Food and Agriculture Organization of the United Nations

FAO COMMODITY AND TRADE POLICY RESEARCH
WORKING PAPER No. 52

Home country measures that promote responsible foreign agricultural investment: Evidence from selected OECD countries

Home country measures that promote responsible foreign agricultural investment: Evidence from selected OECD countries

by

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Rome, 2016

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Acknowledgements

The authors would like to thank Pascal Liu for his overall guidance and support, Raffaele Bertini for the statistical analysis, Massimo Iafrate for the preparation and processing of the graphics and data, Takumi Kunitake for his analysis on ProSAVANA, Daniela Piergentili for the formatting of the paper and Daniela Valeri Petrasova for the layout work in Adobe InDesign software. Comments and insights from Boubaker Ben-Belhassen, Lisa Brahms, Dorian Navarro Kalamvrezos, Massimo Pera, Manitra Rakotoarisoa, Margret Vidar and Anna Sakurai are gratefully acknowledged.

The authors express their sincere gratitude to Andrijana "Anja" Beslic (Government of Canada, Department of Foreign Affairs), Pierre-Yves Bertrand (French Embassy in Senegal), Sigrid Brynestad (GIEK), Jeff Conant (FOE), Andreas Davelid (Swedish Board of Agriculture), Timothy Fella (previously USAID, now Indufor), Madeleine Fogde (Swedish International Agriculture Network Initiative), Andrea Isphording (PwC), Constanze Kreiß (KfW), Alla Laporte (Government of Canada), Marc-André Mineau (Government of Canada, Department of Finance), Christina Olivecrona (AP2), Claus Primdal Sørensen (EKF), Patricia Richter (ILO), Izelle le Roux-Owen (Phatisa) and Christoph Scaife (Phatisa) for their help as well as the provision and cross-checking of information. All remaining errors are the authors' own.

ACRONYMS AND GLOSSARY OF RELEVANT TERMS

AAF	African Agriculture Fund
AATIF	Africa Agriculture and Trade Investment Fund
AECF	Africa Enterprise Challenge Fund
AFD	Agence française de développement (France)
AP2	Second Swedish National Pension Fund
ATS	Alien Tort Statute
BMZ	German Federal Ministry for Economic Cooperation and Development
CFS-RAI	Principles for Responsible Investment in Agriculture and Food Systems
CSR	Corporate Social Responsibility
DANIDA	Danish International Development Agency
DFATD	Foreign Affairs, Trade and Development Canada
DEG	German Investment and Development Corporation
EDC	Export Development Canada
EKF	Export Credit Agency (Denmark)
ETOs	Extra-Territorial Obligations
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
IFAD	International Fund for Agricultural Development
IFC PS	International Finance Corporation Performance Standards
IFU	Investment Fund for Developing Countries (Denmark)
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
GAFSP	The Global Agriculture and Food Security Program
GIEK	Export Credit Guarantee Agency (Norway)
GIZ	Gesellschaft für Internationale Zusammenarbeit (Germany)
GFP	German Food Partnership
GPFG	Government Pension Fund Global (Norway)
HCM	Home Country Measures
IAWG	Inter-Agency Working Group
ILO	International Labour Organization
KfW	Kreditanstalt für Wiederaufbau (Germany)
LIFDC	Low-Income Food-Deficit Country
LSLA	Large-Scale Land Acquisition
NEXI	Nippon Export and Investment Insurance (Japan)
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development

OPIC	Overseas Private Investment Corporation (USA)
PPP	Public Private Partnership
PRAI	Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources
PRI	Principles for Responsible Investment
SIDA	Swedish International Development Cooperation Agency
VGGT	Voluntary Guidelines on the Responsible Governance on Tenure of Land, Fisheries and Forests in the Context of National Food Security
UNCTAD	United Nations Conference on Trade and Development
UNGP	Guiding Principles on Business and Human Rights
USAID	United States Agency for International Development

ABSTRACT

This paper summarizes the good practices by nine selected OECD countries that seek to promote responsible foreign investment in developing country agriculture, primarily by investors in their territory or jurisdiction. The study provides examples of the increasing trend of home countries in establishing binding legal norms and other mechanisms as safeguards that are relevant for agricultural investment. It finds that states apply some specific provisions to hold private corporate actors investing in agriculture abroad accountable, for example in regard to bribery of foreign public officials. Investment home countries are also increasingly using safeguards relevant for agricultural investment by companies that are controlled by the state or seek its support. Furthermore, Public-Private Partnerships are increasingly used in development assistance projects as a means to promote responsible agricultural investment. In these cases, the safeguards usually imply the use of negotiated and approved instruments such as the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT). The Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI), endorsed in 2014 by the Committee on World Food Security (CFS), are likely to become a major guidance instrument, given recent declarations by the G7 and G20.

EXECUTIVE SUMMARY

Investing in developing country agriculture is among the most effective ways to reduce poverty and to increase food security. Investment in agriculture can have many positive impacts including improved access to capital and markets, technology transfer, infrastructure development and higher productivity. Therefore, recent increases in foreign direct investment (FDI) in developing country agriculture could generally be considered as an encouraging trend. However, while private investment in developing country agriculture can have considerable potential positive impacts for host communities, benefits do not arise automatically and not all kinds of investment are equally beneficial. For example, projects involving large-scale land acquisitions can have significant negative effects including evictions and dispossessions.

Investment home countries can play an important role in regulating agricultural FDI and in promoting good practices. Their impact may be especially significant when capital is invested in countries where governance and regulatory frameworks are weak. Therefore, it is important to gather evidence on available good practices and disseminate information. This paper contributes to this effort by analysing home country measures (HCMs) that aim to promote responsible agricultural investment from nine OECD countries (Canada, Denmark, France, Germany, Japan, Norway, Sweden, Switzerland and the United States of America) which, based on a preliminary screening and availability of data, provided relevant examples. Special attention is paid to the utilization of existing codes of conduct and guidelines, such as the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) or principles for responsible investment in agriculture, in HCMs.

Recently, many developed countries have strengthened regulatory frameworks and created incentives to promote responsible business conduct. Regulatory frameworks may include obligations applicable to all private companies domiciled in a country’s territory or to those seeking state support or assistance with an extraterritorial application. Of course, governments may also regulate the conduct of companies that are owned or controlled by the state. Conversely, states may also choose incentives as a means to promote responsible business conduct, for example when they partner with private corporate actors to carry out development assistance projects. Some of these HCMs may be designed to enforce corporate responsibility in general, but may be relevant to promote responsible investment in agriculture in particular. Other measures are specifically tailored to the agricultural sector. Requirements for companies are usually the most stringent when the state has a major stake in the project.

The study finds that legally binding national standards that have an extraterritorial application for private companies are not yet the norm. However, some specific provisions exist. Although they were not specifically designed for agribusinesses, these standards are relevant tools to encourage responsible investment in agriculture. This is notably the case of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions that requires signatory states to hold corporate actors liable for bribery of public officials abroad. Some countries like Denmark have gone one step further and also require large private as well as all state-owned companies to report on their work on CSR and to state how they address human rights issues.

At another level, states usually set much higher regulatory standards for companies that are controlled or owned by the state. Some countries have been pioneers in applying international guidance instruments. For example, French public operators have to comply with the VGGT. Other states have developed their own standards that regulate agricultural investment abroad. German Government-controlled companies with an international mission are required to respect specific principles developed by the German Government which set high standards in regard to the respect of tenure and water rights of local communities, the human right to food, as well as social and environmental impacts of investment.

If states have specific programmes for private companies seeking their support for for-profit ventures, they usually set similarly high requirements. For example, surveyed countries which propose overseas investment insurances to cover political risk require client companies to comply with recognized international instruments, normally the IFC Performance Standards. States often complement the use of these standards with principles that they deem particularly relevant. The Norwegian Export Credit Guarantee Agency has been one of the first agencies to specifically apply the UN Guiding Principles on Business and Human Rights. This double approach is emerging as good practice for developed countries.

As states increasingly seek to engage the private sector in development activities via public private partnerships (PPPs), safeguards for national development cooperation agencies have often been revised and new projects created. PPPs may be lucrative for corporate actors, and government-owned agencies may ask for compliance with the highest standards in return. For example, the Danish development agency DANIDA requires all private corporate partners to respect human and labour rights as laid out within the UN Global Compact. The French development agency AFD uses the VGGT as safeguards. Over the last years, many initiatives that specifically seek to promote responsible agricultural investment have been launched. In many cases such initiatives do not only use standards like the VGGT or principles for responsible investment in agriculture as safeguards, but also incorporate other requirements that a country may deem morally important. For example, the German Food Partnership does only support land acquisitions that have obtained the free, prior and informed consent of all affected persons, and prohibits the promotion of genetically modified organisms. However, none of these initiatives has been free of criticism. While some opponents reject PPPs for development aid per se, constructive criticism often addresses the lack of inclusiveness that could be improved by increased consultation with affected communities and farmers.

Emerging good practices therefore build on a pyramid of compliance with standards. At the bottom of the pyramid, private corporate actors investing abroad are often subject to at least minimum regulation of conduct, for example in regard to corruption. States often require compliance with higher standards such as the IFC Performance Standards or the VGGT when companies are state owned, controlled or supported. At the top of the pyramid, public-private partnerships for development are associated with the highest requirements, such as the free, prior and informed consent of all affected communities in case investment should affect their lands. When states support the private sector in form of public-private partnerships to implement development assistance projects, governmental agencies expect partner companies not only to do no harm, but also to contribute to the public good in host countries.

INTRODUCTION

As the world's poorest were hit hard by the 2007-2008 food crisis, more than one billion people went hungry to bed for the first time since 1970 (FAO, 2009b). In sub-Saharan Africa alone, the number of undernourished people increased dramatically, from 206 million to 265 million (FAO, 2009b). Since then, various efforts have been undertaken to reduce food insecurity, for example by increasing foreign and domestic investment in agriculture. Recent figures indicate a positive evolution, as the number of the world's undernourished decreased to 795 million people in 2015 (FAO, 2015). Nonetheless, these figures also indicate that much more still needs to be done to further reduce poverty and hunger. One of the main preconditions to effectively tackle this challenge is a higher quantity and quality of investment in agriculture that contributes to increase food security and create employment opportunities. Recent studies estimate that additional annual average investments in productive activities and social protection of US$265 billion per year during 2016–30 are needed to achieve the Zero Hunger target (FAO, IFAD, WFP, 2015). This task requires concerted efforts from all stakeholders: international organizations and financial institutions, civil society organizations, farmers, private companies, as well as governments of host and home countries of investment. While the possible roles of many stakeholders have already been discussed in detail (see for example Cotula, L. and Blackmore, E., 2014; FAO, 2012b; FAO *et al.*, 2010; CFS, 2014; Nolte and Voget-Kleschin, 2014; World Bank, 2011), the potential part that could be played by countries that are source of investment still deserves more attention.

