Investor Interest in

Transparency in Transnational Land Deals

Presentation at ISU meeting

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Case 1: Public Pressure – corrective action: *ABP – GSFF (Niassa, Mozambique)*

- Sweden Based Fund GSFF
  - 4 forestry companies in Mozambique
  - Major loss of access to land by local communities reported (FIAN, 2012)
- Investors in GSFF
  - Dutch Pension Fund ABP 54,5%
  - OVF Norway 5%
  - Vesterås Diocese 5%
  - …..
- Major Concerns in NL
  - Newspaper articles
  - Questions in Parliament
  - ABP took corrective actions

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Case 2: Investor withdraws: *Vanderbilt - Emvest*

- EmVest (Emergent)
  - agriculture investment fund:
  - South Africa, Mozambique, Zambia;
  - sees itself as socially responsible investor;
  - was criticised for alleged ‘land grabs’ (The Guardian, Oakland Institute, etc.).
- Vanderbilt University
  - had invested in EmVest
  - recently withdrew $26 million
  - after student pressure based on OI reports

Case 3: Project Delayed
HSBC/IFC → NFC (Uganda)

- 2005: NFC company acquired 50 year licence for plantations
  - timber production
  - CDM carbon credits
- Investments a.o. by HSBC and IFC
- FSC certification
  - at early stage (required by investors)
  - granted despite land-related issues
- 2011 Oxfam Report
  - "20,000 people evicted", "breach of FSC criteria"
  - Investigation by FSC / Certifying body SGS: "no breach"
  - IFC takes issue seriously
  - complaint filed by Ugandan communities with CAO
- The situation today
  - CAO has started mediation process
  - Project delayed for many years

Business Interest in More Transparent Land Deals?

- There are many (case) studies that claim a business interest in responsible land deals'. Hypotheses:
    1. Investors want to reduce costs/risks
    2. Lack of consultation/consent produces delays in / withdrawal from projects
    3. Delays/withdrawal produce high costs
    4. Conflicts over land-issues lead to damage to brands
- If this is really the case: are investors systematically acting against their business interests?
- More likely: the business case is different for different investors.
- But: what types of investors can we distinguish?

Seven Questions

1. What is the investor's main objective?
2. What is the investor's time perspective?
3. Does the investor acquire land (etc.) as part of own operations?
4. Is the investor public or private (→ 5 ; → 6)
5. What type of public investor?
   – Development finance?
   – ….
6. What type of private investor?
   – publicly listed?
   – brand risks?
   – certified supply chains (RSPO, FSC, etc.)?
7. Is the investor investing his own money?

Investors and Investors

1. Development Finance Institutions
2. Agri-Food Companies / Brands
3. Pension Funds, other funds with high visibility
4. Bio-Fuel companies (in regulat markets)
5. Large international commodity traders
6. Sovereign wealth funds
7. Listed Land Aggregators
8. Private Equity Funds
9. Private Individuals/Families
10. Ruthless Speculators

NB: logos for illustration only. Inclusion does not imply any positive or negative judgment

