Deal or no deal: the outlook for agricultural land investment in Africa

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Recent spikes in prices for food and energy have thrown into sharp relief the squeeze between demand and supply, and between rising populations and per capita consumption on the one hand and environmental degradation and climate change on the other. Governments have long looked beyond global markets to achieve national energy security, and now a range of countries that are net food importers are negotiating bilateral deals to secure food supplies. Equally, businesses are recognizing new opportunities for strong returns from international investments in agriculture, for food and fuel as well as for other products. In consequence, there has been a conspicuous surge in direct investment in agricultural land over the past couple of years. Dubbed ‘land grabs’ in the media, these investments have kindled much international debate, in which strong positions are taken on the impacts of such investments on environment, rights, sovereignty, livelihoods, development and conflict at local, national and international levels. An analysis of this complex and shifting situation, focusing on Africa, lays out key trends, drivers and main features, and outlines how to make the renewed momentum in agricultural investment work for development and avoid the pitfalls of exacerbated political tensions.1

International land acquisition: trends and drivers

Large-scale international land acquisitions have been much in the news over the past year.2 Amid the fanfare, what have been less available are quantitative assessments

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1 This article draws on a collaborative study undertaken by the IIED with the Food and Agriculture Organization of the UN (FAO) and the International Fund for Agricultural Development (IFAD). The study involved analysis of a small sample of contracts, in-depth case studies in Mozambique and Tanzania, and quantitative national inventories of agricultural land acquisitions over 1,000ha from 1 Jan. 2004 to 31 March 2009 in Ethiopia, Ghana, Madagascar and Mali. The inventories relied primarily on host government sources (such as investment promotion agencies and ministries for agriculture), cross-checked through multi-stakeholder interviews. Unless otherwise stated, all data referred to in the article come from this report: L. Cotula, S. Vermeulen, R. Leonard, and J. Keeley, Land grab or development opportunity? Agricultural investment and international land deals in Africa (London: IIED; Rome: UN FAO and IFAD, 2009).

of the scale, geography and trends of, and the players in, the so-called ‘land grab’ phenomenon. Some aggregate estimates of scale, based on media reports of land deals, are available. For instance, the International Food Policy Research Institute estimated that between 15 and 20 million hectares of farmland in developing countries has changed hands since 2006. But a high level of uncertainty and the limited reliability of some media reports mean these figures must be treated with caution.

Our quantitative inventories of documented, approved land allocations in Ethiopia, Ghana, Madagascar and Mali help to shape an evidence-based picture of trends. Nevertheless, like media reports, these findings too should be treated with caution, given the limited timeframe of the study and the reliance on formal governmental sources of information.

Levels of activity are significant. Acquisitions in the four countries from 2004 to early 2009 total some 2 million hectares (ha), including allocations of over 1.4 million ha to foreign investors. This total excludes acquisitions below 1,000ha and those pending negotiation. Many approved deals have not yet been implemented on the ground.

There has been a cumulative increase in land investment. The past five years have seen an accumulation of project numbers and allocated land areas in the four countries, though year-on-year trends vary among the countries and do not show any net acceleration in the numbers of deals going through. Further growth is anticipated, however, particularly given recent announcements by some large investment funds of intentions to acquire lands in Africa, and recent media reports about ongoing negotiations for major land acquisitions. Host country efforts to attract investment may also result in higher volumes of land acquisition. For example, in July 2009 the government of Ethiopia reportedly marked out 1.6 million ha of land, extendable to 2.7 million, for investors willing to develop commercial farms.

The size of single acquisitions can be very large. Allocations include a 452,500ha biofuel project in Madagascar, a 150,000ha livestock project in Ethiopia, and a 100,000ha irrigation project in Mali. But the average sizes (of projects above 1,000ha) are much smaller: in Ethiopia a mean of 7,500ha (median 2,000ha) and in Mali a mean of 22,000ha (median 10,000ha).

Private sector deals account for about 90 per cent of allocated land areas. Government-owned investments make up the remainder. The home country governments of investors may play a major supportive role, providing diplomatic, financial and other support to private deals. Equity participations in investment projects by home country governments, through state-owned enterprises, development funds or sovereign wealth funds, may also be growing and the picture may

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Quoted in ‘Outsourcing’s third wave’.

Land acquisition is defined broadly to include not only purchase of ownership rights, but also the question of use rights, for instance through leases or concessions, whether short- or long-term.

change if some major deals reported in the media as being under negotiation are actually concluded.