The renewed interest of investors in the agricultural sector: does it benefit the rural poor?

There is growing evidence that investing in the agricultural sector of developing countries is one the most effective ways to reduce poverty and hunger (FAO, 2012a) and increase national food security (Wieck *et al.*, 2014). Investment in agriculture can generate a wide range of benefits such as access to capital and markets, technology transfer, improved infrastructure, and higher productivity (Liu, 2014). Yet, current capital flows do not meet needs. Although international development assistance (ODA) in the agricultural sector has increased since the food price crisis, both in terms of commitments and disbursements, total amounts of ODA in agriculture are still below an average annual US$10 billion (see chapter one on capital flows). Besides, the share of agriculture in total FDI is still rather small (FAO, 2013b; Fiedler and Iafrate, 2016; Gerlach and Liu, 2010). Although FDI in food, beverages and tobacco increased after the 2007-08 food price crisis, flows to some developing regions are still comparably small (Fiedler and Iafrate, 2016). Furthermore, both the public and the domestic private sector in developing countries often lack the resources to make sufficient investment and increase productivity and production on their own. Therefore, increasing private foreign investment can help fill the gap between currently available and actually needed resources (Liu, 2014; FAO, 2013b).

While private investment can have significant potential positive impacts for host communities, benefits should not be expected to arise automatically, and not all kinds of investment are equally beneficial (FAO *et al.*, 2010, Liu, 2014). While inclusive business models involving smallholders have a positive economic and development potential, large-scale land acquisitions (LSLAs) can impose significant risks for local communities, host governments and investors alike (Liu, 2014; UNCTAD and World Bank, 2014; Gironde *et al.*, 2014; De Leon *et al.*, 2013; Alforte *et al.*, 2014). For example, some investment projects involving large-scale land acquisitions have had significant negative effects including evictions, dispossessions, and adverse impacts on local food security and the environment (Anseeuw *et al.*, 2012; Cotula *et al.*, 2009; FAO, 2013b; World Bank, 2011). Moreover, tensions with local communities may create business risk for corporate actors ranging from temporary project disruption to withdrawal leading to considerable financial losses (Alforte *et al.*, 2014; The Munden Project, 2012).

Promoting responsible agricultural investment

Understandably, these large-scale land acquisitions have attracted substantial international concern (GRAIN, 2008; FAO, 2009a). However, during the aftermath of the food crisis of 2007-08, sound scientific evidence and specific international codes of conduct or guidelines were lacking. The United Nations General Assembly and other stakeholders therefore called for more research on the phenomenon and initiatives promoting responsible agricultural investment.

The Inter-Agency Working Group (IAWG), composed of FAO, IFAD, UNCTAD and the World Bank, was set up specifically to answer both challenges and has contributed significantly to a growing empirical body of scientific evidence about LSLAs and other forms of agricultural investment (see for example Cotula *et al.*, 2009; FAO, 2013b; UNCTAD and World Bank, 2014; World Bank, 2011), alongside other scholars and practitioners (see for example Anseeuw *et al.*, 2012; Gironde *et al.*, 2014). The need to promote good practices for both states and investors has been highlighted (recently for example Karlsson, 2014; Schoneveld and German, 2013; Nolte and Voget-Kleschin, 2014).

Building on this growing scientific evidence, international organizations, governments, civil society organizations, academia and the private sector have developed guidance instruments that promote responsible investment. The *Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI)* are the most authoritative instrument, as they represent a shared vision developed by all stakeholders on "on how to ensure that much needed investment in food and agriculture benefits those that need it most" (Verburg, quoted in FAO, 2014). The CFS-RAI were endorsed in 2014 by the Committee on World Food Security (CFS), an inclusive international and intergovernmental platform for all stakeholders to work together to ensure food security and nutrition for all. The CFS-RAI refer to, and take into account other relevant guidance instruments, notably the *FAO Voluntary Guidelines on the Governance of Tenure of Land, Fisheries and Forestry (VGGT) (FAO, 2012b) and the Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (PRAI)*. The VGGT were endorsed by the CFS in 2012. The PRAI were drafted by the IAWG in late 2009 (FAO *et al.*, 2010) as a direct response to the challenge of large-scale land acquisitions (LSLAs) and contribution to an ongoing dialogue. These guidance instruments include substantial provisions on how to prevent and mitigate risks arising from investment in primary agriculture. They build on the premises that agricultural investment should respect legitimate tenure rights, strengthen food security, and be socially, economically and environmentally sustainable (see Annex 1).

The potential benefits of home-country measures

While the public debate has focused on how investors and states that receive foreign investment (designated as "host countries" in this paper) should apply the principles and guidelines mentioned above, the potential role of states that are source of foreign investment (designated as "home countries" in this paper) in promoting responsible agricultural investment has received far less attention. Nonetheless, their impact on the shape of outward foreign direct investment (FDI) may be significant. In countries where governance is weak, inbound FDI may not always be well regulated, and home countries may contribute to prevent or mitigate risks and maximize opportunities for investors, host countries and communities. When official development assistance is involved, this point is particularly crucial. A number of ODA donor countries have recently increased cooperation with the private sector in development aid projects, some of which involve foreign direct investment. In these cases, donor countries have a special interest in ensuring that their partners invest responsibly so as to contribute to sustainable development.

Although there is no consensus on the extent of obligation of states under international law to create extra-territorial obligations for private corporate actors, countries may find it valuable to set requirements for companies investing abroad (Ruggie, 2013). Governments may also provide incentives for investors to contribute to sustainable development. Such home country measures (HCMs) have recently attracted the attention of scholars and practitioners (see for example Johnson *et al.*, 2014; Sauvant *et al.*, 2014), some pointing out that

"there is a growing awareness that achieving sustainable development goals and combatting its associated challenges such as climate change necessitate a more comprehensive and strategic use of investment promotion strategies, mandate closure of governance gaps and require closer coordination between the public and private sectors on advancing development priorities (Johnson et al., 2014)."

However, studies about HCMs focusing particularly on agricultural investment are still missing, despite the fact that several major investment home countries have announced in official policy papers that they firmly reject to support so-called "land grabs". Providing guidance for responsible business conduct in regard to foreign agricultural investment becomes a priority for an increasing number of countries. For example, France expects companies to comply with the VGGT and makes related recommendations in CSR fora. Land tenure issues have also been identified as a priority during public consultations for the US National Action Plan for responsible business conduct. The objective of this study is hence not only to contribute to an ongoing academic debate. It also aims to generate evidence and good practices from case studies that can be used as tools by policy-makers.

Scope and Methodology

This paper analyses home country measures from selected OECD countries that promote responsible investment in agriculture, with a special focus on land-based investment in primary agriculture. Using evidence from case studies, this paper addresses not only the issue of legally binding HCMs enshrined in national law, but also of other instruments such as investment guarantees, and Public-Private Partnership (PPP) initiatives based on incentives, like responsible investment funds. The study moreover aims to foster understanding about the different possibilities to use existing codes of conduct and guidelines when designing such initiatives. Special attention has for example been paid to the utilization of the CFS-RAI, the VGGT and the PRAI as safeguards in PPP initiatives. Given the recent endorsement of the CFS-RAI at the time the research was carried out (2014 to early-2015), there is little empiric evidence of the application of those principles yet. However, it is highly probable that major home countries will use the CFS-RAI, given the declaration of the G7 to fully take into account the CFS-RAI when designing its ODA projects (G7, 2015), and more importantly, the recognition of the role of the CFS-RAI in guiding public and private investment in agriculture in the Outcome Document of the Third Conference on Financing for Development (United Nations, 2015, 5).

The results of this study are based on extensive desk research about existing HCMs in developed economies, which was complemented by written correspondence and interviews with relevant public officials. A sample of OECD countries was chosen with the objective to gather and disseminate possible good practices. Based on a preliminary screening and availability of data, nine countries provided relevant examples: Canada, Denmark, France, Germany, Japan, Norway, Sweden, Switzerland and the United States of America. Italy, the Republic of Korea and United Kingdom of Great Britain and Northern Ireland were included for the statistical analysis of trends in FDI flows. All of these states are major investment home countries and most of them allocate comparatively large shares of their Official Development Assistance (ODA) to agriculture and rural development

(OECD, 2014a). Several sample countries increased ODA to this sector following the 2007-08 global food price crisis. Norway for example devoted approximately 20 percent of all sector allocable aid in 2011-2012 to agriculture (OECD, 2014a). Others such as Japan have increased budget allocation to agriculture for both national and overseas production as a broader effort to improve food security (Ito, 2010; MAFF, 2010).

The authors do neither claim that this study is exhaustive, nor that they possibly list all HCMs in the sample countries. Evidence is based solely on available and accessible information. This study is restricted to a collection and analysis of information on existing initiatives and does not include a thorough analysis on the applicability and actual application of the measures discussed in this paper. Furthermore, the paper does not address the question of the extent of any internationally legally binding extraterritorial obligations of states to regulate the conduct of private corporate actors abroad. Hence, the present study should be considered as a contribution to an ongoing global dialogue involving practitioners and scholars from various horizons trying to find answers to an important challenge of our times.

This paper is subdivided in three chapters: the first chapter provides background information on trends in outbound agricultural FDI and ODA flows (1). Subsequently, examples of existing legally binding norms for for-profit ventures that have extraterritorial application are examined, which range from requirements for private corporate actors to standards applicable to companies owned, controlled or supported by the state (2). Finally, special attention is paid to the increasing importance of public-private partnerships in official development assistance projects (3).

