



Briefing Note

Large-scale land acquisitions and leases

The background

Some 38 million hectares of large-scale land acquisitions or leases are documented worldwide. This trend has accelerated in recent years, repeatedly causing a stir internationally under headlines of *land grabbing*. International and national investors, mostly private, parastatal and state companies, are using long-term leases and purchase agreements to secure large areas of agricultural land in developing countries. Land acquired by international investors is used in part for growing food for export to densely populated states without sufficient agricultural land and natural resources (e.g. China, Malaysia, Singapore, Saudi Arabia, United Arab Emirates and Qatar). Following the expansion of renewable energy and a long-term rise in oil prices, the land is also increasingly used to produce biofuels. In addition, the resultant growth in competition for ever scarcer land and water and the food price crisis of 2007/8 have made arable land the object of speculation on the international financial markets, where investors buy up land in order to profit from rising prices.

The countries targeted for land acquisitions and leases are mostly developing countries characterised by weak government structures and problems such as poverty and malnutrition (two thirds of the land concerned lies in sub-Saharan Africa). However, figures and statistics on the extent of land grabbing are difficult to verify on account of information gaps and almost total lack of transparency.

Many of these land acquisitions and leases bring about the displacement of the local population, lead to

considerable environmental pollution and put local food security at risk. A traditional form of farming is ousted by mechanised production systems, and in many cases both formal and informal land-use rights are ignored.

Investment in land often occurs in rural areas not previously farmed commercially. Owing to the particular nature of shifting cultivation and their use of forests both as the source of food and income and as places of religious and cultural importance, indigenous population groups are especially often affected by the disregard for their land-use rights when large-scale agricultural and agroforestry projects are set up. Modern farming practices have a number of negative social and environmental impacts, such as the loss of access to water, cropland and pasture or the destruction of species-rich forests.

According to the information currently available, the following countries – all German development cooperation partners – are particular targets for large-scale agricultural investment: South Sudan, Indonesia, Democratic Republic of Congo, Mozambique, Ukraine, the Philippines, Brazil, Ethiopia, Ghana and Madagascar. The investors often only use parts of their land holdings for production of food and feed, raw materials and energy crops. The remainder of the land lies fallow, or at any rate it is not used for food production. To what extent investors actually use the land acquired is often only poorly researched and documented.

The reasons for this are on the one hand weak governance and administrative structures as well as poor capacity for land management and monitoring. On the other hand, land is used speculatively, and low land prices provide an incentive to gain control of more land than can actually be cultivated.

Our position

In light of these considerations, GIZ's position is as follows:

1. Large-scale purchases of land can threaten agricultural livelihoods

Large-scale purchases of land, long-term leasing, and illegal land acquisition can threaten the very viability of small farms. In many cases such acquisitions exacerbate land conflicts, instigate relocation or even lead to forced displacement of local populations and increased migration into cities.

Particularly in countries struggling with a lack of legal certainty and corruption, large-scale land acquisition can pose a threat to long-term food security and national stability and peace. The risks are especially high when land rights are inadequately documented, have no formal legal basis and accordingly provide no protection for the population against such land acquisition. Small farmers may lose the basis for their livelihoods. Large-scale land acquisitions and leases are a particular problem if no alternative sources of income are created for the affected population, for example when international investors import labour from their own countries or use highly mechanised production methods. Often there is no suitable process for consultation or, where necessary, compensation.

In addition to land rights for agricultural cultivation, large-scale land acquisitions also threaten traditional grazing rights, water use rights, and rights to gather wild products (firewood, for example) which have great economic significance, particularly for women, who generally have fewer formalised land-use rights. Ecological risks arise especially from the clearing of forest to extend cultivation, the adverse effects of monoculture in large plantations, and overuse of water resources for large-scale irrigation farming. Political lobbying, inadequate legislation, inadequate

regulatory capacity and unclear responsibilities are some of the factors that fuel a race to the bottom between the individual parties offering land.

2. Large-scale land acquisition can also offer opportunities to the rural population

At the same time, important opportunities can arise for many developing countries from the inflow of new capital and technology associated with foreign investments, as most of Germany's partner countries are not in a position to conduct the necessary investment themselves.

Higher state revenue (e.g. from taxes) arising from investments in land and agricultural projects can - if reinvested - provide a basis for boosting production, employment and incomes and thereby improving the living conditions of the rural population.