Foreign investment accounts for the bulk of the deals: about three-quarters of allocated land areas. While media reports have focused on acquisitions by Middle Eastern and East Asian investors, the quantitative inventories suggest that key investor countries are located in Europe and Africa as well as the Gulf and South and East Asia. Land acquisitions by domestic investors are also significant, however, and account for the majority of allocated land areas in Ethiopia.

Several factors evidently underpin these land acquisitions. Food security concerns in some investor countries, particularly in the Gulf, are a key driver of government-backed investment. These concerns relate to both supply of and demand for food at national and global levels. On the supply side, bottlenecks and uncertainties are created by diminishing agricultural production in some areas, linked to negative environmental conditions affecting soil quality and water supply. For example, while until recently extensive subsidies and water-intensive production made Saudi Arabia self-sufficient in wheat, imports resumed in 2007, and following a recent policy change wheat production will be phased out completely by 2016. Progressive depletion of non-renewable fossil water in the country was a key factor in policy this shift.6 Governments in countries heavily dependent on food imports, including both Gulf and East Asian states, have been questioning the capacity of global markets to provide food reliably at predictable prices.

On the other side of the equation, global food demand is being increased by factors including population growth, accelerating urbanization (which expand the share of the world’s population that depends on food purchases) and changing diets (such as growth in meat consumption in industrializing countries). For example, while cereal agriculture in the Gulf countries is in irreversible decline, the population of the region will double from 30 million in 2000 to nearly 60 million by 2030. Dependence on food imports, which now meet 60 per cent of total demand, will grow as a result.7 Food price inflation has been a serious issue in several Gulf countries, driving inflation in the wider economy. Price rises are particularly problematic in relation to the large migrant workforce in smaller Gulf states, and there are concerns about social unrest. It must be remembered that social unrest associated with food has affected at least 33 countries around the world during the recent food price spikes.8 As a response to these challenges, some Gulf countries have adopted policy tools that explicitly promote acquisitions of farmland abroad. For example, Saudi Arabia’s ‘King Abdullah Initiative for Saudi Agricultural Investment Abroad’ supports agricultural investments by Saudi

companies in countries with high agricultural potential, with a view to promoting food security. Strategic crops include rice, wheat, barley, corn, sugar and green fodders, in addition to animal and fish resources.9

Government-backed land acquisitions are not solely driven by food security concerns, however; investment opportunities provide another prominent motive. For example, China adopted its ‘Going Out’ policy in 2004. This initiative encourages Chinese firms to invest abroad, first to create business opportunities for Chinese firms and second to secure access to non-food resources where Chinese demand outstrips domestic supply. A range of incentives such as tax breaks, credit, low-interest loans and customs preferences, allied to high-level diplomatic support, underpin the policy. Notably, acquisition of foreign land for domestic food security is not part of China’s mix of policies for national food security. In 2008 a draft policy document drawn up by China’s Ministry of Agriculture did advocate the acquisition of foreign land for food security purposes, and the proposal was intensely debated; but ultimately it was not adopted because of the high political risks perceived to be involved in depending on outsourced agricultural production for domestic food security.10

Europe, by contrast, has lacked recent policies directly concerned with foreign land acquisition for agriculture. The predominant policy driver for large-scale land investments has been the EU renewable fuels target, which specifies that 10 per cent of transport fuels be supplied by renewables by 2020. With the expectation that 80–90 per cent of this target is likely to be met by biofuels, European firms have responded to the promise of a guaranteed market with widespread investment in production of biofuels feedstocks, not only in the EU and Europe more widely, but also in Asia, Africa and South America. The US Renewable Fuel Standard provides an equivalent mandate and set of financial incentives for US firms, which are sourcing feedstock predominantly from the US and Brazil. Such renewable fuel targets provide a commercial incentive for investment in biofuel feedstock production and associated land acquisition that would not be driven by market forces alone.11 In the longer term, expectations of returns linked to high and fluctuating oil prices are likely to be a key driver for biofuel investments.