1. BACKGROUND TO THE STUDY: TRENDS IN OUTBOUND AGRICULTURAL FDI FROM OECD COUNTRIES AND ODA FLOWS

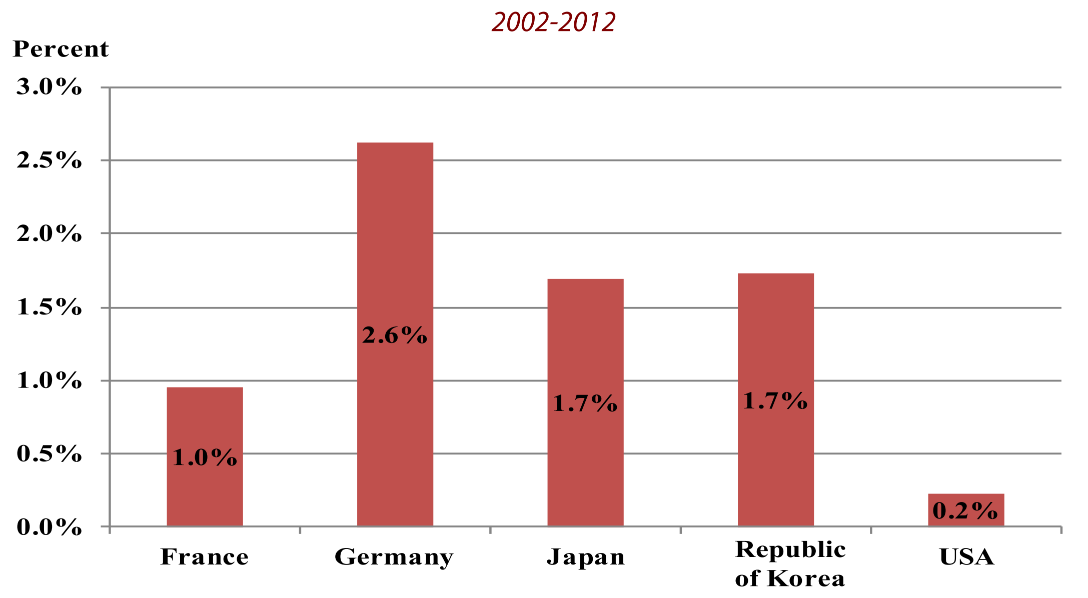
This chapter provides background information on trends in outward foreign direct investment and ODA flows in the agricultural sector. Data has been generated from the OECD International Direct Investment Database and FAOSTAT. Given that not all OECD members report agricultural FDI flows for each year, not all surveyed countries could be analysed. To increase the number of states to be analysed, Italy, the Republic of Korea and the United Kingdom of Great Britain and Northern Ireland are included in the statistical analysis on FDI.

1.1 FDI in agriculture and fishing

Over the last decades, foreign direct investment in primary agriculture has been rather low. As illustrated in Figure 1, the share of FDI agriculture and fishing in total FDI in the primary sector, is rather small. In the case of US outward FDI flows, less than 0.5 percent of all FDI in the primary sector was allocated to agriculture between 2002 and 2012, although Figure 2 indicates that US agro FDI was rather high in nominal terms. Japanese and South Korean foreign direct investment in agriculture and fishing only account for approximately 1.5 percent of total FDI in the primary sector, whereas the high percentage of Germany can be explained by its relatively low amounts of FDI in the other primary sectors rather than by a substantially higher amount of FDI in agriculture and fishing. However, recent trends indicate substantial changes.

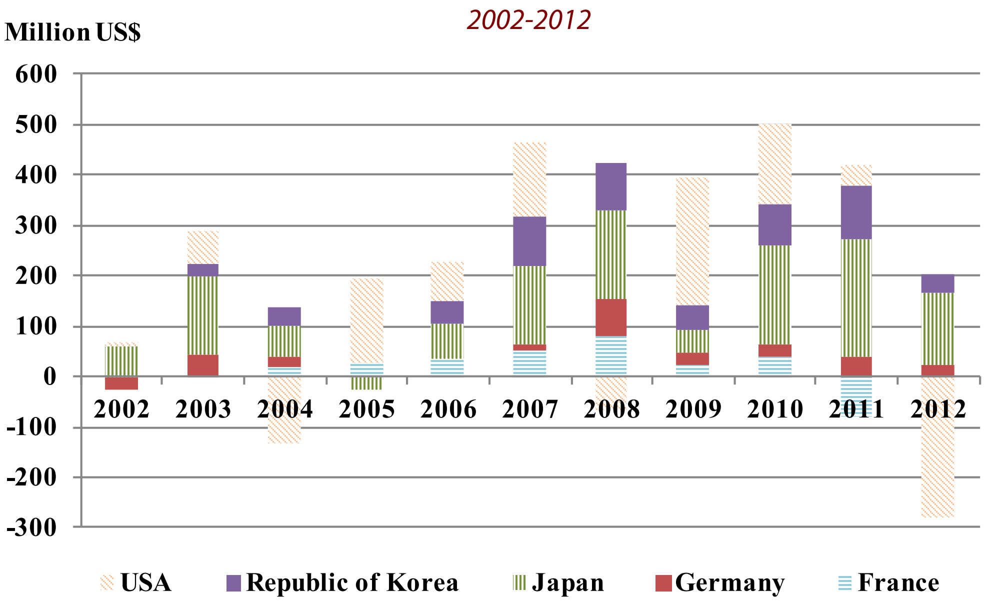
Foreign direct investment in agriculture and fishing, especially from Japan and the Republic of Korea, increased during the years after the 2007-2008 food crisis, as demonstrated in Figure 2. Excess of supply possibly caused falling market prices for food over the 1990s and early 2000s and thus deterred agricultural investment. Conversely, market trends changed substantially after the global food price

Figure 1: Share of Net Outward FDI Flows in Primary Agriculture and Fishing in Total FDI Flows in the Primary Sector



Source: OECD International Investment Statistics, 2014

Figure 2: Net Outward FDI Flows in Primary Agriculture and Fishing: France, Germany, Japan, the Republic of Korea and the United States of America



Source: OECD International Investment Statistics, 2014.

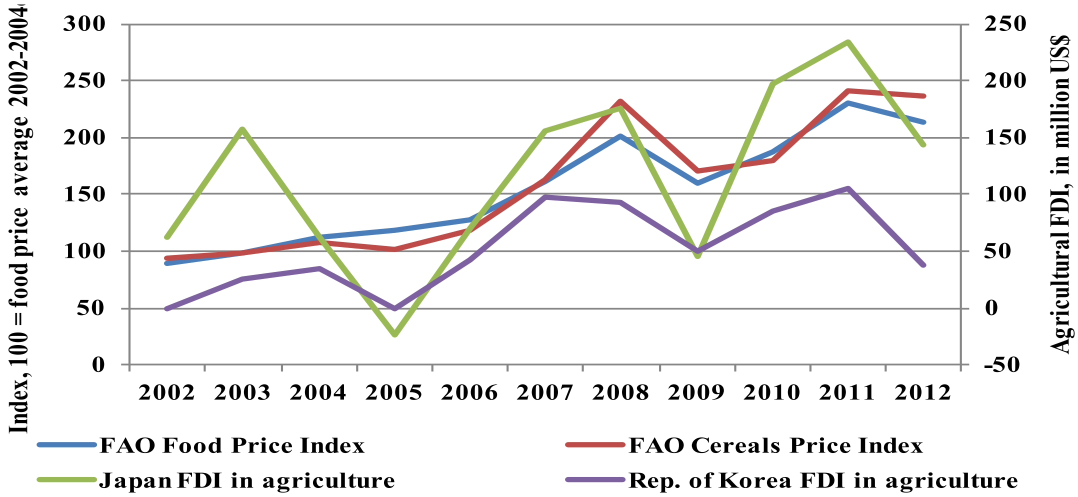
crisis and raised incentives for investment in agriculture, improving expectations of rates of returns from agricultural investment. The calculation of average annual FDI flows on a five-year basis exemplifies this trend: average annual FDI flows in primary agriculture from five sample countries combined (France, Germany, Japan, the Republic of Korea and the United States of America) totalled US$147 million in the five years before the food crisis (2002-2006), but reached US$412 million in the following five years of increasingly volatile and high food prices (2007-2011). In 2012, FDI outward flows from the surveyed countries decreased, mainly due to the substantial negative figure of the United States of America.

We also find a positive correlation between variations in outward agricultural FDI from Asian sample countries (Japan and the Republic of Korea) and variations in world food market prices, as illustrated in Figure 3 (see also Annex 2). Note however that this positive correlation could only be observed in the case of the Asian sample countries, and not for France, Germany, Italy, the United Kingdom of Great Britain and Northern Ireland and the United States of America. In the case of Japan, the average annual growth rate of net foreign direct agricultural investment outflows between 2002 and 2012 (24 percent) was also higher than the average annual growth rate of total outward FDI (14 percent). One possible explanation is that Japan and the Republic of Korea are developed net food importing countries, and may have furthered support for both domestic production and overseas investment in the light of the 2007-2008 food crisis. This could possibly be the case of Japan (MAFF, 2010), which also promotes principles for responsible agricultural investment (Japan, Ministry of Foreign Affairs, 2013).

It should however be well understood that the potential impact of even relatively small increases of FDI flows in agriculture in financial terms is not to be underestimated given the low purchase or lease fees of land in many developing countries. Furthermore, the impact of land-based agricultural investment may differ according to variables such as population density (Cotula, 2014). In some cases small deals may increase pressure on land, whereas large-scale land acquisitions in unpopulated areas may not always generate significant adverse impacts on neighbour communities. Instead of assuming that

Figure 3: Japanese and South Korean Net Outward FDI Flows in Primary Agriculture/Fishing and FAO Food Price Index

2002-2012



Source: OECD International Investment Statistics, 2014; FAOSTAT, 2014.

