

When Development Cooperation becomes Land Grabbing



The Role of Development
Finance Institutions

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The Role of Development Finance Institutions

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Impressum

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1 SCOPE OF THE STUDY

The scope of this study is to look at new developments since the food crisis in 2007/2008 and the subsequent financial crisis, focusing on the role of development finance institutions (DFIs) in land grabbing.

After a brief introduction of the reasons for and consequences of land grabbing in chapter 3, this research concentrates on the role of some development finance institutions (chapter 4): it looks at relevant policies and political initiatives allowing for land grabbing, and lists some major investment funds that are being supported by public funding. Chapter 4 also shows some examples of land grabbing projects backed by development finance institutions. The criteria for selecting the land grabbing projects were the following:

- direct or indirect involvement of one or more development finance institutions,
- smallholders, indigenous people or other vulnerable groups were negatively affected, in most cases by a decrease in food security.

Regional focus is on Africa but examples from Asia are also presented.

Chapter 5 looks at two recent initiatives, the Principles for Responsible Agricultural Investments (RAI) and the FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests.

Chapter 6 summarises recommendations for development finance institutions. Chapter 7 provides a conclusion.

While many of the described development finance institutions and funds are involved in land grabbing, some are also listed because of their potential involvement in agriculture projects. It is important to monitor their further activities.

This study was conducted as desk-research, mainly on the Internet and supplemented by publications and the attendance of relevant conferences and meetings. It is based on these findings and does not include own field research.

2 EXECUTIVE SUMMARY

Since the food crisis of 2007/2008 and the subsequent financial crisis, agriculture has very much been in the public eye internationally. Food security and investments in agriculture are on the agenda of international forums. Land that appears to be 'unused', but in reality provides livelihoods for local people, is sold or leased to international investors or companies, or made available free of charge for large-scale agricultural projects (often to produce agricultural commodities for export). This development has also encouraged speculators, for whom agriculture and land acquisition are just another vehicle for profit maximisation. Smallholders, nomads and fisher folk (including indigenous communities) are losing their livelihoods at an incredible pace. Land grabbing diminishes their chance of a self-determined development.

Even though investment funds, private companies and governments are the main actors as far as land grabbing is concerned, the World Bank Group and other development finance institutions also play a major role – often in an indirect or hidden way. The declared goals of these institutions are to reduce poverty and promote sustainable development. A number of protests by civil society organisations demonstrate that they often fall short of these aspirations. The World Bank Group, for instance, contributes to land grabbing in a number of ways: by directly funding projects and programmes, by co-funding investment funds or by giving technical assistance to governments in order to give access to foreign investors who grab land. The African Development Bank also is involved in several land grabbing projects, e.g. the bioethanol project of the Swiss company Addax Bioenergy in Sierra Leone.

Funding large-scale agricultural projects for export sends out the wrong message. What is needed is a real reversal that puts small-scale farmers, fisher folk, herdsman and indigenous peoples at the centre of agricultural strategies.

To avoid land grabbing, it is first necessary to deal with the complex questions of land rights and customary rights. An important requirement here is to take power relations into account and involve the affected people, rather than just providing technical know-how and financial support. An important foundation for this are the "Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests" that were agreed upon by the United Nations Committee on World Food Security (CFS), a body linked to the FAO.

As a member of the World Bank, the African Development Bank and other development finance institutions, Switzerland has a shared responsibility for the behaviour of these institutions. Switzerland should thus monitor their activities and establish effective mechanisms to ensure that development finance institutions supported by Swiss taxpayers' money do not support land grabbing.

3 INTRODUCTION

3.1 FOOD SECURITY – EVERYBODY'S BUSINESS NOW?

In the last years, food security has attained the agenda of international institutions. In May 2012, the issue of food security was discussed at the G8¹ meeting in Camp David². In the presence of US President Barack Obama and Donald Kaberuka, president of the African Development Bank Group, the G8 committed themselves “to launch a New Alliance for Food Security and Nutrition to accelerate the flow of private capital to African agriculture, take to scale new technologies and other innovations that can increase sustainable agricultural productivity, and reduce the risk borne by vulnerable economies and communities”³. This new alliance is supposed to lift 50 million people out of poverty during the next decade.

But the new initiative immediately raised concerns of African and international civil society organisations. They criticised the strong focus on the role of the private sector and raised several concerns in a letter to the president of the African Union⁴, stressing that appropriate financial approaches have not yet been found and that the issue should be discussed within Africa in an inclusive way with local farmers and producers. They also raised a number of questions that should frame further debate: Which investments are to be made? Which production systems are to be prioritised? Which products are to be supported? Which markets are to be targeted (local, regional, national, international)? And who should benefit from this support?

The problem of neglecting the voices of the smallholders was also confirmed by a study of the High Level Panel of Experts on Food Security and Nutrition (set up by the UN Committee on World Food Security (CFS))⁵. Although 450 million small-scale farmers worldwide provide livelihoods for around 2 billion people, they are politically weak and do not really have a say in political fora where most of the discussions about 'modernising' agriculture and encouraging international investment take place: in UN, G20 and World Bank circles. On the other hand, big business is always present: The biotechnology and seed giant Monsanto immediately announced to contribute USD 50 million to support agricultural development in Africa over the next decade⁶, while its rival DuPont will spend USD 3 million focused on Ethiopia and its growth plans are aimed at growing revenue from African business to more than USD 1 billion within 10 years.⁷ Swiss company Syngenta said it would invest more than USD 500 million and expects to build a USD 1 billion business in Africa over the next 10

¹ G8 members are France, Germany, Italy, Japan, the United Kingdom, the United States, Canada and Russia.

² The White House, Camp David Declaration of the G8. May 19, 2012. Accessed under: <http://www.whitehouse.gov/the-press-office/2012/05/19/camp-david-declaration>

³ Ibid.

⁴ Food First, Letter from African Civil Society Critical of Foreign Investment in African Agriculture at G8 Summit, May 21, 2012. Accessed under: <http://www.foodfirst.org/en/Challenge+to+Green+Revolution+for+Africa>

⁵ Land tenure and international investments in agriculture – A report by The High Level Panel of Experts on Food Security and Nutrition, Committee on World Food Security, July 2011. Accessed under: http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE-Land-tenure-and-international-investments-in-agriculture-2011.pdf

⁶ Monsanto, Monsanto Announces \$ 50 Million Commitment to African Agricultural Development At Symposium On Global Agriculture and Food Security. Accessed under: http://www.monsanto.com.au/news_events/media_releases/2012/05_23_12.asp

⁷ Reuters, US agriculture companies set millions for Africa. Accessed under: <http://www.reuters.com/article/2012/05/18/food-africa-idUSL1E8GI9E120120518>

years⁸. The Norwegian fertiliser company Yara is also involved. Pilot countries for the New Alliance are Ethiopia, Tanzania and Ghana. The involvement of smallholders in the initiative is still unclear.

The track record of the above mentioned companies – mainly promoting large-scale industrialised agriculture and the use of genetically-modified crops – does not give much hope for the support of sustainable small-scale farming, which allows people to achieve real food security and food sovereignty. Donor and government circles have a strong bias towards large-scale plantations in order to 'modernise' agriculture, but there is little evidence to back this up. While a few crops, such as sugar cane and cereals, offer significant economy of scale from mechanised production, many other crops can be grown equally well on small-scale holdings. And some are best grown on small farms⁹. GRAIN states that “[small farmers] can also feed the world¹⁰”. In early 2012, Olivier de Schutter, United Nations Special Rapporteur on the right to Food presented a report showing that agro-ecology, if sufficiently supported, can double food production in entire regions within 10 years while mitigating climate change and alleviating rural poverty¹¹. GRAIN adds that “others have shown that policies oriented towards promoting local markets, short circuits and peasant farming, all help to do the same. The issue is as simple as keeping food in the hands of people, rather than corporations.”¹²

According to Olivier de Schutter, United Nations Special Rapporteur on the right to Food, “governments have pledged to reinvest massively in agriculture. After three decades of neglect, this is welcome news. However, as countries announce impressive figures on the scope of their reinvestment, we tend to forget that the most pressing issues today regarding agricultural reinvestment involves not only how much but how.”¹³ Further questions are – like in the water and the energy sector – for whom and for what? A huge percentage of the agricultural products are neither used for food or feed, but to produce fuel and as raw materials for many industrial processes.

After the food crisis in 2007/2008 and together with the new rush for maize, palmoil, jatropha, sugar cane – just to name a few – to produce agrofuel, investment funds and companies realised that agricultural products and the land as such, are real assets to make a profit with. 'Farming abroad' became a new food supply strategy by import-dependent governments. The rush for land took on a new dimension and very quickly was given a new label, namely 'land grabbing'.

⁸ Reuters, US agriculture companies set millions for Africa. Accessed under: <http://www.reuters.com/article/2012/05/18/food-africa-idUSL1E8GI9E120120518>

⁹ Land tenure and international investments in agriculture – A report by The High Level Panel of Experts on Food Security and Nutrition, Committee on World Food Security, July 2011. Accessed under: http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE-Land-tenure-and-international-investments-in-agriculture-2011.pdf

¹⁰ GRAIN, GRAIN calls for end to land grabbing at Swedish Parliament. December 2011. Accessed under: <http://www.grain.org/article/entries/4422-grain-calls-for-end-to-land-grabbing-at-swedish-parliament>

¹¹ Olivier De Schutter, Gaëtan Vanloqueren, The New Green Revolution: How Twenty-First-Century Science Can Feed the World, Solutions Volume 2, Issue 4, Page 33-44, Aug 2011
<http://www.thesolutionsjournal.com/node/971>

¹² GRAIN, GRAIN calls for end to land grabbing at Swedish Parliament. December 2011. Accessed under: <http://www.grain.org/article/entries/4422-grain-calls-for-end-to-land-grabbing-at-swedish-parliament>.

¹³ Olivier De Schutter, Gaëtan Vanloqueren, The New Green Revolution: How Twenty-First-Century Science Can Feed the World, Solutions Volume 2, Issue 4, Page 33-44, Aug 2011
<http://www.thesolutionsjournal.com/node/971>

3.2 THE NEW RUSH FOR LAND

Friends of the Earth defines land grabbing as follows: “Land grabbing occurs when land that was previously used by local communities is leased or sold to outside investors, including corporations and governments. Typically, the land is taken for commodity crops to sell on the overseas market, including for agrofuel and food crops. However, land grabbing also occurs to clear land for tree plantations (grown for carbon offsets), protected reserves, mines and can often result from speculative investments when funds predict a high rate of return from land investments.”¹⁴

In any case, land grabs threaten food security – not to mention food sovereignty – and the access to land and water of poor and vulnerable populations.