In addition, rising food prices make agriculture an increasingly attractive investment option. In recent decades, agricultural value chains have tended to concentrate returns in processing and distribution, while the risks fall mainly on primary production, acting as a disincentive for investment in agriculture. Now the upward trend in commodity prices is tipping the balance by increasing the downstream risks to processors and distributors, concerned about sourcing raw

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materials, and boosting returns from production.\textsuperscript{12} This increases the attractiveness of agricultural production as an investment option, including the acquisition not only of land itself, but also of shares in companies holding land, producing fertilizers, providing management services or otherwise involved in upstream agricultural activities.\textsuperscript{13} Some agribusiness players traditionally involved in processing and distribution are therefore pursuing vertical integration strategies to move upstream and enter direct production—a rationale explicitly mentioned by Lonrho as justifying its recent land acquisitions in Angola, Mali and Malawi.\textsuperscript{14} Entering direct production enables agribusiness firms to avoid needing to buy from the market (where market prices include a share for traders), and to secure their supply (when market prices are volatile and export restrictions reduce supply to world markets). This may offset the high risks typically involved in holding large areas of land in foreign countries that are often politically unstable.

Improved prospects for returns from agriculture encourage speculative investment in land. Given projections for rapid growth in food demand linked to population growth, changing diets and urbanization, and a concurrent decline in productivity linked to climate change and environmental degradation, prevailing prices of agricultural land seem cheap, particularly in Africa, and likely to rise. This circumstance is particularly relevant at the moment given that the collapse in equity and bond markets resulting from the global financial crisis has reduced the appeal of these asset classes and precipitated a resurgence of interest in land and commodities.\textsuperscript{15}

The nature of the land deals and the multiple roles of governments

Land deals are embodied in one or several contracts. Such contracts may range from a framework agreement outlining the key features of the overall deal, in which the host government commits itself to making the land available to the investor, to more specific instruments (contractual or otherwise) that actually transfer the land or subsections of it. The extent to which contracts are negotiated or standardized varies across countries and the different stages of negotiation, with instruments to allocate land tending to be more standardized (for example, the lease contracts in Mali’s Office du Niger). Importantly, these contracts must be read in conjunction with other legal texts defining their broader context, including national law (on land, water, tax, investment promotion and environmental protection, for instance) and international law (particularly bilateral investment treaties). Considerable further analysis is needed to arrive at a proper under-

\textsuperscript{12} A. Selby, ‘Institutional investment into agricultural activities: potential benefits and pitfalls’, paper presented at the conference ‘Land governance in support of the MDGs: responding to new challenges’, World Bank, Washington DC, 9–10 March 2009, PowerPoint presentation on file with the authors.


standing of the structure of land deals, identify trends in contractual practice and assess the role of national and international law in setting the terms for content, process, accountability and remedy.

In their basic form, land deals involve two parties. On one side is an acquirer, generally a private or government-owned company. As outlined above, private sector deals account for the bulk of land areas acquired in Ethiopia, Ghana, Madagascar and Mali. But government support is a crucial ingredient of much recent land acquisition. Some governments have established funds that provide financial services such as subsidies, soft loans, guarantees and insurance to private companies engaged in land-based investments abroad (e.g. the Abu Dhabi Fund for Development, or the above-mentioned King Abdullah Initiative for Saudi Agricultural Investment Abroad). In addition to finance, government agencies may provide a range of informational, technical, bureaucratic and diplomatic support to the private sector. Government-to-government framework agreements on the protection of foreign investment (bilateral investment treaties, increasingly common in Africa16) and on mutual cooperation in agriculture can also pave the way for land deals led by the private sector.

Where governments play a more direct role as acquirers of land abroad, this is usually through investment vehicles that are not under direct civil service or parliamentary control, such as state-owned enterprises and sovereign wealth funds. For these institutions, the border between public sector and private sector functions is typically fuzzy. For state-owned enterprises, the exact blend of government and private equity may not be public information (as in China). In addition, in some investor countries there is likely to be significant state influence over strategic private firms; or, to put this another way, strategic companies flourish because of their formal and informal links to key state agencies. Such companies benefit from access to special credit lines, tax breaks, and possibly favourable interpretation of regulations and priority in allocation of key contracts. An example of agricultural investments by state-owned enterprise is provided by Dubai World, a government-controlled conglomerate, which in 2008 created a new subsidiary targeting global investments in natural resources (‘Dubai Natural Resources World’); this has in turn set up subsidiaries to handle investments in three sectors, including ‘agrarian investments’.17

Similarly, sovereign wealth funds (SWFs) have specifically private sector functions and status on global markets, while sometimes undertaking investments that go beyond fiduciary duty to pursuit of national security concerns. An example of significant SWF involvement in agriculture, driven by food security concerns alongside profit motives, is the Qatar Investment Authority (QIA), which pursues joint ventures with foreign host governments using a co-ownership, risk-sharing model. Outside the African context, the QIA has reportedly established $1 billion

joint venture funds with the governments of Indonesia and Vietnam (contribution 85 and 90 per cent of the finance, respectively), in order to support investment in a range of sectors including agriculture. In Africa, the Libya Africa Investment Portfolio, acting through a subsidiary, has signed a deal with the government of Mali to develop 100,000ha in the Office du Niger, the land area with highest agricultural potential in Mali.

