The Business Case for Transparent Land Deals

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Disclaimer

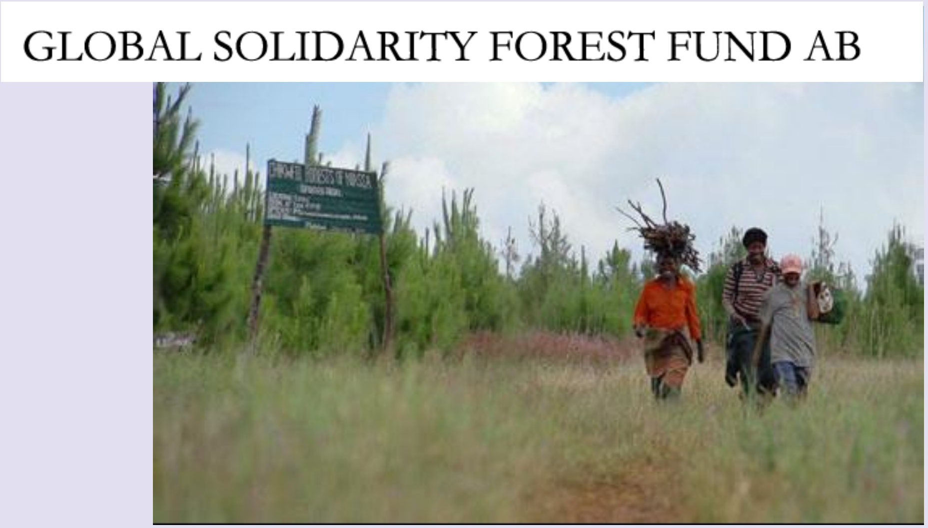
- The paper and this presentation are based on secondary sources, mainly from NGO publications against so-called ‘land grabs’. Other sources are hardly available.
- The author is not in a position to check these sources, which may still contain serious errors.
- The author does not necessarily agree on the NGOs’ data or conclusions.
- Company names and logos have been shown for illustration only. The author is not in a position to make any positive or negative moral judgments on the intentions and actual behaviour of these companies.
- The information basis of this debate is very weak. There is a strong need for more transparency: not only governments and private sector companies need to be transparent. Also NGOs will have to disclose their sources.

Global Witness, 2012

"Operating transparently and undertaking early consultation enables comprehensive evaluation of the project benefits and costs, which can identify potential risks and local concerns. Gaining project consent from potentially affected communities reduces the risk of future expensive and less effective grievance and mitigation. It also increases the legitimacy of deals, fosters project continuity during changes of governing regime, and mitigates against local opposition (with its associated risks to local staff, supply chain, and reputation)."

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



Case 2: Investor is said to withdraw: *Vanderbilt - Emvest*

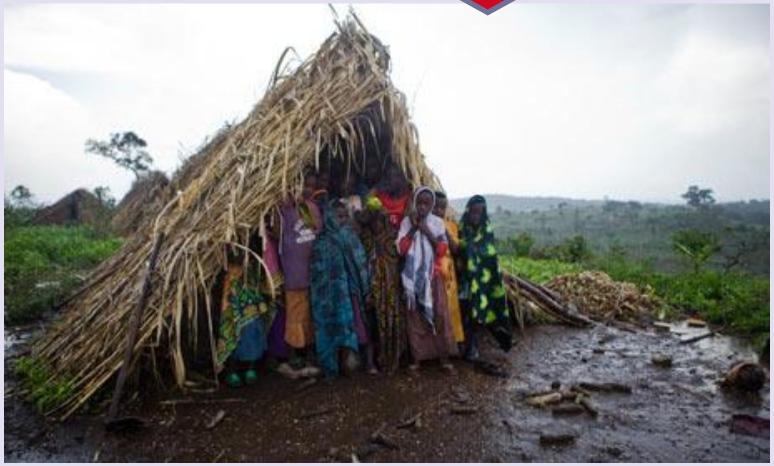
- EmVest (Emergent)
  - agriculture investment fund:
  - South Africa, Mozambique, Zambia;
  - sees itself as socially responsible investor;
  - was criticised for alleged ‘land grabs’ (The Guardian, Oakland Institute, etc.).
- Vanderbilt University
  - had invested in EmVest
  - allegedly withdrew $26 million
  - after student pressure based on OI reports
- Rumour or reality?
  - withdrawal not confirmed officially by EmVest or Vanderbilt

Case 3: Project Postponed *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 undertook a mediation process
  - Project postponed for many years

IFC International Finance Corporation World Bank Group

HSBC The world's local bank



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

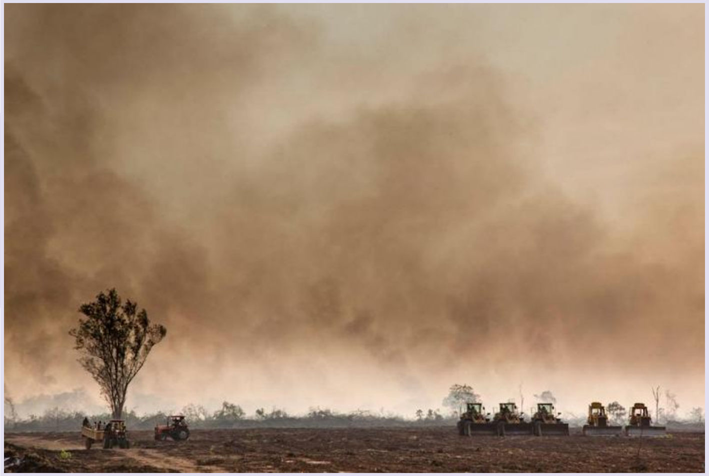
Investors and Investors

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

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

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.

Building Blocks