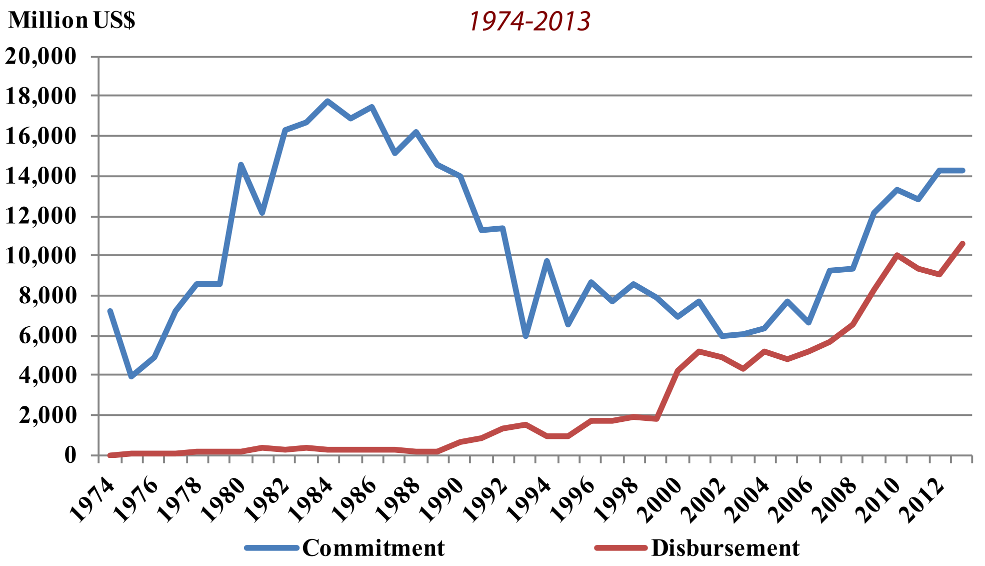
agricultural FDI is so small that it can be neglected in the efforts of countries to promote responsible business conduct, primary agriculture should rather be understood as a sector in which even minor changes may have major impacts.

1.2 ODA in agriculture, forestry and fishing

The share of agriculture, forestry and fishing in total official development assistance was rather small in the 1990s and 2000s. However, agriculture, forestry and fishing received more ODA recently, both in relative and in absolute terms. For example, while the share of agriculture, forestry and fishing in total ODA was slightly below an average annual 4.5 percent in the five years preceding the global food price crisis, this share increased to 6.5 percent in the five following years (FAOSTAT, 2016, World Development Indicators, 2016). In absolute terms, ODA to agriculture increased steadily, as illustrated in Figure 4. Both commitments and disbursements increased significantly since the 2007/8 food price hike. In 2013, global ODA in agriculture, forestry and fishing reached US$10.6 billion, which is more than the double of ODA disbursed in 2003 (US$4.4 billion). Although it seems that ODA in agriculture was characterized by very low levels of disbursement and comparatively high levels of commitments, it is important to note that many donor countries did not report ODA disbursements until recently. The low coverage of countries reporting disbursements hence explains this discrepancy to a big extent. OECD does indeed not recommend to analyse disbursements before 2002, the annual coverage ratio being below 60 percent. Since 2002, it has been around and over 90 percent (OECD, 2016).

At the same time, the amount of ODA channelled through private entities increased substantially (see Figure 5). Except for Germany and Switzerland (which had already channelled large amounts of ODA through private entities before 2008/09), all other selected OECD countries that are part of this study (Canada, Denmark, France, Japan, Norway, Sweden, the United States of America) significantly increased their engagement with the private sector in their ODA activities after 2008/09 to varying

Figure 4: Global ODA in Agriculture, Forestry and Fishing

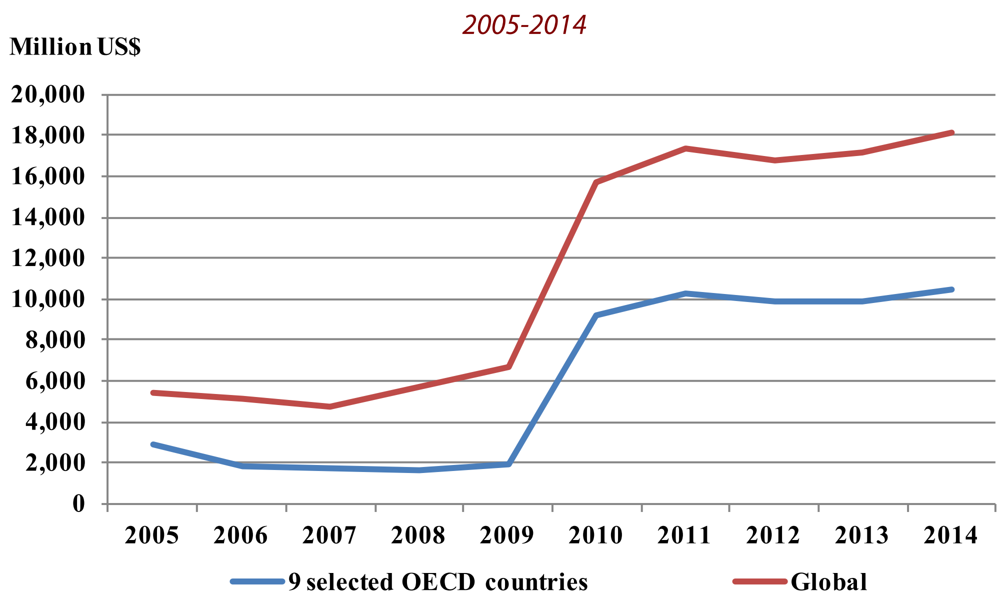


Source: FAOSTAT, 2016.

Note: Comparing disbursements with commitments is not recommended for data before 2002, "because the annual coverage [of disbursements] is below 60 percent, while it is around and over 90 percent since 2002 and reached nearly 100 percent starting with 2007 flows" (OECD, 2016).

degrees. In some cases, ODA projects may thus be implemented in partnership with private entities of the donor country or of another country. In these cases, which have increased recently, ODA may thus also involve private foreign investment.

Figure 5: ODA Channelled through Private Entities



Source: OECD STAT, 2016.

2. LEGALLY BINDING REGULATORY FRAMEWORKS FOR FOR-PROFIT ENTERPRISES

2.1 Extra-territorial regulation of private corporate actors

Over the last years, the idea that states have extra-territorial obligations (ETOs) to prevent adverse impacts on human rights linked to business activities has gained some prominence. For example, advocates of ETOs claim that the latter may contribute to fill a missing gap to "regulate globalization[1]" and to protect human rights. Although existing international conventions do not specify in how far states are obliged to regulate overseas investments by private corporate actors domiciled within their jurisdiction to protect human rights (Ruggie, 2013), international guidance documents provide valuable recommendations. The CFS-RAI contain specific provisions on the responsibilities of home countries. They build on the Guiding Principles for Business and Human Rights, which were unanimously endorsed by the United Nations Human Rights Council in 2011. As per the CFS-RAI, "States should set out clearly the expectation that investors domiciled in their territory and/or jurisdiction respect human rights throughout their operations (CFS 2014, paragraph 32)." Furthermore, if "States own, control, or substantially support business enterprises, they should seek to ensure that their conduct is consistent with the Principles" (ibid, paragraph 42). As the CFS-RAI refer to the VGGT in Principle 5 on tenure rights, investments complying with the CFS-RAI should also conform to similar provisions of the VGGT. Enforcement of such ETOs for land based investment can for example ensure that forced evictions and violence against local communities and other violations of internationally recognized human rights are avoided.

However, HCMs for private corporate actors that enforce compliance with international human rights law remain rather rare, with the notable exception of the US Alien Tort Statute (ATS), which is actually a provision in the Judiciary Act of 1789. It states that "the district courts shall have original jurisdiction of any civil action by an alien for a tort only, committed in violation of the law of nations or a treaty of the United States of America (USA Engage, 2013)." The ATS received little attention for almost 200 years. However, by the mid-1990s, civil society groups and human rights lawyers increasingly used the ATS as a means to hold private corporate actors accountable for human rights abuses committed abroad (Ruggie, 2013; Mahanta, 2014). However, the 2013 ruling of the Supreme Court in the Kiobel vs Royal Dutch Petroleum case seems to set a much narrower scope to the extraterritorial applicability of the ATS, without yet barring the possibility of using it for holding private corporate actors accountable altogether (Metlitsky, 2013; Ruggie, 2013).

Several developed countries have already introduced HCMs for corporate actors in regard to other issues. Some of them are likely to mitigate risks of FDI in developing country agriculture. The prohibition of bribing foreign public officials may be such a case, as corruption has been a major issue in land-based investment (see for example the different provisions on corruption in the VGGT, FAO, 2012b). The US Foreign Corrupt Practices Act of 1977 was one of the first laws prohibiting corruption overseas. Following the OECD Anti Bribery Convention which entered into force in 1999, the surveyed countries have all adopted laws in the spirit of the Convention (Switzerland, 1999; OECD, 2011; OECD, 2013; OECD, 2006; OECD, 2014b; MacKay, 2013). Although it may sometimes be difficult to fully enforce these laws (Brewster, 2014), many countries have made significant progress in furthering the extraterritorial character of their anti-bribery laws. For example, Canada's former anti-bribery law, according to which at least a portion of the illegal activities had to take place in Canada to be punishable under Canadian law, has been amended recently to include extraterritorial bribery (MacKay, 2013).

[1] This is for example the point of view of the ETO Consortium, a network of approximately 80 CSOs and academics. *http://www.etoconsortium.org/en/etos/*

Some countries have furthermore set very high transparency requirements for corporate entities. In 2008, the Danish Government decided that large private and all state-owned corporate actors have to report on their work on CSR (Denmark, 2008). Since 2013, these companies must also state in their reports which measures they take to respect human rights (Denmark, 2014b). In countries with well-developed civil society organizations which can act as watchdogs, such requirements may be useful to impact on corporate conduct and to prevent human rights violations arising for example during forced evictions in large-scale land acquisitions. They are also in line with the UNGP which stipulate that states should "encourage, and where appropriate require, business enterprises to communicate how they address their human rights impacts (Art. I.B.3)".

There is still no legally binding international instrument to directly prevent the illegal acquisition or management of land for agricultural use. Although some surveyed countries have started applying non-binding instruments such as the VGGT, so far new national standards have only created obligations for state-owned or state-supported enterprises and do not address other corporate actors. Given the sheer complexity of possibly monitoring each land deal corporate actors may sign abroad, this may be understandable. However, there are encouraging trends. France for example "expects" private companies to comply with the VGGT when engaging in land-based investment abroad (Comité technique "foncier et développement" 2014), and has lobbied for corporate social responsibility in CSR fora. Of course, these kinds of obligations for private corporate actors are only of moral and not of legal nature, and there is no compliance mechanism. However, the French example shows possible first steps for promoting responsible business conduct for companies investing in developing country agriculture that may evolve into more binding standards on a later stage.