Land grabbing is not a new phenomenon, although the word is: it appeared in 2007/2008, during the food price crisis and when it became obvious that commercial pressure on land is entering a new phase at a scale and pace formerly unknown. The production of agrofuels and speculation with agricultural products caused food prices to rise and also led to ‘tortilla riots’ in Mexico¹⁵ and protests in many other countries, because people could no longer pay for their daily food.

Also new is the rate of change since 2005 and the commercial interest in land and resources, rather than just in marketable products. For decades, rural communities throughout the South have had to live with insecure and threatened claims to land, but they now face finally losing access to these resources to a new wave of expropriation. “In this sense, we may be said to be facing a crisis or tipping-point beyond which we will see large-scale and irreversible changes in ownership and control over land and water, in agricultural systems, and in rural societies”¹⁶.

The Land Matrix¹⁷ lists 200 million hectares in land deals, but less than a third of these deals have really been implemented so far. The Land Matrix suggests that the number of land deals per year has decreased somewhat since 2009, but the trend continues and there is no sign of the process stopping in the coming years.

Africa is the most targeted region. 754 land deals covering 56.2 million hectares are located in Africa, compared to 17,7 million in Asia, and 7 million in Latin America. Reported land deals in Africa concern an area equivalent to 4,8 percent of Africa’s total agricultural land¹⁸.

Investors are targeting countries that are among the poorest, are poorly integrated into the world economy, have a high incidence of hunger, and weak land rights and land institutions. The land deals are quite varied in nature: Land is being sold, leased or given through

¹⁴ Friends of the Earth International, NAPE, Land, life and justice, April 2012. Accessed under: http://www.foei.org/en/resources/publications/pdfs/2012/land-life-justice/at_download/file

¹⁵ Adam Thomson, ‘Tortilla riots’ give foretaste of food challenge, Financial Times, 12 October 2010. Accessed under: <http://www.ft.com/intl/cms/s/0/a0aa9ef0-d618-11df-81f0-00144feabdc0.html#axzz28426CUhr>

¹⁶ Anseeuw, W., L.Alden Wily, L.Cotula, and M.Taylor, Land Rights and the Rush for Land: Findings of the Global Commercial Pressures on Land Research Project”, ILC Rome, 2012.

¹⁷ Transnational Land Deals for Agriculture in the Global South – Analytical Report based on the Land Matrix Database, April 2012, see also <http://www.landcoalition.org/publications/transnational-land-deals-agriculture-global-south>

¹⁸ Ibid.

concessions¹⁹. The conditions are often favourable to foreign investors, as countries seek to attract investments from abroad.

3.3 WHOSE LAND IS IT?

According to the Committee on World Food Security, “global surveys of bio-physical potential show that considerable reserves of land exist, especially in Latin America, sub-Saharan Africa and the Former Soviet Union. Yet, such reserves are not necessarily 'available'. The satellite and aerial imagery used in bio-physical surveys is blind to the rights and institutions that govern how land is actually used on the ground.”²⁰ Whether it is the gathering of honey or fruit, tapping rubber or other sustainable uses of natural resources by local people – in many cases they do not have a formal title and documents, but they do have customary rights that are also legally binding in many countries.

Quite often, the type of land use in rural areas is unknown, even to the national government. Many countries do not have a central register for land, or they have competing systems of registration. Customary rights are difficult to prove or the people who have those rights do not have power: In 2011, every week 2 people were killed in conflicts over land and forests but the actual number of deaths is very likely to be higher than Global Witness has been able to identify.²¹

Land grabbing happens mostly in countries where land rights are poorly defined, overlapping or non-existent, where poor governance structures exist. A special case are customary rights and the specific rights of indigenous peoples, which in recent years have been better acknowledged internationally, but still lack implementation.

Hunger is especially prevalent in rural areas. According to the International Fund for Agricultural Development (IFAD), even with the ongoing process of urbanisation, in 2050, most of the extremely hungry and poor people will still live in rural areas. Hunger is also most severe among women, and in many countries they are denied the right to land titles at all. In its World Development Report 2008 'Agriculture for development', the World Bank states that 75 percent of the world's poor live in rural areas.²²

Nonetheless, hunger is not really the result of too little food production, but rather the consequence of lacking access to financial resources, the absence of land policies and good governance as well as the violation of the human rights to food, water and self-determined development.

Despite the fact that some land deals also benefit the poor and rural population – especially when they are included in decision-making and also benefit from the project itself – many land deals turn out to be land ‘grabbing’ deals and have become notorious for bringing disadvantages, to say the least, to the local poor.

¹⁹ Ibid.

²⁰ Land tenure and international investments in agriculture – A report by The High Level Panel of Experts on Food Security and Nutrition, Committee on World Food Security, July 2011. Accessed under: http://www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE-Land-tenure-and-international-investments-in-agriculture-2011.pdf

²¹ Global Witness Briefing, A Hidden Crisis?, 19 June 2012, Accessed under:

http://www.globalwitness.org/sites/default/files/library/A_hidden_crisis-FINAL%20190612%20v2.pdf

²² World Bank, World Development Report 2008, Agriculture for Development, October 2007. Accessed under: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/0,,contentMDK:23062293~pagePK:478093~piPK:477627~theSitePK:477624,00.html>

3.4 WHO IS GRABBING LAND?

The major land grabbers by far are investment funds and private companies²³. But governments – either local or those of other countries – are also involved in land grabbing. Among the new investor countries who seek to produce a substantial share of their food demand abroad are China, Saudi-Arabia and South Korea. State-owned investment funds from the UAE (United Arab Emirates), Oman etc. are also seeking new land resources.

Host governments play an important role in facilitating the deals, while private companies are the ones getting control of the land.

Investment funds are relatively new players in the business of agriculture²⁴. Their objective is not to become specialists in agriculture and trade, but to make profits from investments in a sector which seems to be very promising. So the land that they acquire is not necessarily used for agriculture – it also serves as an asset for further speculation. Water is also often part of the 'hidden agenda' behind a land grab. In this context, some organisations labelled the rush for water as “water grabbing²⁵”. With climate change, ongoing desertification and overuse and pollution of water resources, water is a key resource needed for growing crops.

Strange enough, land grabbing occurs also through international initiatives to mitigate the effects of climate change (i.e. Reducing Emissions from Deforestation and Forest Degradation (REDD)²⁶, and the Clean Development Mechanism (CDM)).²⁷

Development finance institutions also play an important role, as they either fund or facilitate land grabs. The following chapter concentrates on their role.

²³ Transnational Land Deals for Agriculture in the Global South – Analytical Report based on the Land Matrix Database, April 2012, see also <http://www.landcoalition.org/publications/transnational-land-deals-agriculture-global-south>

²⁴ Transnational Land Deals for Agriculture in the Global South – Analytical Report based on the Land Matrix Database, April 2012, see also <http://www.landcoalition.org/publications/transnational-land-deals-agriculture-global-south>

²⁵ Bread for all. EinBlick 1/2011: „Water Grabbing“ – der grosse Durst nach fremdem Wasser. 2011.

²⁶ Declaration of Chiapas in ReDDellion: Enough of REDD+ and the Green Economy, Global Justice Ecology Project, 24 September. Accessed under: <http://climate-connections.org/2012/09/24/declaration-of-chiapas-in-reddellion-enough-of-redd-and-the-green-economy/>

²⁷ African Biodiversity Network, Biofuelwatch, Carbon Trade Watch, the Gaia Foundation, Timberwatch Coalition, The CDM and Africa: Marketing a new land grab, February 2011. Accessed under: http://www.africanbiodiversity.org/system/files/PDFs/CDM%20Report_Feb2011_lowres.pdf

4 THE ROLE OF DEVELOPMENT FINANCE INSTITUTIONS IN LAND GRABBING

There is no doubt that there is a huge demand for investments in agriculture. The question is whether the development finance institutions (DFI) take the appropriate measures to reduce poverty. This chapter explores some of the relevant policies and instruments of DFIs.

4.1 WORLD BANK GROUP

Reducing poverty is at the very core of the World Bank's objectives.²⁸ This chapter explores some of the factors that lead to the contradiction of supporting the generation of profits of investors, while at the same time neglecting the bank's target' group, i.e. the poor, who often have to pay the price: loss of livelihoods and self-determined life.

The World Bank Group is an institution comprised of five different agencies:

1. The International Bank for Reconstruction and Development (IBRD) lends to governments of middle-income and creditworthy low-income countries.
2. The International Development Association (IDA) supports anti-poverty programmes in the poorest developing countries with long-term, no interest loans.
3. The International Finance Corporation (IFC) provides loans, equity and technical assistance to stimulate private sector investment in developing countries. Under the management of the IFC is the Foreign Investment Advisory Service (FIAS).
4. The Multilateral Investment Guarantee Agency (MIGA) provides guarantees against losses caused by non-commercial risks to investors in developing countries.
5. The International Centre for Settlement of Investment Disputes (ICSID) provides international facilities for conciliation and arbitration of investment disputes.

In 2007, the World Bank's Annual World Development Report tackled the issue of agriculture for the first time since 1982. Under the headline 'Agriculture for Development', the report comes to the conclusion that the agricultural and rural sectors have suffered from neglect and underinvestment over the past 20 years²⁹. While 75 percent of the world's poor live in rural areas, a mere 4 percent of official development assistance goes to agriculture in developing countries. In Sub-Saharan Africa, a region heavily reliant on agriculture for overall growth, public spending for farming is also only 4 percent of total government spending and the sector is still taxed at relatively high levels.³⁰

According to the World Development Report, for the poorest people, GDP growth originating in agriculture is about four times more effective in reducing poverty than GDP growth originating outside the sector. Therefore, the World Bank Group is advocating a new 'agriculture for development' agenda. Robert B. Zoellick, president of the World Bank Group at that time, said: "We need to give agriculture more prominence across the board. At the global level, countries must deliver on vital reforms such as cutting distorting subsidies and

²⁸ The World Bank, What we do. Accessed under: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20103838~menuPK:1696997~pagePK:51123644~piPK:329829~theSitePK:29708,00.html>

²⁹ World Bank, World Development Report 2008, Agriculture for Development, October 2007. Accessed under: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/0,,contentMDK:23062293~pagePK:478093~piPK:477627~theSitePK:477624,00.html>

³⁰ Ibid.

opening markets, while civil society groups, especially farmer organisations, need more say in setting the agricultural agenda.”³¹

The long neglect of investments in agriculture is also documented by the fact that lending to agriculture has constantly decreased between 1980 and 2000, and only then started increasing again.