More rarely, governments have acquired land abroad directly. For example, a specific area of land was transferred under a ‘Special Agricultural Investment Agreement’ signed in 2002 between Syria and Sudan, with the ministries of agriculture as signatories. Again, in these cases the border between public and private investors may be fluid, as the implementation of deals signed between governments may be driven by private operators. Indeed, the Syria–Sudan contract enables the government of Syria to delegate implementation to the private sector, subject to this being cleared with the government of Sudan (article 14). A government-to-government land agreement may be part of a broader deal involving bundles of development aid, non-financial assistance and business opportunities. While such bundled deals are attractive to governments, they carry the risk that if one component fails, other sectors will lose out too, with potentially serious implications for food security.

On the other side of the deal is a land provider. While in some countries targeted for land investments, notably Brazil, private landholders are significant providers of land, in Africa governments dominate, not least because in many countries they formally own all or much of the land. Governments were the provider in 100 per cent of approved land deals documented by the national inventories in Ethiopia and Mali. Multiple agencies within the host government are usually engaged. Even in countries where the investment promotion agency acts as a central point of contact (‘one-stop shop’) for prospective investors, for example Tanzania, this agency alone will not deal with all aspects of the land deal. Other providers of land in Africa may be communities, whether acting collectively as legal entities in Tanzania and Madagascar, or through customary leadership in Ghana, but even these cases usually entail separate contracts with government. For instance, a recent contract from Madagascar entails a combination of lease and contract farming arrangements, including a direct deal with 13 associations of local landholders.

The central role of host governments in allocating land raises a number of important issues, particularly with regard to the extent to which governments take account of local interests in land, water and other natural resources. Host governments may contractually commit themselves to providing land before any consultation with local land users has taken place. Also, lack of transparency and of checks and balances in contract negotiations encourages corruption and elite capture of benefits. In some countries, including Mozambique, national law does

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require investors to consult local people before land allocations are made. But even in these cases, shortcomings in implementing legal requirements and in the accountability of local leaders are a recurrent problem. The extent to which local land users enjoy secure land rights is also key—both to protect them from arbitrary dispossession, and to give them an asset to negotiate with. National laws vary, but some recurrent features undermine the position of local people. These include insecure use rights on mainly state-owned land, inaccessible registration procedures, vaguely defined productive use requirements, legislative gaps, compensation only for loss of improvements such as crops rather than land, and often outdated compensation rates. As a result, local people may lose out, and investors that aim for good practice suffer from a lack of clear government procedures and guidelines.

The economic equilibrium of land deals is determined by the transfer of land rights versus benefits accruing to the host country. Land leases, rather than purchases, predominate in Africa, accounting for the vast majority of documented, approved deals in Ethiopia, Ghana and Mali. The duration of land leases ranges from short terms to 99 years. Land fees and other monetary transfers are generally absent or small, due to efforts to attract investment, perceived low opportunity costs and a lack of well-established land markets. This alone does not mean the deal is unbalanced: benefits to host countries may include investor commitments on levels of investment and development of infrastructure such as irrigation systems, though the extent to which these benefit displaced local rights-holders is questionable.20

Given the prominence of investment commitments in the economic equilibrium of land deals, specificity and enforceability are particularly important. Government land allocations are usually subject to the investor’s compliance with investment plans for the first few years of the project, after which the allocation is confirmed. But in the past African governments have rarely used this lever to hold investors to account. The wording of contracts may not be specific enough to be enforceable. Furthermore, one-off assessments at an early stage of implementation do not amount to continued monitoring and sanctioning of investment performance over a project’s lifespan. In several key respects affecting economic equilibrium, the contracts reviewed tend towards the unspecific, particularly compared to contracts in other sectors, such as mining and petroleum. With considerable variation among cases, the contracts tend to lack robust mechanisms to monitor or enforce compliance with investor commitments, guarantee benefits to local people, promote smallholder participation in production activities, maximize government revenues, or balance food security concerns in home and host countries.