2.2 The increased regulation of business enterprises owned or controlled by the state

While there are currently very few laws and regulations that allow states to hold private corporate actors accountable for wrongs committed overseas, some countries have started to set high standards for state-owned or partially state-owned companies. These national trends mirror a recent evolution to include such provisions in international guidance instruments such as the UNGP, which stipulate that "States should take additional steps to protect against human rights abuses by business enterprises that are owned or controlled by the state (Art. I.B.4)". The VGGT furthermore specify that

"when states inv*est or promote investments abroad, they should ensure that their conduct is consistent with the protection of legitimate tenure rights, the promotion of food security and their existing obligations under national and international law, and with due regard to voluntary commitments under applicable regional and international instruments (FAO, 2012b, 12.15)".*

Some countries have been pioneers in enforcing corporate responsibility for enterprises owned or controlled by the state. France for example decided to make compliance with the VGGT mandatory for its public operators and has elaborated guidelines to operationalize the VGGT (Comité technique "Foncier et Développement" 2014). These guidelines specifically address issues of contracts, due diligence, transparency and asymmetries of power. Germany has developed sector specific standards for government-controlled financial investors with an international mission (Germany, BMZ 2012), which are discussed in detail below.

In Denmark, state-owned companies are required to join the UN Global Compact and the Principles for Responsible Investment (PRI) (Denmark, 2014b). Beyond their broad human rights scope, these principles also contain Guidance for Responsible Investment in Farmland (the "Farmland Principles", see Annex 1). The American and Swedish pension funds TIAACREF and AP2 contributed to the elaboration of the principles and were among the first signatories. AP2's strategy is to invest in large-scale agricultural real estate in countries that possess clearly defined legal structures. TIAA-CREF Global Agriculture is a joint enterprise between TIAA-CREF, AP2 and other investors. TIAA-CREF Global Agriculture owns agricultural real estate in Australia, Brazil and the United States of America. In Brazil the land is leased to local farmers or companies.

AP2 has been criticized by Swedwatch – a non-profit organization reporting on Swedish business relations in developing countries – for not disclosing where the TIAA-CREF Global Agricultures farmland assets are situated in Brazil (Swedwatch, 2013a). According to Swedwatch, this lack of transparency makes it difficult to evaluate the adherence to sustainability and corporate responsibility standards of the investments. As a response to the criticism, TIAA-CREF Global Agriculture has invited both Swedwatch and other NGOs to visit sites of the investments (AP2, 2013), but no trip has taken place yet. Furthermore, external audits of the Brazilian farmland investments were planned to be conducted during 2015 by an external party in order to determine how the Principles for Responsible Investment in Farmland have been implemented (AP2, 2014).

Although other references to guidelines that seek to regulate agricultural investment from state-owned companies in particular were rather rare, this does not mean that this field remains unregulated. Rather, guidelines with a broad scope may apply to agricultural investment as well, as can be illustrated by the case of Norway's Government Pension Fund Global, which has set high standards of ethical business conduct.

Text Box 1: The Norwegian Council on Ethics

Norway's Government Pension Fund Global (GPFG) has become a major global investor over the last years. At the end of 2014, the overall value of the fund was NOK6 616 billion[2] (Norway 2014). Since 2001, Norway has set up and continuously improved safeguard mechanisms to prevent GPFG investment in projects that do not comply with basic human rights standards and environmental sustainability criteria (Norway, 2014).

In order to ensure compliance, the GPFG is supervised by the independent Council on Ethics, which reports to the Ministry of Finance. The Council may propose the exclusion of companies from the investment universe of the fund if there is an "unacceptable risk that the company contributes to or is responsible for" serious or systematic human rights violations, serious violations of the rights of individuals in situations of war or conflict, gross corruption, severe environmental damage, or other "particularly serious violations of fundamental ethical norms" (Norway, 2010).

In 2013, the Council paid special attention to the respect of labour rights in, inter alia, agriculture and fisheries sectors (Norway, 2014). Thus, although the in-house guidelines have no specific section on involuntary resettlement or food security, there is evidence that the Council takes issues related to agricultural investment seriously. In 2011 for example, the Council proposed the exclusion of several companies for contributing, amongst others, to forced evictions and resettlement (Council on Ethics, 2011).

The Council is generally perceived as an important and innovative instrument, although there has been some criticism that it does for example not have adequate resources to assess the conduct of every company in which the GPFG invests (Friends of the Earth, Spire 2013). Although an assessment of this criticism is beyond the scope of this paper, it highlights the necessity to ensure adequate funding and investment in staff.

[2] At the end of December 2014, the official UN exchange rate was 7.437 NOK to 1 USD. The approximate value of the fund was thus USD889,6 billion.

2.3 *Obligations for state-supported for-profit enterprises*

States may decide to support investors or industries for various reasons regardless of their public or private ownership, be it to promote compliance with certain standards in overseas investment (Ruggie, 2013; Johnson *et al.*, 2014) or to support domestic companies or strategic sectors (Sauvant *et al.*, 2014). These interests may overlap or be aligned. In order to guarantee that state-supported projects do not have any serious adverse impacts, states can tie support to social or environmental requirements and thus help minimize negative externalities. Relevant examples in this regard that are discussed in this chapter are overseas investment insurances, public participation in foreign investment projects and preferential taxation.

Overseas investment insurances

Overseas investment insurances were introduced by many countries to encourage investment abroad and normally cover the clients' political risks in foreign economies, such as civil wars or expropriations. They may be administered by state-owned or private companies. We found that all sample countries have special political risk insurance schemes with the exception of Switzerland, which however proposes investment guarantees according to law 977.0 (Switzerland, 2006; Gordon, 2008). Given the high business risk of land-based agricultural investment, these insurances may be highly attractive for investors. At the same time, states can use overseas investment insurances as a tool to promote responsible investment by tying guarantees to the adherence to social and environmental standards.

Although they were initially designed for export credit agencies, OECD member countries often build their safeguard policies for overseas investment insurances on the OECD Common Approaches, which were recently extended and improved to address, inter alia, human rights (OECD, 2012). The Common Approaches themselves encourage the use of the World Bank Safeguards and the International Finance Corporation Performance Standards (IFC PS), both of which set high social and environmental standards with which partner institutions, investors or companies in this regard, have to comply if projects risk to have significant adverse impacts. Amongst others, these guidelines include provisions on the respect of environmental standards, labour conditions, respect for the rights of indigenous peoples to dispose of their territories, and involuntary resettlement. Some insurers may decide to support projects that currently fail to meet these requirements, if they think that investors will be able to meet the standards over time (Auditor General of Canada, 2014). While this practice may have possible advantages, such as potential leverage over business conduct, it can potentially also limit the strength of regulatory requirements.

The enforcement of these guidelines can significantly contribute to the social and environmental sustainability of agricultural investment projects. However, even higher standards may sometimes be useful. Although involuntary resettlement should for example be avoided according to the IFC PS, it may be considered if there is no "feasible" alternative. A detailed account on when it could be acceptable could be elaborated to further strengthen the requirements contained in the PS. The IFC PS require adequate compensation for affected communities, which improves security and justice, and mitigates risks. Major international institutions furthermore periodically revise their standards, which may lead to even stronger safeguards. For example, a recurrent critique is that some overseas investment insurance safeguards do not address human rights issues (for example Krajewski, 2013; Lumina, 2014). Since 2012, the OECD Common Approaches explicitly mention respect for human rights (OECD, 2012) and some countries have already implemented these recommendations. A useful initiative that may inspire the application of new standards is the OECD-FAO Guidance for Responsible Agricultural Supply Chains, which was prepared in cooperation with governments, companies and civil society organizations and endorsed by the OECD and FAO in March 2016. This guidance instrument helps companies observe existing standards in the agricultural sector, and is arguably one of the first private sector specific instruments to take into account the provisions of the VGGT and the CFS-RAI (FAO and OECD, 2015).

While all sample countries that offer overseas investment insurances build on the OECD Common Approaches (Coface, 2014; Germany, 2004; GIEK, 2013; NEXI, 2009; OPIC, 2010; EDC, 2013), some states have decided to set more stringent requirements in regard to issues that they deem particularly important. Some countries have been pioneers in requiring the respect of additional voluntary standards. Norway, via its Export Credit Guarantee Agency (GIEK), has been one of the first countries to specifically include the human rights requirements recently endorsed by the OECD and furthermore applies the UN Guiding Principles on Business and Human Rights (GIEK, 2013; OECD, 2012). Countries may also choose to apply specific national standards. For example, Germany has specific environmental requirements as well as a Sustainability Codex[3], which has been elaborated in an inclusive process and addresses issues related to business strategy, process management, environmental requirements and societal engagement (Germany, 2004; Germany, 2001). The chapter on societal engagement includes provisions on the respect of human and labour rights. The US Overseas Private Investment Corporation (OPIC) and the Japanese NEXI guidelines have a strong focus on consultation with stakeholders (NEXI, 2009; OPIC, 2010). Denmark's Export Credit Agency (EKF) requires compliance with high animal welfare standards. Animal welfare has been an important issue in Denmark, but current international standards do not meet Danish requirements. Therefore, investors seeking guarantees from EKF have to comply with relevant EU and Danish standards.

Investment loans and equity participation

State-owned entities may also decide to support private investment projects with financial participation. For example, Canada, Japan and Germany do not only offer overseas investment insurances to national companies, but may even provide overseas investment loans to and equity participation in overseas projects or funds via the Japan Bank for International Cooperation (JBIC, 2013), the German Investment and Development Corporation DEG (Sauvant *et al.*, 2014) and Export and Development Canada. They seek to contribute to the development of domestic industries and companies promoting a responsible investment approach. JBIC conditions the provision of loans and equity participation to the respect of guidelines that are similar to those of the Japan International Cooperation Agency (JBIC, 2012), whereas DEG participation is conditioned to the respect of the German development policy, the World Bank safeguards and IFC PS as well as the Principles for Responsible Investment (PRI), which now contain the Farmland Principles (KFW, 2015; KfW, 2012). The Swedish development finance institution Swedfund adheres to the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests. It has been engaged in a major investment project, analysed below.