In May 2009, the World Bank Group took the lead in the international arena following the food and financial crisis, with the formation of programmes such as the Global Food Crisis Response Programme (GFRP) – part of what World Bank President Robert B. Zoellick called the “new Deal on Global Food Policy”. The World Bank is the central organiser in a multilateral Agriculture and Food Security Initiative, with the G20 asking the World Bank in October 2009 to work with interested donors and organisations to establish a special multilateral trust fund to support a multi billion dollar food security initiative.³²

According to the Canadian think tank Oakland Institute, “despite the central role of the World Bank in what was intended to be a massive overhaul of international food policy and a vast improvement to food security in the developing world, evidence shows that World Bank Group policies and efforts are doing just the opposite. For example, despite international commitments in favour of small farmers, many reports indicate that programmes supporting food production have targeted farmers classified as better off and more productive, rather than marginal farmers and non-farming rural populations, such as smallholders and pastoralists.”³³

The World Bank is preparing a new agriculture action plan to cover 2013-2015, which in combination with the 2010-2012 plan is supposed to operationalise the World Development Report 'Agriculture for Development'³⁴.

4.1.1 IFC

The International Finance Corporation (IFC) is the private sector branch of the World Bank Group. It provides technical assistance and advisory services to developing country governments in order to increase the ability of foreign investors to acquire land in developing country markets. It was founded in 1956 with the aim of reducing poverty through private sector investments.

In Africa, IFC is the largest multilateral source of loan and equity financing for private sector projects. Through the Africa Agricultural Finance Project (AAFP), an advisory and investment programme, it is encouraging African banks and other financial institutions to establish or expand lending to the agricultural sector in countries including the Central African Republic, the Democratic Republic of Congo, Cote d'Ivoire, Malawi, Nigeria and Zambia.³⁵

³¹ Ibid.

³² Shephard Daniel with Anuradha Mittal, (Mis)Investment In Agriculture -The Role of the International Finance Corporation in Global Land Grabs, Oakland Institute, 2010, <http://www.oaklandinstitute.org/misinvestment-agriculture-role-international-finance-corporation-global-land-grab>

³³ Ibid.

³⁴ Bretton Woods Project, Update 79, 7 February, 2012, <http://www.brettonwoodsproject.org/art-569561>

³⁵ Oakland Institute. Understanding Land investment Deals in Africa. Land Deal Brief, December 2011. Accessed under: http://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_brief_World_Bank_Group_0.pdf

IFC and the Foreign Investment Advisory Service (FIAS) provide technical assistance and advisory services to developing country governments. IFC/FIAS products and services facilitate land grabs, for instance in Sierra Leone, Liberia and Ethiopia, where IFC/FIAS advisory services have resulted in regulatory and legislative reforms, thereby increasing investor entry into land markets. The land laws are very favourable for foreign investors. In Sierra Leone, foreign investors already leased about 18 percent of the arable area³⁶.

The IFC is also taking on non-lending activities, which are intended to improve client government's investment climates through its Technical Assistance and Advisory Services (TAAS). These include investment legislation reforms, the reduction of administrative and institutional barriers to investment and the development of investment promotion agencies (IPAs), and the provision of policy assistance to governments regarding tax, customs and land legislation.³⁷

4.1.2 MIGA

The Multilateral Investment Guarantee Agency (MIGA) is also part of the World Bank Group. It is a global political risk insurer for private investors and companies investing outside their home countries. MIGA's guarantees protect investments against non-commercial risks. MIGA also provides technical assistance to governments and online information on investment opportunities.³⁸

³⁶ Oakland Institute. Understanding Land investment Deals in Africa. Country Report: Sierra Leone, 2011. Accessed under: <http://www.oaklandinstitute.org/understanding-land-investment-deals-africa-sierra-leone>

³⁷ Ibid.

³⁸ Multilateral Investment Guarantee Agency, Who we are. Accessed under: <http://www.miga.org/whoweare/index.cfm>

4.1.3 EXAMPLES OF SUPPORT TO FARMLAND INVESTORS VIA IFC AND MIGA

In the following table, GRAIN listed some examples of World Bank support via the International Finance Corporation (IFC), the private sector arm of the World Bank, or the Multilateral Investment Guarantee Agency (MIGA).

Examples of World Bank support to farmland investors via IFC and MIGA³⁹	
Altima One World Agriculture Fund (US)	The Altima One World Agriculture Fund, registered in the Cayman Islands, was created by the hedge fund Altima Partners to invest in farmland in South America, Eastern and Central Europe and Sub-Saharan Africa. In 2009, the IFC made a USD 75 million equity investment in the fund. One senior Altima executive says the fund aims to create the "first Exxon Mobil of the farming sector".
Chayton Atlas Agriculture Company (UK)	Chayton is a UK-based private equity firm investing in farmland in southern Africa. In 2010, MIGA signed a contract with Chayton to provide it with up to USD 50 million in political risk insurance for its development of farm projects in Zambia and Botswana. Its CEO, formerly with Goldman Sachs, says its "goal is to feed Africa."
Citadel Capital (Egypt)	In 2009, the IFC invested USD 25 million in Citadel's Middle East North Africa fund, which is investing in agricultural projects. Citadel, one of Africa's largest private equity funds, is pursuing farmland investments in Egypt, Sudan, Tanzania, Kenya and Uganda.
Mriya Agro Holding (Ukraine)	Mriya, which is incorporated in Cyprus and listed on the Frankfurt Stock Exchange, is the 7th largest farmland operator in the Ukraine. In 2010, IFC provided USD 75 million in equity to Mriya, and loans for the company to increase its land holdings to 165,000 ha.
Sena Group (Mauritius) / Tereos (France)	In 2001, MIGA provided a consortium of investors from Mauritius, known as the Sena Group, with USD 65 million in political risk insurance to support their acquisition of a sugar plantation in Mozambique. The company also announced that it intended to expand its cattle operations from 1,800 head to 8,000. The Sena operation has since been taken over by the French multinational sugar company Tereos.
SLC Agricola (Brazil)	SLC, a publicly traded company partly owned by foreign investors such as Deutsche Bank, is one of the largest landowners in Brazil, with a land bank of 117,000 ha in 2008. In 2008, IFC provided a USD 40 million long-term loan to SLC, enabling it to increase its holdings to over 200,000 ha.
Vision Brazil (Brazil)	Vision is a Brazilian investment company with over 300,000 ha in cropland and another 400,000 ha in 'options'. In 2008, IFC provided Vision with USD 27 million in securities financing.

³⁹ GRAIN, World Bank report on land grabbing: beyond the smoke and mirrors, 8 September, 2010
<http://www.grain.org/entries?utf8=%E2%9C%93&q=examples+of+world+bank+support+to+farmland+investors>

4.1.4 EXAMPLES OF SUPPORT TO LAND GRABBING PROJECTS

This report could document several cases where the World Bank Group is involved, directly or indirectly through advisory services to governments, in land grabbing. These cases are described below.

Land Management and Administration Project (LMAP) in Cambodia

According to APRODEV, an association of the major protestant development and humanitarian aid organisations in Europe, “around 80 percent of Cambodia's 15 million population depends on land and natural resources for livelihood. Only 6.5 million of Cambodia's 18.1 million hectares are considered arable. Rural households typically have a small homestead plus additional plots (from 1-3 hectares) for cultivating rice. Subsistence agriculture lies greatly on non-timber forest products, fish and other small animals for additional food and income. This hand-to-mouth existence means that loss of agricultural land and/or loss of access to natural resources lead directly to poverty and poor health.”⁴⁰

The Government of Cambodia conducted a Land Management and Administration Project (LMAP) with the support of the World Bank, including around the Boeung Kak lake area of Pnom Penh. Despite its goal of reducing poverty by improving land tenure security, it has failed to protect the legal rights of many of the most vulnerable groups. During the LMAP process, longstanding local residents were categorised as illegal squatters and excluded from the land titling process. In September 2009, the residents of Boeung Kak submitted a complaint to the World Bank Inspection Panel. In a letter to the World Bank President in February 2011, the ‘League of Boeung Kak Women Struggling for Housing Rights’, a local NGO, stated that “every year, Cambodia receives more than one billion dollars in aid and loans from international banks and donors. But much of this aid is not reaching the poor.... We believe that the donors are a part of our problem when they fail to monitor their aid to ensure that it does not cause harm.”⁴¹ The report of the World Bank Inspection Panel confirmed in 2011 that the implementation of LMAP was inadequate and World Bank funding was frozen, but in July 2012, after violent repression of protests and the arrest of local activists, the issue was still not resolved and the majority of the households were waiting for a remedy.⁴²

Role of the World Bank

The World Bank and some agencies (GTZ/Germany, the Government of Finland and later on the Canadian International Development Agency⁴³) supported the Land Management and Administration Project (LMAP) between 2002 and 2009, including around the Boeung Kak lake area of Pnom Penh.

⁴⁰ Nadia Saracini et al, *Stolen Land, Stolen Future*, APRODEV, December 2011. Accessed under: http://www.aprodev.eu/index.php?option=com_content&view=article&id=155%3Astolen-land-stolen-future&catid=9%3Anewsletters&lang=en

⁴¹ Bretton Woods Project, 5 April, 2012, update 75, <http://www.brettonwoodsproject.org/art-567912>

⁴² Bretton Woods Project, 3 July, 2012, update 81, <http://www.brettonwoodsproject.org/art-570786>

⁴³ Natalie Bugalski, *A Human Rights Approach to Development of Cambodia's Land Sector*, Bridges Across Borders Cambodia/ Equitable Cambodia, Heinrich Böll Stiftung Cambodia, April 2012. Accessed under: <http://www.equitablecambodia.org/humanrightsapproach/>

Timber plantations in Kiboga and Mubende district in Uganda⁴⁴

The New Forests Company (NFC) is based in London and was formed in 2004 with the aim to become East Africa's biggest forester. Apart from Uganda, the NFC plants and harvests timber in Tanzania, Rwanda and Mozambique.

The NFC plants and harvests timber on 27,000 hectares of “underutilised and/or degraded land in Uganda, Tanzania, Mozambique and Rwanda”; it has deals in those countries totalling around 90,000 hectares. The plantations contribute jobs and revenue, along with the timber products those countries need as they develop and which would otherwise be logged from natural forests. NFC hopes to attract more revenue from carbon credits.

The role of the World Bank Group

New Forests Company (NFC) has attracted investment from international banks and private equity funds since 2008. Agri-Vie Agribusiness Fund, a private equity investment fund focused on food and agribusiness in Sub-Saharan Africa, has invested USD 6.7 million in NFC. Agri-Vie is itself backed by development finance institutions, notably the World Bank's private sector lending arm, the International Finance Corporation (IFC). The European Investment Bank (EIB), the EU's financing institution, has borrowed NFC EUR 5 million to expand one of its Ugandan plantations.

Although the company and its investors have clear environmental and social standards, the NFC plantations resulted in the eviction of more than 20,000 people from their homes and land in Kiboga district, and in nearby Mubende district, as a result of NFC plantations, according to research made by Oxfam, an international NGO.

