing a decentralized system of land registration which includes a systematic classification and participatory land use</li> <li>- Advising in the conceptualisation and implementation of information campaigns, methods for managing land conflicts and management of government owned land, also with regard to gender issues</li> </ul>
Duration	Seven years (01/2007 – 12/2013) 1 <sup>st</sup> phase: 01/2007 – 12/2010	Eight years (08/2002 – 12/2010) 2 <sup>nd</sup> phase: 08/2005 – 12/2010)	Nine years (09/2005 – 08/2014) <sup>1st</sup> 2 <sup>nd</sup> phase: 07/2009 – 06/2011)



Corn processing, © Jörg Böhling



Planting organic rice, Cambodia (© GTZ)

## Annex: Overview of relevant German bilateral TC projects/programmes in the four case study countries

<b>Project/ programme</b>	Conservation and Sustainable Use of Natural Resources Cooperation Programme
<b>Country</b>	Madagascar
<b>Objective of the module</b>	The sustainable use of natural resources by relevant actors of the environmental and energy sector has improved in selected communities.
<b>Indicators</b>	<ul style="list-style-type: none"> <li>- The rate of deforestation per year is decreasing to less than 0.5%</li> <li>- Legal decrees regarding the participatory implementation of the Madagascar Action Plan (MAP) are being decided on by the responsible bodies. Constructive reform processes have been implemented</li> <li>- The conferment and long-term use of peoples' right to use forests are legally secured</li> <li>- The annual income of the affected households (from tourism, erosion control, forestry and energy management) rises by more than 5% (inflation-adjusted). Women have a significant share in the rise of incomes (&gt;50%)</li> </ul>
<b>Objective of the phase</b>	See 'objective of the module'
<b>Components and their objectives</b>	<ul style="list-style-type: none"> <li>- Sector policy consultation: State actors in the forest and environmental sector are able to implement the sector policies, strategies and targets in cooperation with other relevant shareholders</li> <li>- Decentralised management of natural resources: Private and communal actors participate in the improvement of local resource management (forest, land, energy)</li> <li>- Sustainable protection of the environment: The capacities of the agency for nature conservation (ANGAP) and of its implementing partners for the management of protective areas and the preservation of biodiversity have improved</li> </ul>
<b>Approach</b>	<p>Comprehensive three-level approach:</p> <ul style="list-style-type: none"> <li>- Development of solutions in cooperation with decision makers from Madagascar which will be integrated in national strategies and programmes</li> <li>- Capacity development for experts in implementing organizations at the national, regional and local level which will enable them to adequately use the services of German financial cooperation and other donors</li> <li>- Networking between relevant public, private and civil society actors involved in natural resource management</li> <li>- Consultancy, education, small contributions in kind, allowances for local initiatives, negotiation and harmonisation processes, funding of seminars, educational trips and public relations</li> </ul>
<b>Duration</b>	Seven years (11/2004 – 12/2011) 2 <sup>nd</sup> phase: 01/2008 – 12/2011

Support of the National Programme for Sustainable Small-Scale Agricultural Irrigation	Promotion of Local Government
Mali	Mali
The rural population in Mali uses the economic potential of small-scale irrigation for sustainable, self-supporting agriculture.	Administration as well as access to basic social services, economic development and social participation in the local communities have improved.
<ul style="list-style-type: none"> <li>- X% of the potential of small-scale irrigation which is identified in the framework development planning of the government are used in a sustainable way.</li> <li>- The proportion of women who increase their income by producing, processing and marketing selected products rises by X%.</li> <li>- The market share of rice from the project areas which is produced using small-scale irrigation in selected local markets has increased by X%.</li> <li>- X% of the users take advantage of micro-financial services for risk protection in small-scale irrigation agriculture.</li> </ul> <p>(Quantification of the indicators was supposed to be done by end of 2009)</p>	<ul style="list-style-type: none"> <li>- Increase in the proportion of users (population, civil society, private sector) of communal services (administration, basic social services, energy supply, land administration) who are content with their community (in 97 communities in the focus region)</li> <li>- Increase in the share of own revenues in the community budgets: from 15% (2005) to 50% in the administrative budget, from 10% (2005) to 20% in the capital budget (in 97 communities in the focus region)</li> <li>- Countrywide increase in the share of professionals who have successfully completed the standardised initial education for communal public service in the total number of staff hired by the local authorities every year from 0% (2007) to 60%</li> <li>- Increase in the participation in local elections from 43% (2004) to 50%, in the proportion of women in local councils from &lt;5% (2004) to 15% (97 communities in the focus region)</li> <li>- Countrywide increase in forest area that is managed in a sustainable way both within and between communities</li> </ul>
The coordinated implementation of a national programme for sustainable small-scale irrigation agriculture, including production and marketing measures, is induced in selected project areas.	<ul style="list-style-type: none"> <li>- The legal, institutional, personnel and fiscal framework requirements meet the demands of decentralization.</li> <li>- Local government and basic social services: administration, budget management and the supply of basic services in the communities are more efficient, transparent and demand-oriented.</li> <li>- Governance of local economic development: the mobilization of communal resources and the activation of local economic potential by the communities are improved.</li> </ul>
<ul style="list-style-type: none"> <li>- The National Programme for Small-Scale Irrigation (PNIP), its area and investment dimensions, and the implementation mechanisms are ready for implementation.</li> <li>- The market share of products which are produced using small-scale irrigation has increased.</li> <li>- Users of small-scale irrigation take advantage of micro-financial services to improve production and marketing.</li> <li>- There is demand for suitable upstream and downstream services in small-scale irrigation.</li> <li>- Farmers and their organizations manage their small-scale irrigation systems in a sustainable way.</li> </ul>	<p>Productive multi-level approach:</p> <ul style="list-style-type: none"> <li>- Development and test of instruments</li> <li>- Systematic analysis and use of the results of field level experience and its integration at national level, and application of the lessons learnt to knowledge-oriented and experience-oriented reforms</li> <li>- Advice of organisations concerned with decentralisation at national level</li> <li>- Capacity development of regional and local authorities and agencies</li> <li>- Scaling up in the project region and countrywide using services which have proved themselves in local practice and which have created a strong demand, e.g. the 'ABC of local government'</li> <li>- Integration of the local population in decision-making processes</li> </ul>
Fifteen years (06/2008 – 05/2023) 1 <sup>st</sup> phase: 06/2008 – 12/2010	Twelve years (01/2002 – 12/2013) 2 <sup>nd</sup> phase: 01/2006 – 12/2010

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**Project/program documents of relevant German bilateral technical cooperation projects/programs in Cambodia, Lao PDR, Madagascar and Mali**



Woman working in a rice field (© GTZ)

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Deutsche Gesellschaft für  
Technische Zusammenarbeit (GTZ) GmbH

Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn/Germany  
T +49 61 96 79-0  
F +49 61 96 79-11 15  
E [info@gtz.de](mailto:info@gtz.de)  
I [www.gtz.de](http://www.gtz.de)