International treaties may compound imbalances in individual deals. Investment treaties between home and host states usually protect investment against adverse host government action (e.g. expropriation, unfair treatment), strengthen the legal value of individual contracts by making their violation a breach of international

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law, and give investors direct access to international arbitration in case of disputes with the host government. Over the past few decades, these mechanisms have proved effective at holding governments to account for the way they treat investors. Rulings issued by international arbitrators have granted investors substantial compensation for host state breaches of contracts or treaties; investors can enforce these rulings internationally, for instance by seizing assets held by the government abroad. These international legal devices tend to be much more effective than those available to local people for protecting their land rights, for instance under human rights treaties. So when local people challenge governmental land allocations and seek protection for ‘customary’ rights, national and international institutions will probably offer little comfort, while the investor may rely on much more effective legal protection to discourage adverse changes to the land acquisition.21

Issues of scale in impacts and contestation

As ‘land grabs’ fade from topicality within the media, serious observers are confronting the question of whether such land acquisitions do indeed add up to a phenomenon of material concern at either the global or the local level. This is a question in the first place of scale: are land acquisitions widespread enough to cause real impacts on human landscapes and economies now or in the near future? It is also a question of depth and feedback: to what extent are these transformations in land use, food production and control over resources likely to ameliorate or exacerbate existing issues of food security and conflict in an increasingly resource-constrained and climate-constrained world?

Looking first at the subnational level, allocations account for relatively small proportions of all the land suitable for agriculture in any given country (ranging from 0.6 per cent in Mali to 2.3 per cent in Madagascar).22 The temptation is then to dismiss the impacts of recent land acquisitions on grounds of geographical scale, but there are many reasons to treat this position with caution. The simplest are to do with constraints of data. Figures on allocations are conservative: some approved deals may not have been recorded, and deals still under negotiation are not included.

More importantly, while there is a perception that farmland is abundant and under-utilized in certain countries, these claims are not always substantiated. In many cases land is already being used, yet existing land uses go unrecognized because the people using the land have no formal land rights or access to the relevant law and institutions. In Ethiopia, for example, all land allocations recorded at the national investment promotion agency are classified as involving ‘wastelands’ with no pre-existing users, but the greater likelihood is that some, if not most, of these lands have been used for shifting cultivation and grazing. In addition, properly assessing the implications of land takings for agricultural invest-


22 Based on FAO definitions and estimates of land suitable for agriculture.
ments requires a good understanding of the broader context shaping pressures on land in a given country or locality. Many parts of Africa have experienced strong demographic growth over the past few decades, and projections suggest that population increases are likely to continue over the next few decades, albeit at slower rates.\(^{23}\) This will lead to substantial increases in population densities, though it is accepted that population changes may not be concentrated in rural areas.

Another key issue is that not all land is equally suitable. Investors’ interest focuses on higher-value lands: those with greater rainfall or irrigation potential, better soils and superior physical access to markets. In Mali, for instance, where only a relatively small area of suitable land has so far been allocated, investor interest has focused on the more fertile lands of the Office du Niger area in the vicinity of Segou (figure 1). If land quality issues are considered, allocating even small shares of suitable land can have disproportionate impacts on access to resources, food security and livelihoods. Additionally, non-agricultural demands on land exert additional pressure. In the Massingir district of Mozambique, for example, a 30,000ha biofuel project has exacerbated land scarcity by using land promised to communities being resettled from a new tourism-oriented national park, with knock-on effects on neighbouring communities.

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Clearly, the fact that only a small proportion of net suitable land has so far been allocated for agricultural investments should not give grounds for complacency. On the other hand, it might be argued that the benefits of large-scale agricultural projects outweigh local costs. Not only will such projects increase the total global supply of food (or fuel or fibre), but their positive impacts at local level could also be significant. Along with compensation and tax revenues, investors may bring capital, technology, know-how, infrastructure and market access. In these ways they can catalyse economic development in rural areas and plug the pronounced investment gap that agriculture experienced through the 1990s and early 2000s. Rather than threatening local food security, higher productivity could improve food security in the host countries of large-scale agricultural investments, not just the home countries of the agribusinesses.