“Today the people evicted from the land are desperate, having been driven into poverty and landlessness. In some instances they say they were subjected to violence and their property, crops and livestock destroyed. They say they were not properly consulted, have been offered no adequate compensation, and have received no alternative land.”⁴⁵

On its website, the NFC rejects the accusations of Oxfam and puts the sole responsibility for evictions to the government of Uganda.⁴⁶

Forced relocation in Gambella to make way for foreign investment in agriculture

As of 2012, more than 13 million people are in need of food aid in Ethiopia, but the government is offering millions of acres of its most fertile land to rich countries and some of the world's most wealthy individuals to export food back to their own countries.

Ethiopia's ‘villagisation’ programme plans to relocate more than 1.5 million residents away from their ancestral land in four regions: Gambella, Afar, Somali and Benishangul-Gumuz. According to the government, the idea of the programme is to centralise infrastructure by

⁴⁴ Matt Grainger and Kate Geary, The New Forests Company (NFC) and its Uganda Plantations, Oxfam International, September 2011. Accessed under: <http://www.oxfam.org/en/grow/policy/new-forests-company-and-its-uganda-plantations-oxfam-case-study>

⁴⁵ Ibid.

⁴⁶ <http://www.newforests.net/index.php/responsibility/response-to-oxfam>

having the villages close to roads and to available water supplies. Yet, in 2012, the Oakland Institute's field research⁴⁷ shows that the vast majority of the people do not wish to relocate and have been threatened by local police.

In 2012, a Human Rights Watch report⁴⁸ examines the first year of the Gambella villagisation programme – which affects 70.000 people - and details the involuntary nature of the transfers, the loss of livelihoods, the deteriorating food situation and the constant threats and violations by armed forces. The evicted people are making way for large-scale agricultural development. "The residents of Gambella, mainly indigenous Anuak and Nuer, have never had formal title to the land they have lived on and used. The government often claims that the areas are 'uninhabited' or 'under-utilised'."⁴⁹

On 24 September, 2012, Anuak indigenous people from Ethiopia's Gambella Region submitted a complaint to the World Bank Inspection Panel. The complaint is directed at the World Bank, because the Anauk feel severely maltreated by the Protection of Basic Services Project (PBS), financed and administered by the World Bank, which since 2006 has provided USD 1.4 billion in sectoral budget support for the provision of basic services to the Ethiopian Government. Inclusive Development International (IDI), an international NGO based in the US, has prepared a legal submission⁵⁰ along with the complaint. According to the regional government in Gambella, villagisation is a voluntary process, which aims to increase access to basic services, improve food security and "bring socioeconomic and cultural transformation to the people". On the contrary, according to NGOs, the affected people now live in refugee camps in Kenya and South Sudan.

Among the land grabbers in Gambella are Karuturi, an Indian company with more than 300.000 hectares, and Sheikh Mohammed Hussein Ali al Amoudi, a Saudi billionaire with large holdings in Ethiopian plantations, mines and real estate.⁵¹

The role of the World Bank

For over a decade, IFC's Advisory Services have been involved in Ethiopia: for instance, in 2001 FIAS reviewed the country's investment environment with a special emphasis on export-oriented foreign direct investment. In 2008 the IFC opened a new office in Addis Ababa in order to support the country's economic development.⁵²

Since 2006, the World Bank has provided USD 1.4 billion in sectoral budget support for the provision of basic services to the Ethiopian Government.

⁴⁷ Your land is my land: Relocating 1.5 Million in Ethiopia. Accessed under: <http://www.oaklandinstitute.org/your-land-my-land-relocating-15-million-ethiopia>

⁴⁸ Human Rights Watch, WAITING HERE FOR DEATH – Displacement and, Villagization in Ethiopia's Gambella Region, 2012. Accessed under: <http://www.hrw.org/reports/2012/01/16/waiting-here-death>

⁴⁹ Ethiopia: Forced Relocations Bring Hunger, Hardship. Accessed under:

<http://www.hrw.org/news/2012/01/16/ethiopia-forced-relocations-bring-hunger-hardship>

⁵⁰ Inclusive Development International, Policy and Legal Analysis of the Ethiopia PBS Request for Inspection, September 2012. Accessed under: <http://www.inclusivedevelopment.net/wp-content/uploads/2012/09/Legal-and-Policy-Analysis-for-Anuak-Request-for-Inspection.pdf>

⁵¹ Fred Pearce, Land grabbers, Africa's hidden revolution, The Guardian, 20 May 2012. Accessed under: <http://www.inclusivedevelopment.net/wp-content/uploads/2012/09/Legal-and-Policy-Analysis-for-Anuak-Request-for-Inspection.pdf>

⁵² Shephard Daniel with Anuradha Mittal, (Mis)Investment In Agriculture -The Role of the International Finance Corporation in Global Land Grabs, Oakland Institute, 2010, <http://www.oaklandinstitute.org/misinvestment-agriculture-role-international-finance-corporation-global-land-grab>

4.2 AFRICAN DEVELOPMENT BANK GROUP

The African Development Bank Group (AfDB) consists of three institutions under one management:

- African Development Bank (ADB) – grants loans to governments of African middle-income countries. The ADB window also gives out loans and invests in private companies to support their projects in all African countries.
- African Development Fund (ADF) – gives out grants and loans at special conditions to African low-income countries.
- Nigerian Trust Fund – was set up as part of an agreement between the Government of the Federal Republic of Nigeria and the Bank Group.

The AfDB Group considers itself as Africa's premier development finance institution. In the General Capital Increase in 2010, the AfDB managed to triple its capital base to almost USD 100 billion.⁵³

4.2.1 AGRICULTURE SECTOR STRATEGY

The current Agriculture Sector Strategy (AgSS) of the AfDB is in effect for 2010 to 2014⁵⁴. In its AgSS, the Bank refers to the lessons learned from financing agricultural projects and from its long-term interaction with regional member countries. For example, it has found that smallholder farming plays a major role in providing food and income, and generating employment as well as foreign earnings in a number of African countries. A case study of four African countries (Ethiopia, Kenya, Tanzania and Uganda) concluded that an integrated strategy is needed to promote growth in smallholder agriculture, and that the governments should play a more central role in providing investment in rural infrastructure, improving the marketing chain and assisting in the adaptation to climate change.

4.2.2 AFRICAN AGRICULTURE FUND (AAF)

The African Agriculture Fund (AAF) is a private equity fund designed to respond to the food crisis in 2008. The AAF is managed by Phatisa⁵⁵, a private equity fund management firm, and is described as part of a coordinated response from a pool of European and African DFIs⁵⁶. The AAF reached its first closing at USD 151 million in November 2010 – the total target size is USD 300 million. Also in 2010, the AfDB contributed USD 40 million⁵⁷.

According to the AAF, “the support to AAF, whose total target size is USD 300 million, is part of a coordinated response of a pool of European DFIs, with the Agence Française de

⁵³ AfDB, Governors Approve AfDB's Sixth General Capital Increase, 27 May, 2010 <http://www.afdb.org/en/news-and-events/article/governors-approve-afdb-s-sixth-general-capital-increase-6877/>

⁵⁴ African Development Bank Group, Agriculture Sector Strategy 2010-2014, January 2010. Accessed under: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Agriculture%20Sector%20Strategy%2010-14.pdf>

⁵⁵ The Phatisa Group is a private equity fund management, corporate finance advisory company, servicing a range of sectors in a number of sub-Saharan African countries, with offices in Mauritius, Kenya, Zambia, South Africa and West Africa in the near future. www.phatisa.com.

⁵⁶ Phatisa, African Agriculture Fund. Accessed under: http://www.phatisa.com/The_Fund_Manager/AAF/

⁵⁷ African Development Bank Group, AfDB Commits USD 40 Million in the African Agriculture Fund, 19 May 2010. Accessed under: <http://www.afdb.org/en/news-and-events/article/afdb-commits-usd-40-million-in-the-african-agriculture-fund-6727/>

Développement (AFD), the Spanish Agency for International Development Cooperation (AECID), Promotion et Participation pour la Coopération économique⁵⁸ (Proparco) and International Fund for Agricultural Development (IFAD), and a number of African DFIs, including the African Development Bank (AfDB),[...] as limited liability partner investors. The International Fund for Agricultural Development (IFAD) will manage the Technical Assistance Facility for which core funding has been committed by the European Commission with the contribution of the Alliance for a Green Revolution in Africa (AGRA) and the Italian Cooperation.”⁵⁹

“The aim is to support private sector companies that implement strategies to enhance and diversify food production and distribution in Africa, by providing equity funding and strengthening the management, modernisation and organisation of the agricultural sector on the continent.”⁶⁰

4.2.3 AGVANCE AFRICA – FUND OF FUNDS

On 16 May, 2012, the Board of Directors of the African Development Bank Group (AfDB) approved an equity investment of USD 100 million to Agvance Africa, the first agribusiness-focused Fund of Funds on the African continent. “The strategic objective of Agvance Africa is to increase private investment flows into the agribusiness sector on the continent to address growing food security concerns and unleash the largely unexploited potential of African agriculture and agribusiness sectors.”⁶¹

The official announcement states that: “Agvance will be managed by Credit Suisse Customized Fund Investment Group (CFIG) and will target total capital commitments of USD 500 million. It is anticipated to invest in 12 to 15 best-in-class private equity funds targeting portfolio companies along the agribusiness value chain and across the continent”⁶².

According to the AfDB, the first closing of Agvance Africa is expected for December 2012. At present the Bank does neither disclose information on the sponsors of Agvance Africa nor about the sub-funds in the pipeline. The establishment of Agvance Africa is also being supported through the Fund for African Private Sector Assistance (FAPA) (see next chapter).

⁵⁸ PROPARCO is a Development Finance Institution jointly held by Agence Française de Développement (AFD) and public and private shareholders from the North and South. Its mission is to catalyze private investment in emerging and developing countries with the aim of supporting growth, sustainable development and the achievement of the Millennium Development Goals (MDGs). PROPARCO is one of the main bilateral development finance institutions in the world. Source: www.proparco.fr

⁵⁹ African Agriculture Fund. African Agriculture Fund first closing at USD135m. 2010. Accessed under: <http://farmlandgrab.org/17456>.

⁶⁰ African Agriculture Fund. African Agriculture Fund first closing at USD135m. 2010. Accessed under: <http://farmlandgrab.org/17456>.

⁶¹ African Development Bank. AfDB sponsors Fund of funds for Agribusiness in Africa - Board approves equity investment of USD 100 million in Agvance Africa, May 2012. Accessed under: <http://www.afdb.org/en/news-and-events/article/afdb-sponsors-fund-of-funds-for-agribusiness-in-africa-board-approves-equity-investment-of-usd-100-million-in-agvance-africa-9267/>

⁶² African Development Bank website. Accessed under: <http://www.afdb.org/en/news-and-events/article/afdb-sponsors-fund-of-funds-for-agribusiness-in-africa-board-approves-equity-investment-of-usd-100-million-in-agvance-africa-9267/>

4.2.4 FUND FOR AFRICAN PRIVATE SECTOR ASSISTANCE (FAPA)

Private sector development is a priority of the African Development Bank. The Fund for African Private Sector Assistance (FAPA) was established 2005, mainly for technical assistance and capacity building, with contributions from the Government of Japan and Austria, the Austrian Development Bank as well as the AfDB⁶³.