If large-scale acquisitions and leases are combined with appropriate and fair forms of contract farming, they can secure market access for participating farmers as well as adequate prices for their products, thereby also ensuring them adequate income. In addition, mutually beneficial partnerships between large companies and farmers initiate further promotion measures, including agricultural extension services and training, or expansion of infrastructure in rural areas such as health centres and roads. Such promotion efforts form constituent components of fair, development-oriented contracts that contribute to ensuring the sustainability of large-scale land acquisitions.

3. Transparency and participation of the local population are crucial to ensuring sustainability

Other factors that influence the sustainability of land investments are recognition of formal and traditional land rights and compliance with social and ecological standards. Respect for human rights, especially the right to food, housing and water, should be a basic prerequisite for land investments. By also integrating large-scale land transfers and agricultural projects into poverty reduction strategies, the negative impacts can be minimised. Such coordination of efforts can create additional employment and income opportunities for the population. Effective participation by the

local population in terms of the right of objection in planning, contract negotiations and implementation is ultimately crucial in determining the sustainability of large-scale land acquisitions and leases and reaching a solution that benefits all concerned. Purchase and leasing contracts must be fair and respect existing land rights, including non-formal ones.

4. Design of the contractual terms and conditions is decisive in determining opportunities and risks

If large-scale land acquisitions and leases and the associated investment in cultivation of agricultural products are agreed and implemented in this manner, they can play a major role in the economic development of rural areas, generating momentum for advancement. Ultimately, the decisive factor for delineating and evaluating the risks and opportunities of large-scale land acquisitions and leases is the formulation of the specific contract provisions.

Our recommended action

A coherent policy for improved land management and secure land rights in developing countries can limit the risks described above. Indeed, it can enhance efforts to use potential opportunities arising from large-scale land acquisitions and leases.

GIZ's key recommendations for action are as follows:

1. Establish transparency and a credible and reliable information base

Transparency is a prerequisite for meaningful involvement of the people concerned and for verifiable accountability. One possible way of improving the transparency of large-scale land acquisitions and leases is the disclosure of essential information about the investment before the contract is signed, while a second possibility is the publication of environmental impact assessments. Effective communication of the options available for conflict resolution and arbitration, as well as of individual instances where arbitration has been used, boosts transparency.

The Land Matrix, which is supported by GIZ, provides information aimed at promoting transparency and accountability in land-related decisions. For the first time international land

transactions (above 200 hectares) are recorded systematically on this platform, which allows to monitor global trends of large scale land acquisitions and details of target countries, specific investors or even single land deals.

2. Strengthen the monitoring and negotiating functions of civil society

The local population must actively participate in the negotiating processes. This will enable them to raise their interests in contract negotiations and thereby ensure that resultant agreements are socially and ecologically sustainable. There is an urgent need for action to inform the communities concerned about their right to participate in consultations and compensation proceedings, and about support available to them during these proceedings and when complaints mechanisms are set up.

3. Review the existing international legal framework

Clearly defined obligations arise for investing countries and companies from the existing norms of international law, such as the human right to food and to protection against forced displacement, and the principle of free, prior and informed consent (by indigenous groups). In addition, existing international and national legal norms should be reviewed for their suitability in addressing risks arising from large-scale land acquisition, and be supplemented if necessary. Contractual agreements that violate prevailing law and disregard existing rights are generally open to legal challenge and can be declared void.

4. Develop and implement international guidelines

International guidelines are intended to support governments in establishing sustainable rights of access to land and other natural resources. They also help create appropriate institutional structures and thereby also restrain corruption in the land sector. Valuable advice on procedures further exists in the form of the safeguards laid down by the international development banks, including the World Bank's Environmental and Social Standards (ESSs).



The most important guidelines in this context are the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT) and the Principles for Responsible Agricultural Investment (RAI), both of which have been approved by the UN Committee on Food Security (CFS). VGGT implementation is currently being advanced by the development of guidance documents which will be made accessible to investors and partner countries via international working groups (Global Donor Working Group on Land) and committees.

5. Maintain political dialogue

The governments of the partner and investor countries as well as banks, funds and the private sector are all integrated in this dialogue. Efforts should focus on providing information and advising on appropriate ways to counter the risks associated with large-scale land acquisitions and leases. Other topics include reducing poverty through inclusive growth, and advisory services on contracting to ensure internationally recognised guidelines and standards are duly considered.

6. Establish security through land laws and policies

Reliable, transparent government action provides the decisive basis for sustainably securing formal and informal land rights for the rural population. This creates a secure foundation for food production. The establishment of corresponding statutory frameworks is an important prerequisite for responsible formulation of contracts for large-scale land acquisitions and leases.

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