Again, much depends on the scale and locality of investments, whether they dominate ecosystems and economies or remain relatively marginal. Detailed comparisons of large-scale versus small-scale agriculture, and the extent to which they can coexist effectively, are beyond the scope of this article. It is worth noting, though, that investments that capture a large share of a limited local resource might have considerable local impacts, both environmental and social, leading to conflicts. Climate change is the newly relevant factor that distinguishes the current spate of large-scale land acquisition from previous developments of plantations and concessions during the nineteenth and twentieth centuries.

As the global climate changes, availability of water is likely to be an increasing constraint in many parts of Africa, and priority in water use may prove a source of conflict. Very large-scale agricultural projects may exacerbate not only declines in the resilience of local ecosystems and people to climate change, by further reducing the availability to them of groundwater and surface water, but also losses to wild and domesticated biodiversity, or access to seasonal resources, for example. Impacts and conflicts might be local, or manifest downstream and in the wider locality. For example, the rise in large-scale irrigation projects upstream in the Office du Niger area of Mali will impinge on water availability to downstream users—including downstream irrigators in the Office du Niger area, farmers, herders and fishers in the seasonally flooded Inner Niger Delta of Mali, and users in neighbouring Niger. What is not yet clear is how well-equipped local institutions and transnational river basin bodies (in this case the Autorité du Bassin du Niger) are to cope with increased water demand (given land-based investment) and increased vulnerability of water supplies (with climate change).

This leads to a broader consideration of impacts and contestation at the international level. At the global level, there is no evidence that large-scale land allocations are having either positive or negative impacts on global food supply, food security or government food security policies. Likewise, there is no evidence yet

that land deals are diverting food to investor countries at the expense of either host countries or countries relying on global food trade. Nonetheless, several host countries are at present food-importing countries, and in some cases recipients of food aid. This makes the issue of local food security all the more important—although, as explained above, a counter-argument is that if agricultural investment brings yield increases at the national level, both host and investor countries will be more food secure.

The achievement of mutual food security will depend, however, on agreements on allocation of supply between the two countries. Most land investment contracts and overarching agreements do not yet incorporate clear agreements on import and export quotas. The current investment guidelines for the King Abdullah Initiative for Saudi Agricultural Investment Abroad provide for ‘reasonable percentages’ of produce to be exported, so as not to exacerbate food insecurity in host countries; but what such ‘reasonable percentages’ may be is not defined in the guidelines. A deal in Madagascar is more specific in that it provides for 30 per cent of produce to be paid to local landholders, and determines percentages for export and local markets. But even here it is not clear to what extent the agreed percentages are adequate to meet local food security, and what would happen in times of food shortages.

An anticipated response is one of greater protectionism or resource nationalism, through mechanisms such as export restrictions or bans. Ironically, it might be argued that the widespread food export restrictions among producer countries in 2008 were one of the primary short-term drivers of the current wave of land acquisitions. A searching question is how far, and by what means, a foreign investor would be able to secure exports, with or without an agreement, in a time of food stress in the host country. Whether the host government was imposing formal restrictions or aggrieved organizations and individuals were otherwise impeding exports, or the project failed for unrelated technical or financial reasons, there could be political repercussions as well as implications for food security in the investor country. For some investor countries, the choice of host country is a function of political risk mitigation as well as economic considerations and geographical proximity. For example, the political and cultural ties between Saudi Arabia and Sudan strengthen the chances for long-term collaboration, negotiation and conflict resolution.

Not just any investment: promoting good deals

The land investment story currently unfolding in a number of developing countries reflects deep global economic and social transformations with profound implications for the future of world agriculture. Decisions taken now will have major repercussions on the livelihoods and food security of many people for decades to come. Today’s choices must be based on strategic thinking about the future of agriculture, the place of large- and small-scale farming within it, and the role and
nature of outside investment—bearing in mind that in many parts of the world small-scale farming has proved economically competitive and able to respond to changing challenges. Therefore, while land deal negotiations are unfolding fast, there is a need for vigorous public debate and government responsiveness to public concerns in recipient countries. The risks of not doing this are high for both investors and host governments. The experience of Daewoo in Madagascar is a case in point. In November 2008 the South Korean firm announced that it had secured a 99-year lease for some 1.3 million ha of land in Madagascar. Public opposition to the deal contributed to riots that culminated in a change in government. When the new government came to power in March 2009, the incoming president cancelled the deal.