The FAPA 2012 Pipeline lists the amount of USD 250,000 for Agri-Vie, a private equity investment fund focused on food and agribusiness in Sub-Saharan Africa. Agri-Vie is also backed up by the International Finance Corporation (IFC)⁶⁴.

4.2.5 EXAMPLES OF SUPPORT TO LAND GRABBING PROJECTS

The African Development Bank is involved in land grabbing projects in Sierra Leone and Mali.

Addax Bioenergy bioethanol project

Addax Bioenergy, a subsidiary of the Addax and Oryx Group (AOG), based in Geneva (Switzerland), is developing a Greenfield renewable energy and agriculture project at Makeni, Sierra Leone, that will produce bio-ethanol for export to Europe and for domestic use, and “green” electricity for approximately 20 percent of the national grid⁶⁵. Addax Bioenergy has leased 57,000 ha of land in three Chiefdoms.

According to several reports of the Sierra Leone Network on the Right to Food⁶⁶ (SiLNoRF) and Bread for all⁶⁷, the project will mainly benefit the company, while the local population benefits only marginally or is negatively affected by the project. Of major concerns are impacts on the environment, including the destruction of 4,000 of bush and extraction of water from a river during the driest months, without considering downstream impacts⁶⁸. Moreover, Free Prior and Informed Consent was not ensured as Addax made juicy but not legally enforceable commitments regarding the eradication of poverty and the provision of health facilities, school buildings, community centres, jobs for all the youth, etc., in order to gain the consent of the communities⁶⁹. Addax took large tracks of fertile and well-watered land despite promises to use only “marginal” lands. The compensation system of Addax might have ensured the “cooperation” of every level of national and regional authorities⁷⁰.

⁶³ Fund for African Private Sector Assistance (FAPA), Annual Report 2011, African Development Bank Group.

⁶⁴ Ibid.

⁶⁵ Addax Bioenergy Factsheet September 2012. Accessed under: <http://www.addax-oryx.com/AddaxBioenergy/pdf/Addax-Bioenergy-Fact-Sheet-September-2012.pdf>.

⁶⁶ SiLNoRF. Annual Monitoring Report on the Operations of Addax Bioenergy by the Sierra Leone Network on the Right to Food (SiLNoRF) for the Period June 2011 – June 2012. Accessed under: <https://sites.google.com/site/silnorf/news-1/monitoring-report-july-2012>

⁶⁷ SiLNoRF and Bread for all. CSO Concerns on Addax Bioenergy. September 2012. Accessed under: http://www.brotfueralle.ch/fileadmin/deutsch/2_Entwicklungspolitik_allgemein/C_Wirtschaft%20und%20MR/Landgrab/CSO_Concerns_Addax_120925.pdf

⁶⁸ Ibid.

⁶⁹ SiLNoRF. Annual Monitoring Report on the Operations of Addax Bioenergy by the Sierra Leone Network on the Right to Food (SiLNoRF) for the Period June 2011 – June 2012. Accessed under: <https://sites.google.com/site/silnorf/news-1/monitoring-report-july-2012>

⁷⁰ SiLNoRF and Bread for all. CSO Concerns on Addax Bioenergy. September 2012. Accessed under: http://www.brotfueralle.ch/fileadmin/deutsch/2_Entwicklungspolitik_allgemein/C_Wirtschaft%20und%20MR/Landgrab/CSO_Concerns_Addax_120925.pdf

Moreover, CSOs raises the issue of producing biofuels for export in a country which is not food self-sufficient and where malnutrition affects one third of the population and is responsible for one of the world's highest child and mother mortality⁷¹.

The role of the African Development Bank and other DFIs

52 percent of the project costs⁷² are financed by development banks⁷³. The DFIs involved are:

- the African Development Bank
- the Emerging Africa Infrastructure Fund (EIAF)
- the Netherlands Development Finance Company (FMO)
- the German Development Finance Institution (DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH)
- the South African Industrial Development Corporation
- the Belgian Development Bank (BIO).

According to the Oakland Institute, IFC and its financial and technical services (FIAS/TAAS) created an enabling environment for foreign direct investments (FDIs) in Sierra Leone⁷⁴ – a country where more than 70 percent live below the poverty line. Since 2003, IFC/FIAS TAAS recommended changes to policy and legislature, and transformed the investment climate. With the implementation of the Removing Administrative Barriers to Investment (RABI) project, foreign investors were attracted – even before enabling local business. Low costs for registering a business, customs simplification procedures and tax reductions are among the benefits for FDIs.

⁷¹ SiLNoRF and Bread for all. CSO Concerns on Addax Bioenergy. September 2012. Accessed under: http://www.brotfueralle.ch/fileadmin/deutsch/2_Entwicklungspolitik_allgemein/C_Wirtschaft%20und%20MR/Landgrab/CSO_Concerns_Addax_120925.pdf

⁷² SiLNoRF and Bread for all. CSO Concerns on Addax Bioenergy. September 2012. Accessed under: http://www.brotfueralle.ch/fileadmin/deutsch/2_Entwicklungspolitik_allgemein/C_Wirtschaft%20und%20MR/Landgrab/CSO_Concerns_Addax_120925.pdf

⁷³ Addax Bioenergy Factsheet September 2012. Accessed under: <http://www.addax-oryx.com/AddaxBioenergy/pdf/Addax-Bioenergy-Fact-Sheet-September-2012.pdf> .

⁷⁴ Oakland Institute. Shepard Daniel with Anuradha Mittal, (MIS)INVESTMENT IN AGRICULTURE – THE ROLE OF THE INTERNATIONAL FINANCE CORPORATION IN GLOBAL LAND GRABS. 2012.

Markala Sugar Project in Mali

According to the AfDB, the Markala Sugar Project (MSP) aims to ensure a sustainable increase in the income of sugar sector stakeholders. The agricultural component of the project concerns the development of 14,132 ha of spray-irrigation farms expected to produce an annual yield of 1.48 million tonnes of sugarcane⁷⁵. The strategic partner of the project is ILLOVO Sugar of South Africa, the leading producer of sugar in Africa. In May 2012, Illovo Sugart Ltd., Africa's largest sugar producer, said it had ended its involvement in the Markala sugar project in Mali because of incomplete funding (from the government) and a deteriorating security situation in the West African nation.

However, the National Coordination of Peasant Organisations asserts that a total of 800,000 hectares have been affected by expropriation⁷⁶. The farmers are worried about food security and the future of family farming throughout the country.

In September 2012, a group of smallholder farmers have turned to the courts to try to recover land they say they have lost to big private investors. The legal action comes as foreign investors are losing interest in Mali due to political instability and an armed rebellion in the North. "We have laid a complaint against the agricultural land grabs that have hit so many smallholders", said Lamine Coulibaly, a member of the National Coordination of Peasant Organisations, which is resisting the large-scale acquisition of agricultural land by foreign investors.⁷⁷

Role of the African Development Bank and of the World Bank

This project is funded by the African Development Bank (through the ADB and ADF windows of the AfDB) for a total amount of EUR 65 million⁷⁸. Other DFIs are the Islamic Development Bank and the International Finance Corporation (IFC)⁷⁹.

The Oakland Institute found that the World Bank Group has, through an array of different policies, overseen a shift towards prioritising large-scale commercial agribusiness, achieved by attracting and promoting foreign agricultural investment in Mali⁸⁰. The World Bank has also been funding investment promotion agencies in African countries, including in Mali, that position private sector advisors in key governmental ministries, including presidential offices. This was a major part of the Growth Support Project for Mali, financed by a loan from the International Development Association (IDA), the World Bank's low-income country arm.⁸¹

⁷⁵ African Development Fund. Appraisal Report on the Markala Sugar Project. 2010. Accessed under: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/MALI%20-%20AR%20Agricultural%20Component%20Markala%20Project.pdf>

⁷⁶ Soumalia T Diarra, Malian Farmers want their land back, IPS, 12 September 2012. Accessed under: <http://farmlandgrab.org/post/print/21010>

⁷⁷ Soumalia T Diarra, Malian Farmers want their land back, IPS, 12 September 2012. Accessed under: <http://farmlandgrab.org/post/print/21010>

⁷⁸ African Development Bank. Website. 2010. Accessed under: <http://www.afdb.org/en/news-and-events/article/afdb-group-approves-eur65-million-to-finance-markala-sugar-project-in-mali-7575/>

⁷⁹ AfDB Group. Annual Report. 2010. Accessed under: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Annual Report 2010 EN.pdf>

⁸⁰ Oakland Institute. Understanding Land Investment Deals In Africa. Country Report Mali. 2011. Accessed under: http://media.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_Mali_Land_Investment_report.pdf

⁸¹ News /Bretton Woods Project 14 September 2011 Update 77. Accessed under: <http://www.brettonwoodsproject.org/land77>

4.3 INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

The International Fund for Agriculture Development (IFAD) was established as an international finance institution in 1977 as one of the major outcomes of the 1974 World Food Conference, which was organised in response to the food crisis of the early 1970s. According to the IFAD, “one of the most important insights emerging from the conference was that the causes of food insecurity and famine were not so much failures in food production, but structural problems relating to poverty and to the fact that the majority of the developing world's poor populations were concentrated in rural areas.”⁸²

IFAD is dedicated to eradicating rural poverty in developing countries. Seventy-five per cent of the world's poorest people – 1.4 billion women, children and men – live in rural areas and depend on agriculture and related activities for their livelihoods.

Working with poor rural people, governments, donors, non-governmental organisations and many other partners, IFAD focuses on country-specific solutions, which can involve increasing poor rural peoples' access to financial services, markets, technology, land and other natural resources.

Through low-interest loans and grants, IFAD works with governments to develop and finance programmes and projects that enable rural poor people to overcome poverty themselves.⁸³

4.3.1 EXAMPLE OF SUPPORT TO LAND GRABBING PROJECTS

Kalangala Oil palm plantation on Bugala Island in Uganda

The Kalangala oil palm project aims to plant 10,000 hectares of oil palm on Bugala Island in Kalangala district in Lake Victoria. The island has a population of around 20,000 people, who mainly depended on fishing, subsistence farming and tourism before the introduction of oil palm.

According to a report of Friends of the Earth International and NAPE (National Association of Professional Environmentalists, Uganda)⁸⁴, an environmental impact study found that the project would not have significant climate or hydrological impacts on the island, but that it was likely to reduce forest cover, resulting in a loss of endemic species, and that it would reduce windbreaks, increase siltation in Lake Victoria, increase logging, reduce the potential for ecotourism, increase the local population and increase the risk of HIV/AIDS, food insecurity, cultural erosion, loss of sacred places and cultural conflicts.