[3] "Deutscher Nachhaltigkeitskodex"

Text Box 2: Addax Bioenergy Sierra Leone Limited

Addax Bioenergy, a subsidiary to the energy company Addax and Oryx Group, runs a sugarcane ethanol project in three chiefdoms around Makeni in Sierra Leone. A number of development finance institutions[4] have co-financed the project, which amounts to approximately €400 million. The project was initiated in 2008 and reached production stage in 2014. It aims to produce sustainable bio-ethanol for export and for domestic markets as well as 'green' electricity for the national grid. The company has leased land from surrounding communities, of which approximately 10 000 hectares are planned to be used for the estate and around 4 000 hectares for the other facilities, infrastructure, environmental buffer zones as well as a Farmer Development Programme.

The project has been widely debated in Sierra Leone and internationally. It has received both criticism and praise in regards to its local social and environmental impacts. Critics have claimed that processes for consultation and land lease have been inadequate, that land lease fees are low, that land used for staple food production has been converted to sugarcane production and that the company has not done enough to address gender inequalities in the geographical area of its operation (Swedwatch, 2013b). At the same time proponents claim that the project will have significant development impacts. According to the company, consultations and land lease processes have been inclusive and transparent, over 2 700 people have been formally employed by the company and a large farmer development programme, partly implemented by FAO, has provided much needed skills development and other means to increase staple food production in the area (Swedfund, 2013; Swedfund, 2014).

The project has encountered several challenges leading to delays and lost profits (Fielding, *et al.* 2015). Some of these challenges, such as leasing large tracts of land in rural areas categorized by extreme poverty, fragile institutions and complex and pluralistic tenure systems, may have been envisaged beforehand. Others, such as the catastrophic Ebola outbreak in Sierra Leone and its neighbour countries, were more difficult to predict. This highlights the inherent difficulty of implementing large-scale investment projects where investment is needed the most, namely in rural areas of least developed countries. Arguably, potential failure at this stage of the project will cause high social and financial losses, including for workers and communities involved in it.

Regardless of the potential of this particular project, development finance institutions – with mandates to reduce extreme poverty and spur development – that plan to finance a large-scale agricultural project of this nature must carefully assess its potential positive and negative impacts on sustainable development. Opportunity costs and alternatives to support of large-scale agricultural investment should also be considered.

One way to ensure mitigation of risks is adherence to existing standards. The aforementioned project is certified by the Roundtable on Sustainable Biomaterials (RSB) and registered as a Clean Development Mechanism project under the UNFCCC. Due to the involvement of several development finance institutions, it is required to comply with the IFC Performance Standards (*http://www.addaxbioenergy.com*), and due to Swedfund's engagement, the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, to which Swedfund adheres (Swedfund, 2013; Swedfund, 2014).

[4] The African Development Bank (AfDB), the German Development Finance Institution (DEG), the UK-based Emerging Africa Infrastructure Fund (EAIF), the Infrastructure Fund managed by Cordiant Capital, Netherlands Development Finance Company (FMO), the South African Industrial Development Corporation (IDC) and the Belgian Development Bank (BIO) and the Swedish development finance institution Swedfund.

Reconciling food and fuel security

Another possibility to indirectly impact on agricultural investment is to focus on the compliance of imported products with relevant standards. Switzerland provides an illustrative example how such a policy may be implemented. Worried about the possible negative impacts of biofuel production on food security in producer countries, the Government of Switzerland has recently changed its incentive framework for biofuel production. Whereas imported biofuels can still benefit from considerable tax cuts (Switzerland, 1996), biofuels that are derived from palm oil, soya and cereals do generally not qualify for preferential fiscal treatment due to their potential negative impact on food security (Switzerland, 2014 Art. 3.1.2.2). According to Swiss authorities, this regulation has led private sector corporations to focus entirely on biofuels derived from residual agricultural products for the Swiss market, such as those produced from waste recycled vegetable oil (Parlement Suisse and Graf, 2011). Corporate actors also have to attest that they respect the ILO Fundamental Conventions to qualify for tax cuts (Switzerland, 2014 Art. 3.2).

3. PUBLIC-PRIVATE PARTNERSHIPS IN OFFICIAL DEVELOPMENT ASSISTANCE

Governments rely more and more on public-private partnerships (PPPs) with private corporate actors (both national and foreign) to implement development assistance (see chapter one). The Japan International Cooperation Agency (JICA) has for example increasingly promoted PPPs since 2008 (JICA, 2014; Global Capital, 2014). This trend has generated new possibilities for private corporate actors that wish to invest in developing countries, as they may cooperate with development agencies and receive subsidies. On the other hand, governments may tie cooperation and subsidization to compliance with high social and environmental standards, as the primary objective of ODA is to support broader development goals rather than merely national business interests. Normally, safeguards of development agencies address at least environmental issues. Some countries have a strong focus on specific issues, such as gender and engagement with stakeholders in the case of the Canadian DFATD Assessment Criteria (DFATD 2014). Other development agencies build their safeguards on existing standards, such as the Danish International Development Agency (DANIDA). All private corporate actors signing contracts with DANIDA have to respect human and labour rights as laid out within the UN Global Compact (Denmark, 2014b).

States may also decide to set specific limits to cooperation, either in regard to potential partners or circumstances. Canada for example prefers working with “trusted partners”, who have a long-standing relationship with the Canadian Government and were able to implement projects in the past to the satisfaction of the state. At the time of writing, Canada has pilot tested a new due diligence mechanism which has been in development since late 2013 and will be integrated in its corporate Fiduciary Risk Evaluation Tool. This risk management and due diligence mechanism should help identify and assess potential risks when engaging with private companies and addresses issues of corporate social responsibility.

Recently, some countries have also elaborated or adhered to sector-specific guidelines and created special programmes that directly aim to promote responsible agricultural investment, either by setting up PPP initiatives with agri-businesses or by creating responsible investment funds. Denmark, France, Germany, Japan and the United States of America have been particularly active in this regard, and provide interesting examples of how governments may want to promote responsible investment in developing country agriculture.

3.1 The incorporation of sector-specific principles in guidance for ODA projects

France, Germany and Denmark have incorporated codes of conduct and guidelines relevant to agricultural investment in the broader regulatory framework of their respective development agencies. While all surveyed countries have been highly supportive of international guidance instruments such as the CFS-RAI and the VGGT, most of them have preferred to support the implementation of principles in developing partner countries rather than applying them to their own companies. This is understandable, given the importance of host country regulation in protecting tenure rights and regulating investment. However, as the following examples show, there are also good reasons to make use of these principles to guide PPPs between private investors and development agencies.

As PPPs are increasingly used for the implementation of development assistance, ODA now also contributes to shape private investment flows (see chapter one). In this context, referring to well-defined and sector-specific guidelines may set clear expectations for investors which standards need to be respected, especially in regard to food and land tenure security. France has been very supportive of the development and application of international standards such as the CFS-RAI and the VGGT (GISA, 2010). Once the VGGT were endorsed, France applied them to its own development projects. Thus, all projects that the French development agency AFD (Agence française de développement) and its private-sector sister organization PROPARCO sponsor, subsidize, or to which they provide technical assistance have to comply with the VGGT and a technical guide which builds on the VGGT and the CFS-RAI (AFD, 2013b, Comité technique "Foncier et Développement", 2014). This is important, given the AFD's commitment to invest €400 million yearly to support initiatives aiming to enhance food security in Africa, the lion's share of which will be invested in primary agriculture with a special focus on smallholders (AFD, 2013b).

The development of specific principles going beyond existing requirements

Like France, Germany has been highly supportive of international voluntary standards (Germany, BMZ, 2012). The German government also decided to develop its own guidelines in parallel to ongoing international efforts, which are sometimes referred to as the German "Basic Six Principles". These principles reflect the official policy position of the German Ministry for Cooperation and Development. Public financial investors and development organizations with an international development mission[5] have to ensure that their projects are in line with these principles (Germany, BMZ, 2012). This guidance instrument includes many issues that are addressed in relevant international principles that promote responsible agricultural investment. However, sometimes the Six Principles even go beyond current international standards. Two relevant examples are the recognition of the human right to water and the mandatory free, prior and informed consent of all affected communities (Germany, BMZ, 2012).

[5] The KfW Entwicklungsbank, Deutsche Investitions- und Entwicklungsgesellschaft (DEG) mbH, Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

Text Box 3: The German "Basic Six Principles" of Responsible Investment Practice

1. Participation, transparency and accountability
2. Recognition of existing land and water rights
3. Managing resettlements and compensation in a manner which is compatible with human rights
4. Unrestricted respect for the human rights to food and water
5. Protection and sustainable use of natural resources
6. Fair sharing in the benefits of the investment

Another example of relevant in-house standards is the "Sustainability Handbook" of the Danish Investment Fund for Developing Countries (IFU), which includes specific provisions on land-based agricultural investment (IFU, 2013). Amongst others, the handbook requires all investors financed by IFU not to engage in forced evictions and to uphold the high Danish animal welfare standards.

3.2 Working with financial investors: responsible investment funds

Recent research has highlighted the need to influence corporate actors in all parts of the "agricultural investment chain", from financial investors to agribusiness companies and retailers, to promote responsible investment (Cotula and Blackmore, 2014). As outlined, one way to do this is to provide incentives to relevant corporate actors. Given the growing importance of financial actors in the global food system (see for example Fuchs *et al.*, 2013; Tang and Xiong, 2012), it is logical to pay special attention to the inclusion of the financial and banking institutions in current efforts to make agricultural investment more responsible when designing ODA programmes. In some cases, the inclusion of financial actors may be part of an initiative that seeks to address both investors and investee companies.

Governments may choose to delegate the management of provision of support to agricultural investment to International Financial Institutions (IFIs). The Global Agriculture and Food Security Program (GAFSP), a multilateral mechanism that aims to improve incomes, food security and nutrition in developing countries, is an example of that. GAFSP is funded by the Netherlands, Canada, Japan, the United Kingdom of Great Britain and Northern Ireland, and the United States of America. It is aligned with agriculture and food security strategies of target regions and countries and provides support to both the public and private sector. Its private sector window supports initiatives that link small and medium agribusinesses and farmers to value chains. Companies that address the development needs of low-income countries and have a high probability to strengthen smallholder agriculture and contribute to food security may be eligible for loans, equity capital, first loss insurance as well as technical assistance. Given GAFSP's multilateral nature, it is not designed to promote agricultural FDI from any particular country but may provide support to both domestic and foreign companies that fulfil the criteria of GAFSP. Support is timebound, should be cost effective, subject to good governance principles and address possible conflicts of interest in funding structuring and decision-making. GAFSP is managed by the IFC and the World Bank and is thereby obliged to apply the IFC Performance Standards (*http://www.gafspfund.org/*).