Where international land deals emerge from such debates as a useful element of strategies to promote national and local development, a number of factors need, in turn, to be in present: greater transparency, effective regulation, skilfully negotiated contracts, and robust social and environmental impact assessments and management systems. Some recent, very large investments seem unrealistic, and host governments should carefully scrutinize investors’ capacity to deliver on very ambitious projects. More economic analysis is needed to compare the performance of different production models. But at least in terms of political risk management and impacts on local livelihoods, the more promising investments are those that involve supporting local smallholders rather than large plantations. Rather than uncritically endorsing large plantations, host governments should use policy incentives to promote inclusive business models that share value with local enterprises, including small-scale farmers, processors and service providers. This may include equitably structured contract farming, or joint ventures where local people contribute land in exchange for a stake in the project.

Governments should also seek more specific and enforceable investor commitments on investment levels, job creation, infrastructure development and public revenues, along with effective mechanisms to hold investors to account, for instance through contractual provisions that empower the host government to impose penalties or terminate the deal in case of non-compliance. Some host countries are themselves insecure in their food supply, and workable arrangements must protect local food security, particularly in times of food crisis. These adjustments can be achieved, and experience with improving transparency and contractual terms in other sectors such as oil can provide useful lessons. Apart from carefully negotiating individual deals, host governments should ensure that their national legal frameworks are geared towards minimizing risks and maximizing benefits for local people. As interest in land grows, many countries should step up efforts to secure local land rights. Measures may include stronger legal recognition of local (including customary) rights; collective land registration where appropriate; ensuring the principle of free, prior and informed consent; providing legal aid and assistance; and improving governance of land and related resources. Adequate representation and protection of local interests in water allocation decisions are also crucial. Furthermore, deals may need in some cases to extend beyond national
boundaries to consider the interests of neighbouring countries around water allocation or impacts on food markets.

As the rush for agricultural investment following the oil and food price spikes of 2008 subsides, investors and their home governments would do well to make a more measured assessment of their capacities and risks with regard to direct land investments. As discussed above, large-scale land assets abroad carry sizeable political and reputational risks that pose material threats both to financial return on investment and to assurance of continued supplies, be they of food, fuel, fibre or feed. Long-term land leases and agricultural production contracts are not sustainable unless local and national satisfaction with them is sufficient. Clarity from the start on the costs and benefits of the investment, including realistic projections for jobs and infrastructure, will bring greater long-term stability, as will taking a lead ahead of public policy on principles and procedures for free, prior and informed consent. With these issues in view, home country governments could review the lending conditions of governmental development funds available to private sector investors, to predicate lending on better practice in land acquisition.

The first priority for the international community, including the UN and Bretton Woods institutions as well as international NGOs and concerned governments, is to reinvigorate confidence in multilateralism and reconfigure market governance to deliver food security globally, be this through liberalized or regulated global and regional markets. Establishing robust international rules and standards on land deals, backed up by effective monitoring and enforcement, can make a difference by setting the boundaries within which the negotiation of individual deals may occur. Current efforts to establish international voluntary principles and standards for agricultural investment are a first step in that direction.27

International development agencies can further help by engaging in both investor and recipient countries, with government, private sector and civil society alike. A critical area for intervention, given the major power asymmetries in negotiations, is to strengthen host government capacity to negotiate and manage investment contracts, and civil society capacity to scrutinize government action. The recent renegotiation of a land lease for a large rubber plantation in Liberia shows the difference that determined political leadership, a strong government negotiating team and world-class legal assistance can make to these deals—in terms of fiscal regimes that generate greater and more reliable public revenues, local content requirements that create enforceable commitments on employment and business opportunities for local groups, and explicit contractual arrangements requiring local processing of a specified share of the produce.28 Robust capacity of civil society, parliamentarians and the media to scrutinize government-


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led contract negotiation and management is also likely to make a difference, as is greater capacity of local land users to defend their rights and negotiate more favourable outcomes with government and incoming investors.

These capacity challenges can be addressed through establishing international mechanisms for the provision of legal and other expertise during contract negotiation and implementation, and through sustained investment in training at national and local levels. Besides improving transparency in individual land deals and increasing pressure for better deals, public disclosure of contracts would also perform a capacity-building function, as over time it would generate a pool of publicly accessible contracts on which governments can draw when negotiating individual land deals. Greater sharing of lessons from international experience could also help to develop strategies to strengthen negotiating capacity at local and national levels, more equitable investment contracts, food security, and an appropriate balance of large and small-scale agriculture.