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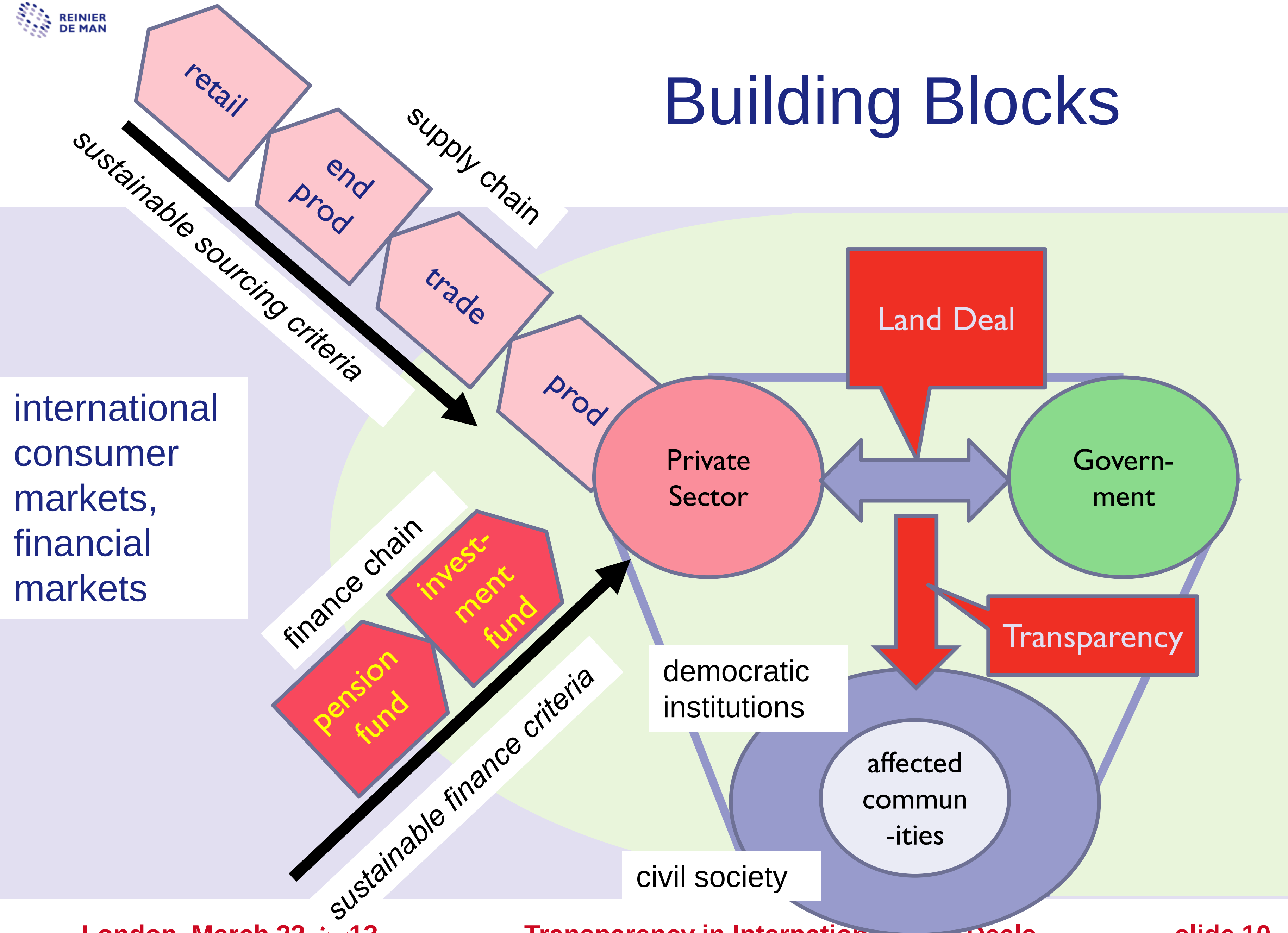
Back to the Hypotheses

Hypotheses	Confirmed?
1. Investors want to reduce costs/risks	Not all 'investors'. Some feel at home in high risk – high profit environments
2. Lack of consultation/consent produces delays in / withdrawal from projects	Not always. Only if there is leverage through markets/brands, legal or political system.
3. Delays/withdrawal produce high costs	Not always. Investors may have taken precautions in contract.
4. Conflicts over land-issues lead to damage to brands	Only true for vulnerable brands, vulnerable reputaton

	risk prone	medium	risk averse
low transparency	9. spec-ulator 8. indi-viduals	6. sovereign wealth f. 7. private equity	5. large traders
medium		4. bio-fuel	3. pension funds
high transparency		1. dev. finance inst.	2. agri-food comp. / brands

Building Blocks



Create the Playing Field First

"The poorer the protection of land rights, the more likely it is that investors will try to acquire land. The IMF says that it found 33 per cent more investment projects involving large-scale land acquisitions in countries ranked at the bottom of the World Governance Indicators (such as Angola) than in middle-ranked countries, such as Brazil. The World Bank has found that the main link between countries with the most large-scale land deals is poor protection of rural land rights." (Geary, 2012)

- The weaker a country's governance:
  - the more irresponsible 'investors' (speculators) dominate
  - the less responsible investors are present
- Creating the business case:
  - by changing the playing field
  - is a government responsibility
  - with a strong role for public-private partnerships
  - leading to binding regulation implemented in the legal system.