The Africa Enterprise Challenge Fund (AECF) is an example of a fund targeting Africa. AECF is capitalized by multilateral and bilateral donors including Australia, Denmark, Netherlands, Sweden, the United Kingdom of Great Britain and Northern Ireland, and IFAD and co-administered by AGRA and KPMG. AECF seeks to cooperate with private investors, and provides grants and zero interest rate loans to private companies. It aims to stimulate business ideas in agriculture, agribusiness, renewable energy, climate change adaptation and access to information and financial services in rural areas. It does not promote outward agro-FDI from any single country and also supports domestic private companies in the fund's target countries. To be qualified, applicants must demonstrate how their investments would increase incomes of smallholders and the rural poor, that they are environmentally friendly, gender sensitive and innovative (DFID, 2011; *http://www.aecfafrica.org/*). Another new responsible investment fund is in its planning stage in Denmark (Denmark, 2014a). Starting capital will be provided by the Danish Government and IFU. Thus, the fund will use the IFU Handbook as safeguards (Denmark, 2014a).

Two other interesting examples that are already implemented and can thus be analysed in detail are the African Agriculture Fund (AAF) co-founded by the French AFD in 2009, and the Africa Agriculture and Trade Investment Fund (AATIF) launched by the German KFW Development Bank and the Ministry for Development and Cooperation (BMZ) in 2011. Both were born in the light of the increased volatility of food prices that has caused several crises over the last years, and conceived with the aim to contribute to food security by providing responsible investment (AFD, 2010; AFD, 2009; FAZ, 2012; KFW Entwicklungsbank, 2012).

Text Box 4: The Africa Agriculture Trade and Investment Fund (AATIF)

AATIF was created with an initial fund volume of €85 million. The German BMZ (Ministry for Cooperation and Development) provided equity worth €45 million, whereas the KfW (a German Government-owned development bank) and Deutsche Bank invested €20 million each (FAZ, 2012). In 2014, commitments amounted to a total US$141 million (AATIF, 2014). The aim of the fund is to "unlock markets for Africa" by providing finance to cooperatives as well as to small and medium-sized enterprises, either directly or indirectly (KFW Entwicklungsbank, 2012). Its objective is to reach 60 000 farmers and agricultural workers until 2018. The Deutsche Bank is the fund manager, but not a member of the investment committee which decides over project approval or rejection (Deutscher Bundestag, 2012).

AAF and AATIF are administered by private corporate financial actors. The biggest private German financial institution – Deutsche Bank – invested in AATIF and manages the fund. AATIF thus includes a relevant national financial investor. In both cases, the funds seek to attract additional private investment using the so-called "waterfall" principle, which provides preferred returns and lower risks for private corporate investors as opposed to public funds (FAO, 2013a; Deutscher Bundestag, 2012). While some NGOs (Brot für die Welt, 2012; Herre, 2013) highlighted that this fund structure may expose public investors to higher financial liability risks as compared to private investors, its proponents have stressed that it can allow for joint ventures between development agencies willing to provide patient capital on the one hand, and private investors seeking guarantees and higher return rates on the other (AFD, 2013a).

Both AAF and AATIF benefit from external assistance: IFAD manages the Technical Assistance Facility (TAF) for AAF, which aims to provide smallholders with assistance and access to finance in regions where AAF invests. ILO, with the support of UNEP, acts as compliance advisor to AATIF while the Common Fund for Commodities manages the AATIF Technical Assistance Facility. They may lend to companies irrespective of their fiscal residence and safeguards apply indiscriminately. Although the target companies are thus not only domestic actors, AATIF and AAF are considered in this paper as they engage domestic capital and may also provide funding to domestic companies.

Text Box 5: The African Agriculture Fund (AAF)

AAF was created in 2009 as a response to the 2008 food crisis (AFD, 2009; AFD, 2010). The AAF is co-funded by the AFD and its private-sector lending subsidiary Proparco, the African Development Bank (AfDB), the Spanish Agency for International Development Cooperation (AECID), the Development Bank of Southern Africa (DBSA), the Banque Ouest Africaine de Développement (BOAD), the ECOWAS Bank for Investment and Development (EBID), Overseas Private Investment Corporation (OPIC) and Phatisa amongst others. IFAD manages the Technical Assistance Facility for the fund. In 2013, the volume of the fund was US$246 million (Phatisa 2014), to which AFD and Proparco have contributed US$40 million (AFD, 2013b).

Twenty-five percent of the Fund has to be invested in primary agriculture (Phatisa, 2014) and food production should target local, regional and sub-regional markets (AFD, 2013a), thus contributing to food security at well-defined levels (Ecofin, 2013). Projects applying for investment from the regular fund must request between US$5 and 24 million (Phatisa, 2014). This requirement prevents most small- and medium-sized enterprises (SMEs) and smallholders from requesting AAF funding. However, the fund has its own SME Fund (AFD, 2013a) managed by an independent fund Manager that targets investment requirements of up to US$4 million. The volume of this fund is smaller than that of the general programme (US$36.6 million in 2014).

Safeguards

The safeguards of both AATIF and AAF are rather strong, but sometimes use different references. The AATIF Social and Environmental Safeguard Guidelines (AATIF, 2014) have high requirements in regard to social and environmental issues and labour standards that build on existing international conventions and industry standards, and were recently extended to include the principle of Free, Prior and Informed Consent for indigenous peoples.

The safeguards prohibit any form of involuntary resettlement resulting from expropriation or other compulsory procedures. Chapter 5 of the AATIF safeguards on land acquisitions establishes three categories of land users (legal rights holders; land users with claims to land recognized or recognizable under national law; people with no legally recognized or recognizable claim to land). In cases of resettlement, the first two categories receive compensation in cash or in kind of equal or higher value, whereas land users falling under the third category are offered a choice of options for adequate housing with security of tenure. In order to address the concerns of all three groups, AATIF verifies information on the ground before approving any potential project. Discussions with all relevant stakeholders aim to ensure that all the land users with possibly legally recognizable claims to land are treated in accordance.

The AAF guidelines also refer to a wide range of international standards and guidelines. For example, AAF projects must comply with the VGGT and ILO Fundamental Conventions. Portfolio companies are also required to apply relevant frameworks of the African Development Bank, the IFC Performance Standards, and not be on the IFC Exclusion list. Finally, AAF has its own Code of Conduct for Land Acquisition and Land Use in Agricultural and Agribusiness Projects (AfDB and Phatisa, 2011) that resemble international principles for responsible agricultural investment and the VGGT. The Environmental and Social Coordinator of the AAF has to ensure that all portfolio companies are "reviewed and evaluated against [...] social and environmental requirements" (Phatisa, 2012). As national law may not always recognize all legitimate tenure rights, compliance with the VGGT is useful to ensure that marginalized groups are treated fairly and equitably.

Text Box 6: Legitimate tenure rights

Legitimate tenure rights are not always recognized by law, but may enjoy wide social legitimacy in local and national societies (FAO, 2016). Secondary land use rights held by pastoralists are a good example of legitimate tenure rights. Squatters on private and public land who have almost fulfilled the requirements for acquiring the land through prescription or adverse possession should also be considered as having legitimate tenure rights (FAO, 2016; FAO, 2009c). The notion of legitimate tenure rights is ambiguous, but useful (Comité technique "Foncier et Développement", 2014). Therefore a consistent interpretation of this notion is crucial. FAO's guide on Responsible governance of tenure and the law dedicates a chapter on how to interpret "legitimate tenure rights" and ensure that a broad array of rights are respected, whether they are recognized by law or not (FAO, 2016).

However, despite these high standards, neither AAF nor AATIF have been free of criticism. While some critics expressed fears that the projects may cause possible "land grabs" (farmlandgrab.org, 2011)[6] and others discussed whether some investment partners are appropriate (Geyer, 2012; Herre, 2013), NGOs also addressed issues such as transparency. For example, the NGO GRAIN (2012) pointed out that it is not always clear for the broader public which safeguards and norms are actually mandatory in AAF projects. Thus, GRAIN claims that the Operations Manual is rather opaque and not easily understandable. However, AAF confirmed in correspondence that it does have a Socially Responsible Investment Manual in order to provide guidelines, and incorporates an environmental and social risk management system.

3.3 Targeting agribusiness companies: public-private agricultural development projects

Following the 2007-2008 food crisis, some developed countries launched major public-private agricultural development projects and created incentives for private corporate actors to invest responsibly in developing country agriculture. While some programmes are public-private partnerships that accept or target the participation of foreign companies, others principally aim to reach out to the national business community. These programmes normally combine development aid and the promotion of business (or other strategic) interests. Such initiatives can be considered as home-country measures that aim to promote responsible investment in agriculture abroad if they are at least open to national business communities and supported by the state. Among the surveyed countries, particular relevant examples are the German Food Partnership, the trilateral Japanese-Brazilian-Mozambican ProSAVANA, and the US Feed the Future programme.

The German Food Partnership

The German Food Partnership (GFP) is a PPP initiative launched in 2012, led by BMZ, hosted by GIZ, and joined by more than thirty German companies and development agencies. The GFP's stated objective is to increase national and regional food security in developing countries in partnership with German private companies by supporting market-oriented smallholders and helping them increase

[6] Phatisa explicitly stated in a mail exchange that AAF has never supported any "land grab" and complies with its Code of Conduct for Land Acquisition and Land Use.

production and integrate value chains and markets (Deutscher Bundestag, 2014; GIZ, 2013). Private companies which want to partner with GFP must have a long-term interest in investing in developing country agriculture, adhere to high social as well as environmental standards, and demonstrate that their investment project requires additional public capital to exceed business-as-usual practice (subsidiarity principle).

Thus, the GFP only provides contribution to projects if the private partner would not otherwise implement the project without the public partner, and if standards proposed are higher than those established by the national law of the host country. Besides funding, GFP also provides non-financial incentives to private partners. For example, partner companies have access to GIZ services in developing countries, which are a valuable tool to navigate through unknown and often complex regulations in host countries and to understand local social contexts.