⁸² IFAD website. Accessed under: <http://www.ifad.org/governance/index.htm>

⁸³ Ibid.

⁸⁴ Friends of the Earth International, NAPE, Land, life and justice, April 2012. Accessed under: http://www.foei.org/en/resources/publications/pdfs/2012/land-life-justice/at_download/file

According to the report of Friends of the Earth and NAPE⁸⁵, people have reported that they were denied access to resources, including grazing lands, building materials and water, contravening their human rights. Fertilizers and pesticides used in the oil palm plantation were also reported to have affected the community's water point.

Because large areas of forest have been cleared to make way for oil palm plantations, there is pressure on the remaining forest resources, which traditionally provide building materials, boatmaking materials, food and importantly, firewood for the local population.

One of the stated aims of the oil palm development was to create jobs for the local community, but most of the jobs on offer are for casual labourers and most are not from Kalangala. Many come from the Northern and Eastern parts of Uganda. Virtually all of these are men. Casual labourers are paid approximately one dollar a day for work on the project, and many say this is not enough to cover their living costs in Kalangala⁸⁶.

Role of IFAD and World Bank

The World Bank historically provided significant technical and financial support for the project, including pushing forward and mediating on private sector involvement. Funding for the project was made up of USD120 million from private investment, USD19.9 million from IFAD, and USD 10 million from the World Bank through its private sector lending arm, the International Finance Corporation (IFC)⁸⁷.

The World Bank has since withdrawn as cooperating institution because it feared that the expanded oil palm project would not comply with its internal forestry safeguard policies, however the project continues.⁸⁸

⁸⁵ Friends of the Earth International, NAPE, Land, life and justice, April 2012. Accessed under: http://www.foei.org/en/resources/publications/pdfs/2012/land-life-justice/at_download/file

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Ibid.

4.4 BILATERAL EUROPEAN DEVELOPMENT FINANCE INSTITUTIONS

There is a number of Europe Development Finance Institutions that are also involved in land grabbing. This chapter describes some of them relating to their portfolio in the agricultural sector.

4.4.1 BIO, BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES

The Belgian Investment Company for Developing Countries (BIO) is the Belgian Development Bank. Its goal is to support a strong private sector in developing and/or emerging countries, to enable them to gain access to growth and sustainable development with the aim to achieving the Millennium Development Goals⁸⁹.

BIO invests directly in private sector projects and as such makes a structural contribution to the socio-economic growth of those host countries. Its mandate requires strict criteria in terms of geographical targets, financing tools and, above all, impact on development⁹⁰.

“Belgian development cooperation supports structural interventions aimed at increasing food production in developing countries. ...Alongside this, the Belgian Investment Company for Developing Countries (BIO) supports the development of private companies active in the agriculture sector.”⁹¹

“BIO can invest directly in local SMEs and large companies with a local foothold, with a particular focus on the food industry in all matters concerning food crops (intended to feed the local population), export cultures and breeding, and companies processing raw food materials.”⁹²

4.4.2 DEG GERMAN DEVELOPMENT FINANCE INSTITUTION

DEG is part of the German Development Cooperation. “DEG has been financing private-sector investments in developing countries since 1962. By promoting private sector development, DEG contributes to the creation of jobs and income and to better living conditions in the partner countries.”⁹³

DEG has been advising private investors in the agricultural, forestry and food industries in Africa, Asia and Latin America and central and eastern Europe for 40 years. DEG structures and finances projects and makes risk capital available. In this sector DEG has currently a portfolio of EUR 300 million.⁹⁴

⁸⁹ Belgian Investment Company for Developing Countries (BIO). About us. Website. Accessed under: <http://www.bio-invest.be/en/about-us/mission.html>.

⁹⁰ Belgian Investment Company for Developing Countries (BIO). About us. Website. Accessed under: <http://www.bio-invest.be/en/about-us/mission.html>.

⁹¹ Kingdom of Belgium, Foreign Affairs, Foreign Trade and Development Cooperation, Food Safety, Accessed under: http://diplomatie.belgium.be/en/policy/policy_areas/striving_for_global_solidarity/food_safety/

⁹² bio-Development through Investment, Sectors, Enterprises, Accessed under: <http://www.bio-invest.be/en/what-we-do/sectors.html>

⁹³ About DEG. Accessed under: http://www.deginvest.de/deg/EN_Home/About_DEG/index.jsp

⁹⁴ DEG, Agriculture, Forestry and Food Industry, Accessed under: http://www.deginvest.de/deg/DE_Home//Download_Center/PDFs_Online-Bibliothek/Agrarmodul_Englisch.pdf

4.4.3 FMO, NETHERLANDS DEVELOPMENT FINANCE COMPANY

FMO is the Dutch development Bank. It takes a global value chain approach when investing in farming, processing and distribution – targeting bottlenecks and strengthening the weakest links. FMO finances companies throughout the agribusiness value chain⁹⁵:

- Seeds and fertilizers
- Primary production and farming
- Infrastructure – storage /warehouses, irrigation
- Commodity and food processing
- Trade and distribution (wholesale/retail)

Clients are now largely located in Latin America and Eastern Europe. The agribusiness portfolio will be further expanded into Africa and Asia.⁹⁶

4.4.4 OEEB, AUSTRIAN DEVELOPMENT BANK

OeEB is the official Development Bank of Austria and acts on behalf of the Federal Government. It is specialised in realising private-sector projects that require long-term financing, can service their borrowings out of their own cash flow and have a sustainable impact on the regional economic development.⁹⁷

It is OeEB's long-term goal to have 20% of its portfolio invested in LDCs. OeEB can work in the manufacturing, trade, services, industry and agricultural sectors. In addition, it finances infrastructure projects and, on a case-by-case basis, it may also support infrastructure projects in the public sector.⁹⁸

4.4.5 SWEDFUND, SWEDFUND INTERNATIONAL AB

Swedfund is wholly owned by the Swedish Government and provides risk capital, expertise and financial support for investments in the emerging markets of Africa, Asia, Latin America and Eastern Europe.⁹⁹ Swedfunds portfolio includes businesses in the agricultural sector.¹⁰⁰

4.4.6 EXAMPLE OF SUPPORT TO LAND GRABBING PROJECTS

All the European Development Finance Institutions mentioned above are involved in the Addax Bioenergy project¹⁰¹ (see Chapter 4.2.5 on Addax Bioenergy bioethanol project).

⁹⁵ FMO Entrepreneurial Development Bank, Agribusiness, Food & Water, Accessed under: <http://www.fmo.nl/agribusiness-food-water>

⁹⁶ Ibid.

⁹⁷ OeEB Development Bank of Austria. Accessed under: <http://actors.growinginclusivemarkets.org/oeeb>

⁹⁸ Ibid.

⁹⁹ Swedfund, About Swedfund. Accessed Under: <http://www.swedfund.se/en/about-swedfund/>

¹⁰⁰ Swedfund Portfolio, Accessed under: <http://www.swedfund.se/en/our-investments/portfolio/>

¹⁰¹ Addax Bioenergy Factsheet September 2012. Accessed under: <http://www.addax-oryx.com/AddaxBioenergy/pdf/Addax-Bioenergy-Fact-Sheet-September-2012.pdf> .

4.5 EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

The European Bank for Reconstruction and Development has been established in 1991 and has become the largest financial investor in its region of operations which stretches from central Europe and the Western Balkans to central Asia¹⁰². The EBRD helps the countries in the region to become open, market economies. The EBRD is owned by 63 countries, the European Union and the European Investment Bank¹⁰³.

4.5.1 EXAMPLE OF SUPPORT TO FARMLAND INVESTORS

The European Bank for Reconstruction and Development (EBRD) is providing a working capital facility worth USD 25 million to M-Trade LLC, a subsidiary of Mriya Agro Holding Public Limited involved in farming business and logistic services in Ukraine. The project will provide financing of inputs needed for agricultural production as well as crops stored at certified warehouses¹⁰⁴.

Mriya is a major agribusiness company listed on Frankfurt Stock Exchange, which carries out agricultural activities on 220,000 hectares of land spread across Ternopil, Khmelnytskyi, Chernivtsi and Ivano-Frankivsk regions of western Ukraine, and is one of the most successful agro-producers in the country. EBRD financing will support sustainable growth of Mriya Agro Holding operations, facilitate market expansion and competition by bringing new land into production and increasing the crop yields and promote Warehouse Receipts as a pledge instrument¹⁰⁵.

This project also has been financed by the International Finance Corporation (IFC). In 2010, IFC provided USD 75 million in equity to Mriya, and loans for the company to increase its land holdings to 165,000 ha (see chapter 4.1.1 on IFC).

¹⁰² EBRD. About us. Website. Accessed under: <http://www.ebrd.com/pages/about.shtml>.

¹⁰³ Ibid.

¹⁰⁴ EBRD. EBRD in US\$25 million loan to Mriya Agro Holding. January 2011. Accessed under : <http://farmlandgrab.org/post/view/18959>.

¹⁰⁵ Ibid.

4.5.2 CONTROVERSY OVER EBRD'S STATEMENTS

On 14 September 2012 GRAIN, La Via Campesina, Friends of the Earth International and several other NGOs released the statement 'Why are the FAO and the EBRD promoting the destruction of peasant and family farming?'¹⁰⁶ They were shocked and offended by an article¹⁰⁷ co-signed by Jose Graziano da Silva, Director General of the UN's Food and Agriculture Organisation (FAO) and Suma Chakrabarti, President of the European Bank for Reconstruction and Development (EBRD). The article was published in the context of a joint FAO and EBRD conference for companies and decision-makers in agribusiness in Istanbul on 13 September 2012.

For the social movements it is unacceptable that "the heads of these two influential agencies make a clear call for a worldwide increase in private sector investment and land grabbing".

They reject the views expressed in the article and close their statement with a clear call for agrarian reforms and support for rural peoples:

"The livelihoods of peasants and indigenous peoples and their food production systems cannot be destroyed to create a new source of mega profits for a tiny group of elites. We need comprehensive and effective agrarian reforms that put lands and territories back into the hands of rural peoples. The commodification and grabbing of lands must be stopped and reversed. We do not need agribusiness; we need more communities and more peasant and indigenous families farming with dignity and respect."¹⁰⁸

¹⁰⁶ 'La Via Campesina, Why are the FAO and the EBRD promoting the destruction of peasant and family farming?', 14 September 2012. Accessed under: <http://viacampesina.org/en/index.php/main-issues-mainmenu-27/agrarian-reform-mainmenu-36/1295-why-are-the-fao-and-the-ebrd-promoting-the-destruction-of-peasant-and-family-farming>

¹⁰⁷ Suma Chakrabarti and Jose Graziano da Silva, Hungry for investment, Wall Street Journal, 6 September 2012. Accessed under: <http://farmlandgrab.org/post/view/20987>

¹⁰⁸ ¹⁰⁸ 'La Via Campesina, Why are the FAO and the EBRD promoting the destruction of peasant and family farming?', 14 September 2012. Accessed under: <http://viacampesina.org/en/index.php/main-issues-mainmenu-27/agrarian-reform-mainmenu-36/1295-why-are-the-fao-and-the-ebrd-promoting-the-destruction-of-peasant-and-family-farming>

4.6 ASIAN DEVELOPMENT BANK

The Asian Development Bank (ADB) aims for an Asia and Pacific free from poverty. Approximately 1.8 billion people in the region are poor and unable to access essential goods, services, assets and opportunities to which every human is entitled.¹⁰⁹

The main devices for assistance are loans, grants, policy dialogue, technical assistance and equity investments.¹¹⁰

USD 2 billion is ADB's annual engagement for sustainable food security for 2010-2012. The bank highlights the fact that "two-thirds of the world's one billion hungry reside in Asia and the Pacific and rising food prices are bringing the spectre of food shortages and undernutrition to millions more of the region's poor. In response to this regional food crisis, ADB has shifted its strategic focus from agriculture to a comprehensive multi-sector food security engagement with the goal of curbing food insecurity, particularly among the poor and vulnerable."¹¹¹

Within the scope of this research, it was not possible to assess the numerous agricultural projects financed by the Asian Development Bank. Therefore, no example of land grabbing projects could be found for this bank.

4.7 INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank (IDB) is the largest source of development financing for Latin America and the Caribbean. It provides loans and grants, technical assistance and does research.¹¹²

Regarding agriculture and food security the bank's main goal is to accelerate output in Latin America and the Caribbean while promoting efficient and sustainable management of natural resources. "To maintain or increase agricultural growth and to face the challenges of feeding an increasing population and adapting to the impacts of climate change, the IDB helps farmers increase their productivity with greater access to markets, better agricultural services and increased investments."¹¹³

Within the scope of this research, it was not possible to assess the numerous agricultural projects financed by the Inter-American Development Bank. Therefore, no example of land grabbing projects could be found for this bank.

¹⁰⁹ ADB Asian Development Bank, Overview. Accessed under: <http://www.adb.org/about/overview>

¹¹⁰ Ibid.

¹¹¹ ADB-Asian Development Bank, Responding to Asia's Food Crisis. Accessed under: <http://www.adb.org/sectors/agriculture/main>

¹¹² IDB Inter-American Development Bank, About the Inter-American Development Bank. Accessed under: <http://www.iadb.org/en/about-us/about-the-inter-american-development-bank,5995.html>

¹¹³ IDB, Agriculture and Food Security. Accessed under: <http://www.iadb.org/en/about-us/about-the-inter-american-development-bank,5995.html>

4.8 ROLE OF SWITZERLAND IN DFIS

Switzerland supports a strong multilateral system, but concentrates on priority organisations, according to their relevance for Swiss foreign policy considerations and the possibility for Switzerland to participate in the organisations' management and supervisory bodies. Switzerland is a member of the following Development Banks and Development Finance Institutions:¹¹⁴ The relationship between Switzerland and the multilateral development banks is being coordinated by the State Secretariat for Economic Affairs (SECO).¹¹⁵

The table below shows the capital participation or voting shares and the Swiss contribution during the last years.

	Swiss Membership	Capital/Voting Share	Swiss Contribution
World Bank ¹¹⁶	Since 1992	1.66%	IDA: CHF 204,2 million (2008)
African Development Bank ¹¹⁷	Since 1982	1.46%	CHF 130 million (2011-2013)
Inter-American Development Bank ¹¹⁸	Since 1976	0.47%	CHF 1,4 million (2012)
Asian Development Bank ¹¹⁹	Since 1967	0.58%	CHF 13,5 million (2012)
International Fund of Agriculture and Development (IFAD)	Since 1978	1.4%	USD 20.1 million (2010)
European Bank for Reconstruction and Development ¹²⁰	Since 1992	2.28%	EUR 456 million (basis capital share)

¹¹⁴ Multilateral Cooperation, SECO. Accessed under: <http://www.seco-cooperation.admin.ch/themen/multilateral/index.html?lang=en>

¹¹⁵ Multilateral Cooperation, SECO. Accessed under: <http://www.seco-cooperation.admin.ch/themen/multilateral/index.html?lang=en>

¹¹⁶ World Bank, SDC. Accessed under:

http://www.deza.admin.ch/en/Home/Activities/Multilateral_cooperation/International_Institutions/International_Financial_Institutions/World_Bank?selectUrl=21223&Submit=Go

¹¹⁷ African Development Bank AfDB, SDC. Accessed under:

http://www.deza.admin.ch/en/Home/Activities/Multilateral_cooperation/International_Institutions/International_Financial_Institutions/African_Development_Bank_AfDB?selectUrl=21304&Submit=Go

¹¹⁸ Inter-American Development Bank, SDC. Accessed under:

http://www.deza.admin.ch/en/Home/Activities/Multilateral_cooperation/International_Institutions/International_Financial_Institutions/Inter_American_Development_Bank_IDB?selectUrl=21284&Submit=Go

¹¹⁹ The Asian Development Bank (ADB), SDC. Accessed under:

http://www.deza.admin.ch/en/Home/Activities/Multilateral_cooperation/International_Institutions/International_Financial_Institutions/Asian_Development_Bank_AsDB?selectUrl=21285&Submit=Go

¹²⁰ European Bank for Reconstruction and Development, SECO. Accessed under: <http://www.seco-cooperation.admin.ch/themen/multilateral/00522/00531/index.html?lang=en>

4.9. A NEW TREND: FROM FINANCING PROJECTS AND PROGRAMMES TO INTERMEDIARY LENDING

The analysis of the financing of the DFIs in this report confirms a new trend in funding development: Instead of directly financing programmes and projects in developing countries, funds of Development Finance Institutions are being channelled through financial intermediaries, such as private equity funds, banks or credit agencies. For example the International Finance Corporation (IFC) has invested USD 20 million in equity in the Asia Water Fund. This has fuelled controversy surrounding the World Bank's support for private sector involvement in water. In 2011, half of the portfolio of the IFC was made up of lending to Financial Intermediaries. Another example is the European Investment Bank (EIB), which has doubled the use of this model over the last 10 years, so that it now accounts for nearly 40 percent of lending.¹²¹

Regarding land grabbing, this type of indirect financing makes it more difficult to monitor where the money finally is being invested and which impacts projects have. The disclosure of private sector investments is limited and therefore it is less transparent than for direct funding.

¹²¹ Sasanka Thilakasiri, Rob Nash, Anne Perault, Risky Business: Intermediary lending and development finance, Oxfam International, 2012 <http://www.oxfam.org/en/policy/risky-business>

5 INTERNATIONAL EFFORTS TO REACT TO THE “STOP LAND GRABBING” CALL OF CIVIL SOCIETY ORGANISATIONS

This chapter refers to two of the most prominent initiatives that have been developed to cope with the challenges of land grabbing. They are quite different in scope, and especially in the process that led to their development: the 'Principles for Responsible Agricultural Investment that Respects Rights, Livelihood and Resources' and the 'Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests'. Both initiatives are reactions to the increasing protests by farmers and peasant organisations and the call to “stop land grabbing” by GRAIN, Via Campesina and others.

5.1 RAI-PRINCIPLES

Due to an ever growing awareness of the negative effects of land grabbing in recent years in some 20 of the most affected countries, the World Bank in 2009 initiated a study entitled “Large Scale Acquisition of Land Rights for Agricultural or Natural Resource-based Use¹²²”. Based on the evidence from this study, the World Bank Group, FAO, IFAD and UNCTAD in January 2010 presented the 'Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources'¹²³, also known as the RAI-Principles.

They are based on the following seven issues and principles¹²⁴:

Respecting Land and Resource Rights

Principle 1: Existing rights to land and associated natural resources are recognised and respected.

Ensuring Food Security

Principle 2: Investments do not jeopardise food security, but rather strengthen it.

Ensuring Transparency, Good Governance, and a Proper Enabling Environment

Principle 3: Processes for accessing land and other resources and then making associated investments are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal and regulatory environment.

Consultation and Participation

Principle 4: All those materially affected are consulted, and agreements from consultations are recorded and enforced.

¹²² World Bank. Large-scale Acquisition of Land Rights for Agricultural or Natural Resource-based Use. 2011. Accessed under: <http://www.profor.info/knowledge/large-scale-acquisition-land-rights-agricultural-or-natural-resource-based-use>

¹²³ Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources, Extended Version, January 2010, FAO, IFAD, UNCTAD, World Bank Group. Accessed under: http://siteresources.worldbank.org/INTARD/214574-1111138388661/22453321/Principles_Extended.pdf

¹²⁴ Ibid.

Responsible Agro-Enterprise Investing

Principle 5: Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically and result in durable shared value.

Social Sustainability

Principle 6: Investments generate desirable social and distributional impacts and do not increase vulnerability.

Environmental Sustainability

Principle 7: Environmental impacts due to a project are quantified and measures taken to encourage sustainable resource use while minimising the risk/magnitude of negative impacts and mitigating them.

In April 2010, La Via Campesina, FIAN International, the Land Research and Action Network, GRAIN and others strongly rejected the RAI-Principles in their paper 'Stop Land Grabbing Now!', which was endorsed by an impressive list of civil society organisations from all over the world¹²⁵. These organisations then reinforced their arguments with a more detailed position paper in October 2010, in which they pointed out that RAI “is a move to try to legitimise what is absolutely unacceptable: the long-term corporate (foreign and domestic) takeover of rural people's farmlands”¹²⁶. This view is also shared by Fastenopfer and *Bread for all*.

The paper is a direct response to each of the principles above, and stresses the RAI's institutional problems, criticising that the initiative is a response to the revived interest of large investors in agricultural production. “The RAI principles are not conceived as public policy on agricultural investment nor as state regulation of private agricultural investment, but as self-regulatory policy advice to mitigate the negative impacts of large-scale land acquisition¹²⁷.” The position stresses that the principles follow the rationale of self-regulation, despite the obvious failure of the private sector to self-regulate.

“RAI started as an agency-led initiative without participation of the governments of poor countries and of the people affected by such investments: women, peasants/farmers, indigenous peoples, fisherfolks, pastoralists, and agricultural workers. Moreover, RAI is not anchored in a multilateral institutional setting with clear rules of procedure, decision-making and accountability.”¹²⁸

The criticism was reiterated on 17 April, 2012, the International Day of Peasant's Struggle – a few days later, the World Bank held its Annual Conference on Land and Poverty – arguing that “land grabbing undermines international human rights law, including people's right to

¹²⁵ La Via Campesina • FIAN • Land Research Action Network • GRAIN. STOP LAND GRABBING NOW!, April 2010. Accessed under: <http://farmlandgrab.org/12200>

¹²⁶ Why we Oppose the Principles for Responsible Agricultural Investment (RAI), The Global Campaign for Agrarian Reform, Land Research Action Network, October 2010.

¹²⁷ Ibid.

¹²⁸ Ibid.

food and livelihood security, water, information and participation in decisions that affect their lives”¹²⁹.

The groups called on the United Nations Committee on Food Security to adopt the UN Food and Agriculture Organisation's Voluntary Guidelines on the Governance of Land and Natural Resources. In contrast to the RAI-Principles, these voluntary guidelines are strongly rooted in human rights law.

5.2 FAO VOLUNTARY GUIDELINES

The 'Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests'¹³⁰ were adopted on 11 May, 2012 by the United Nations Committee on World Food Security (CFS). In contrast to the RAI-Principles, the development of these guidelines followed a completely different approach. The CFS is linked to the FAO and is the United Nations' forum for reviewing and following up on policies concerning the world food situation. It was established as a result of the food crisis of the 1970s.¹³¹

In 2009, the CFS underwent wide-ranging reforms, with the aim to make it the foremost inclusive international and intergovernmental platform dealing with food security and nutrition. In addition to member countries and various UN agencies such as IFAD and the World Food Programme (WFP), the CFS includes civil society and non-governmental organisations, representing smallholder family farmers, fisherfolk, herders, the landless, the urban poor, agricultural and food workers, women, young consumers and indigenous people. The World Bank, the IMF regional development banks and the World Trade Organisations are also among the members of this multi-stakeholder forum.

The Voluntary Guidelines in brief

The new Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security¹³² outline principles and practices that governments can refer to when making laws and administering land, fisheries and forests rights.

The guidelines are based on an inclusive consultation process started by FAO in 2009 and then finalised through CFS-led intergovernmental negotiations that included participation of government officials, civil society organisations, private sector representatives, international organisations and academics.

The aim of the guidelines: to promote food security and sustainable development by improving secure access to land, fisheries and forests and protecting the rights of millions of

¹²⁹ Bretton Woods Project, Update 81, 3 July 2012. Accessed under: <http://www.brettonwoodsproject.org/art-570786>

¹³⁰ FAO, Governance of Tenure, About the Voluntary Guidelines on the Governance of Tenure. Accessed under: <http://www.fao.org/nr/tenure/voluntary-guidelines/en/>

¹³¹ Committee on World Food Security of the FAO. FAO Website. Accessed under: <http://www.fao.org/cfs/en/>

¹³² FAO, Governance of Tenure, About the Voluntary Guidelines on the Governance of Tenure. Accessed under: <http://www.fao.org/nr/tenure/voluntary-guidelines/en/>

often very poor people.

Historic and far-reaching

"Giving poor and vulnerable people secure and equitable rights to access land and other natural resources is a key condition in the fight against hunger and poverty. It is a historic breakthrough that countries have agreed on these first-ever global land tenure guidelines. We now have a shared vision. It's a starting point that will help improve the often dire situation of the hungry and poor," said FAO Director-General José Graziano da Silva.

Much public debate has focused on the so-called 'land-grabbing' phenomenon, which is one of the issues that are dealt with in these guidelines.

While the guidelines acknowledge that responsible investments by the public and private sectors are essential for improving food security, they also recommend that safeguards be put in place to protect tenure rights of local people from risks that could arise from large-scale land acquisitions, and also to protect human rights, livelihoods, food security and the environment.

Investment models exist that do not result in the large-scale acquisition of land, and these alternative models should be promoted. Investments should also promote policy objectives such as boosting local food security and promoting food security, poverty eradication and job creation, and "provide benefits to the country and its people, including the poor and most vulnerable."

The guidelines address a wide range of other issues as well, however, including:

- Recognition and protection of legitimate tenure rights, even under informal systems
- Best practices for registration and transfer of tenure rights
- Making sure that tenure administrative systems are accessible and affordable
- Managing expropriations and restitution of land to people who were forcibly evicted in the past
- Rights of indigenous communities
- Ensuring that investment in agricultural lands occurs responsibly and transparently
- Mechanisms for resolving disputes over tenure rights
- Dealing with the expansion of cities into rural areas¹³³

¹³³ FAO website. Accessed under: <http://www.fao.org/news/story/en/item/142587/icode/>

With respect to land tenure, the Voluntary Guidelines are considered to be the most advanced instrument discussed in an international multi-stakeholder process and adopted by member countries of the United Nations.

The Voluntary Guidelines concentrate on the issue of land tenure and are thus more limited in scope than the RAI-Principles. This is why both approaches are still being discussed at present.

Critics say that the Voluntary Guidelines are far too weak to solve the problem of land grabbing, and that a non-binding agreement, even if agreed upon by a multi-stakeholder forum, will not change the situation. Proponents of the Voluntary Guidelines, including *Bread for all* and Fastenopfer, argue that a convention or any other binding instrument would have taken far too long to become effective, considering the urgency of the problem of land grabbing, making them useless by the time they have been transformed into a legally binding instrument. International conventions or other hard laws for international governance would have taken years to discuss and even longer to ratify, and they would have eventually been a lot weaker than the existing guidelines. Now that the Voluntary Guidelines have been developed by a multi-stakeholder forum and adopted by the member countries, they can count on a great deal of commitment in implementing them.

5.3 ROLE OF SWITZERLAND REGARDING THE FAO VOLUNTARY GUIDELINES

The Swiss Agency for Development and Cooperation (SDC) strongly supported the development of the Voluntary Guidelines with a financial and technical support. The SDC will support their application by different governments with a contribution of CHF 3 million.¹³⁴

¹³⁴ Securing land rights – a step toward eradicating hunger and poverty, Swiss Development Corporation (SDC). Accessed under: http://www.deza.admin.ch/en/Home/News/Close_up&itemID=214736

6 RECOMMENDATIONS

In order to stop land grabbing and guarantee the right to land and a sustainable development for smallholders, a real shift is necessary. By opposing the RAI-Principles, civil society makes it very clear that the issue is not to make land grabbing 'more sustainable', but to guarantee all rights that have already been approved internationally, including the right to free, prior and informed consent for vulnerable groups.

The following recommendations are directed mainly at development finance institutions, but also at donor and host countries, and represent some of the main issues that have been raised both by civil society groups and research institutions:

- **Put smallholder production at the centre of strategies for agricultural development;** This includes access to land and land reforms that guarantee the right to land, access to water and energy, implementing infrastructure at the local level, promote community-based farming systems and provide resources for case studies and the exchange of ideas.
- **Drop the RAI-Principles and instead adopt the FAO Voluntary Guidelines and develop measures to hold companies accountable.**
- **Secure land rights and the right to food and food sovereignty.** In this context, it is also important to acknowledge the fact that most of that land that is subject to land grabs is neither 'unused' or 'unproductive'. The problem is that even governments of the respective countries are often unaware of the sustainable use of land and ignore customary rights.
- **Strictly monitor the allocation of resources of DFIs and establish – respectively strengthen – an early warning system that allows for an immediate reaction, even before the land deal has been established.**
- **Review all technical and advisory services of DFIs to ensure that they do not enable further land grabs.**
- **Strengthen the role and rights of women in rural areas as they are most affected by bad living conditions and in many countries are not allowed to be land owners.**
- **Implement a rights and risk approach for affected communities at an early planning stage.**
- **Closely monitor the implementation of Disclosure Policies of DFIs.**
- **Monitor investments of the Funds/Funds of Funds that are receiving financial resources from DFIs.**

Recommendations for existing land grab projects:

- **Ensure equitable benefit sharing for local communities when large-scale agricultural projects are implemented.**
- **Solve existing problems with land grabs: Establish independent review mechanisms and adequate measures to compensate for losses or re-establish the situation before the land grab.**
- **Lobby DFIs to invest in smallholder programmes instead of taking public money for mitigating the risks of private investments.**

6.1 WHAT CAN SWITZERLAND DO?

Switzerland is a member of the World Bank, the African Development Bank and other multilateral development banks. As a donor country, Switzerland, through the Swiss State Secretariat for Economic Affairs (SECO), is also accountable for the development and performance of the above mentioned institutions. All measures should be taken to prevent further land grabbing projects involving DFIs, government institutions or private companies. This means actively promoting the above mentioned recommendations.

7 CONCLUSION

The primary goal of development finance institutions to reduce poverty and promote sustainable development is being thwarted by the effects of land grabbing. As this report shows, many projects do not only fail to improve livelihoods of poor and vulnerable groups, but even violate their human rights and leave them without any future perspectives.

Although the private sector is in the focus of many studies and reports, development finance institutions at the multilateral and bilateral level contribute to land grabbing, either through direct funding of projects and programmes, but also in many indirect ways. They promote policies, offer technical assistance to governments, or provide insurance services in order to spur on foreign direct investment into agriculture in developing countries.

Development finance institutions are seeking to increase public private-partnerships and are developing new incentives for private companies to get more involved in development projects. Investments in large-scale agricultural schemes to provide commodities for a globalised market are consequently being promoted.

The close cooperation with the private sector often leads to 'double' standards within the international financial institutions, reduces transparency and accountability and often makes public debate and participation in decision-making more difficult.

While the World Bank and other institutions have been criticised for neglecting their own policies and safeguards in many projects, the issue unfortunately continues in the area of agriculture. Although there is overwhelming evidence for the necessity and the success of smallholders in providing food security, development finance institutions continue to finance the private sector, mostly supporting huge agro-industrial schemes, providing commodities for Northern markets.

The dimension and speed in which land grabbing is taking place calls for immediate action to stop it in order to prevent further disastrous effects of land grabbing and the impoverishment of more people. Although development finance institutions have tried to react to the reported problems related to land grabbing, the measures taken so far are either strongly rejected by civil society (RAI-Principles) or still have to prove their effectiveness (FAO Voluntary Guidelines).

LIST OF ABBREVIATIONS

AAF – African Agriculture Fund

AfDB – African Development Bank Group

ADF – African Development Fund

ADB – African Development Bank

ADB – Asian Development Bank

AgSS – Agriculture Sector Strategy

AUC – African Union Commission

CFS – Committee on World Food Security

CFIG – Credit Suisse Customized Fund Investment Group

CDM – Clean Development Mechanism

DFI – Development Finance Institution

FAPA – Fund for Private Sector Assistance

FAO – United Nations Food and Agriculture Organisation

FDI – Foreign Direct Investment

FIAS – Foreign Investment Advisory Service

IDB – Inter-American Development Bank

ICT – Information and Communication Technologies

IFAD – International Fund for Agricultural Development

IFC – International Financial Corporation

IMF – International Monetary Fund

IPAs – Investment Promotion Agencies

RAI – Responsible Agricultural Investment

REDD – Reducing Emissions from Deforestation and Degradation

SECO - State Secretariat for Economic Affairs

TAAS – Technical Assistance and Advisory Service

UNCTAD – United Nations Conference on Trade and Development

VL – Voluntary Guidelines

WFP – World Food Programme