The GFP has stringent requirements and safeguards: projects have to comply with high standards addressing issues such as food security, agricultural and food inputs as well as labour and human rights standards (GIZ, 2014). Moreover, compliance with the most relevant existing codes of conduct and principles is required: the VGGT, the CFS-RAI and – prior to the endorsement of the latter – the PRAI[7], and the United Nations Global Compact Principles are but some of the demanding frameworks with which investors applying for GFP funding have to comply. The GFP however exceeds requirements of these guidelines and takes into account specific national public debates on ethics. For example, partner companies must not promote genetically modified organisms. Furthermore, the free, prior and informed consent of all affected people is necessary before land can be acquired (GIZ, 2014).

At the time the research was carried out, the GFP had successfully implemented the Competitive African Rice Initiative (CARI) and the Better Rice Initiative Asia (BRIA) which aim at increasing national and regional food security by enhancing productivity. Two other projects, the Oilseeds Initiative Africa, and the Potato Initiative Africa (PIA) are being prepared at the time of writing (GIZ, undated). The GFP also provides technical advice and training to smallholders. Thus, the programme uses development assistance to both train and integrate smallholders while also promoting socially and environmentally responsible conduct amongst its business community.

This project has nevertheless not been without criticism from non-governmental organizations (NGOs). Some critique doubts the fundamentals of these partnerships and builds on a principled belief that PPPs involving big multinational companies are inherently wrong (FIAN, 2014; Forum Umwelt und Entwicklung, 2013). However, NGOs also made very concrete propositions on how the GFP could be improved, for example by highlighting that smallholders are not represented in the steering committees of the GFP. Some also claimed that the majority of the smallholders of the global South, which are also the most marginal, would not be market-oriented and would thus not benefit from the GFP (FIAN, 2013). However, as a response to the latter criticism, the German Government pointed out that the BMZ finances subsistence farmers by other means (Deutscher Bundestag, 2014).

[7] According to the latest GFP Manual, the PRAI are to be replaced by the CFS-RAI once the latter are endorsed (GIZ, 2014). The authors could not identify whether this actually happened or not, but assume that the expected change has taken place as no contradictory information was found.

Feed the Future (Member of the New Alliance)

The US Government launched Feed the Future in 2009 with the initial objective of mobilizing US$3.5 billion to support global food security. Feed the Future is a major departure from previous US aid programmes, which focused on emergency food aid (Ho and Hanrahan, 2011). It also collaborates with the private sector (Feed the Future, 2014), for example via its "Partnering for Innovation" programme which grants funding on a competitive basis for the commercial introduction of technologies (Feed the Future, n.d.). Feed the Future is also the major initiative via which the US contributes to the New Alliance for Food Security and Nutrition, which was launched by the G8.

Companies that want to partner with the New Alliance have to submit Letters of Intent in which they commit for socially responsible investment as defined in the VGGT and international principles for responsible investment in agriculture[8] (New Alliance, n.d.). USAID also developed Operational Guidelines for Responsible Land-Based Investment, which specifically target private sector companies operating in one of the ten New Alliance countries. They contain USAID's recommendations for best practices related to the due diligence and structuring of land-based investments, with the goal of reducing risks and facilitating responsible projects that benefit both the private sector and local communities.

At the request of the New Alliance, USAID, along with the governments of the UK, France, and Germany, FAO and the African Union, has developed the Analytical Framework for Land-Based Investment in African Agriculture. The Analytical Framework is a due diligence and risk assessment document that helps reduce land-related risks to communities, and encourages companies to implement land-based investments in a responsible and inclusive manner, in line with the Voluntary Guidelines, the African Union's Guiding Principles on Large Scale Land Based Investments in Africa and other guidance instruments (New Alliance and Grow Africa, 2015). The Analytical Framework is currently being piloted by the United States of America and the United Kingdom, in order to assess its efficacy in encouraging more transparent, inclusive, responsible investments that champion the rights of smallholder farmers. Therefore, Feed the Future could potentially have the capacity to promote responsible business conduct and to attract companies willing to invest in developing country agriculture.

According to Oxfam, a former member of the New Alliance Leadership Council, there is however space for broader application of the VGGT (Oxfam, 2013) and for improved monitoring and evaluation of projects (Oxfam,2014). Amongst other things, Oxfam has also suggested that despite the capacity of the New Alliance to bring much needed capital to smallholders, it would be important to ensure that the right legal and policy framework, that would notably guarantee the protection of legitimate tenure rights, is in place before engaging in large-scale PPPs in order to minimize the risk of adverse impacts (Oxfam, 2014).

[8] The New Alliance webpage (*https://new-alliance.org/commitments*) mentions that investments should be consistent with the VGGT as well as the CFS-RAI. The latter were still under negotiation at the time the webpage was put online and parts of the research carried out (original quote: "a set of principles for responsible agricultural investment now under negotiation led by the Committee on World Food Security").

ProSAVANA (Triangular Co-operation Programme for Agricultural Development of the Tropical Savannah in Mozambique)

ProSAVANA is a triangular cooperation project between Japan, Brazil and Mozambique that aims to contribute to food security and development. It is a major North-South-South partnership, involving not only a major OECD donor country (Japan), but also a rapidly developing country (Brazil). The programme itself has been inspired by a previous partnership between Japan and Brazil – the Prodecer and Directed Settlement Programs in the Federal District (PAD-DF), developed in 1973 – in which JICA helped Brazil to develop the agricultural and livestock sector in the Brazilian Cerrado (Embrapa, 2011, Schlesinger, 2014).

ProSAVANA has made use of internationally recognized good practices and standards. At the time the research was carried out, official documents stated that all projects under the programme have to be "designed and implemented in accordance with Principles of Responsible Agricultural Investment (PRAI) and Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests" (ProSAVANA, 2013). Currently, the ProSAVANA programme is developing specific principles (ProSAVANA-RAI), which aim to regulate private investment in the project framework. Furthermore, according to ProSAVANA coordinators, peasant farmers will "not lose their land" because of the programme (Nampula, 2014).

ProSAVANA is also an interesting case of how donor responsiveness to external concerns may lead to a constant evolution of ODA projects. CSOs and NGOs raised several concerns on the programme. While some voices were asking for interruption or abandon of the project (Via Campesina, 2014), CSOs and NGOs also made suggestions on how to improve the programme. Researchers have highlighted the evolving design of ProSAVANA over the last years (Funada Classen, 2013) which indicates that JICA is addressing concerns. For example, several civil society and non-governmental organizations raised concerns that the consultation and participation process could be improved. Mozambican NGOs have stated that although they welcomed Japan's aid to Mozambique, the project should be designed in an inclusive process to ensure the wellbeing of the Mozambicans (Richard, 2013). CSOs have criticized "irregularities" in the consultation process and lack of transparency (UNAC *et al.*, 2014; Via Campesina, 2014). However, following a dialogue between Japanese CSOs and the Government of Japan, promises were made to review the programme to engage more actively with local farmers (Attac Japan *et al.*, 2013). Nonetheless, CSOs demand further improvement of participation of affected people in the decision-making process in Mozambique (farmlandgrab.org, 2016).

Following concerns on the design of the programme, ProSAVANA has been significantly adjusted. For example, some civil society organizations criticized what they judged to be mainly an export-oriented production model (UNAC *et al.*, 2014; Via Campesina, 2014). However, it seems that these concerns have been addressed. The programme has shifted from targeting foreign business enterprises to domestic and local agribusiness companies. It now principally aims to achieve better livelihoods for smallholders and help them to shift from subsistence agriculture to commercially oriented agriculture while also promoting agricultural investments by the private sector (Makino, 2013). According to the Master Plan draft zero, PPPs are expected to play a complementary role for the development of family farming (ProSAVANA, 2015).

CONCLUSION

While it is widely recognized that governments have the main responsibility to ensure the food security of their people, they may sometimes lack the means to both adequately address all the challenges and seize all the opportunities linked to rising interest in agricultural investment. This may especially be the case in low-income food-deficit countries (LIFDCs), which have limited institutional capacity. While companies have the responsibility to respect human rights when investing abroad as per the UNGP, other actors may sometimes need to step in to ensure that foreign agricultural investment benefits host communities and investors alike. Therefore, home countries of foreign direct investment can have an important role to play, and use existing guidelines and codes of conduct that address their responsibilities.

Binding legal norms holding private corporate actors liable for irresponsible business conduct abroad are rather rare. However, the surveyed countries increasingly seek to ensure that companies owned or controlled by the state comply with human rights, labour standards and relevant codes of conduct, such as the VGGT. Furthermore, the study finds that the surveyed countries seek to promote private corporate foreign agricultural investment by proposing important services. These services are increasingly linked to the social and environmental performance of investments. Overseas investment insurances, for example, are tied to conditions that can have a positive impact for the agricultural sector. Normally, these requirements build on good practices derived from the IFC Performance Standards or similar instruments and seek to avoid the worst negative social and environmental externalities. Usually, states seek to complement these guidance instruments with standards that they deem particularly relevant. This double approach is emerging as good a practice in the surveyed countries and may be replicated in other cases.

Over the last years, many of the sample countries have also sought to increasingly rely on public-private partnerships in their design of ODA programmes. Participation in these programmes is normally tied to compliance with relevant codes of conduct and guidelines. Some countries have incorporated the VGGT and specific principles for responsible agricultural investment in their safeguard policies, while others have elaborated their own inhouse guidelines. This policy may allow for better synergies between public and private action. It may also create spill-over effects, giving private corporate actors the possibility to learn more about how to design responsible agricultural investment projects.

The insights gained from case studies can provide a valuable toolbox for other governments from developed and developing economies alike. They may also be considered as a starting point for further research, inquiring more systematically into the initiatives and regulations of other investment source countries. As outlined in the introduction, the main contribution of this paper is to provide an overview of good practices of investment home countries that seek to promote responsible investment in developing country agriculture. Many issues that deserve further analysis were beyond the scope of this paper. For example, future research on the effectiveness of the measures described in this paper would be useful. This could include analysing how the measures are implemented and the mechanisms for monitoring and evaluating their adoption by investors. In addition, future research could examine the home-country measures of non-OECD countries that are source of investment such as the BRICS[9], Malaysia, or countries from the Middle East.

[9] Brazil, Russian Federation, India, China, South Africa.

It is also important to keep in mind that investment home governments are but one of the many stakeholders who can impact on the design of investment projects. Host governments, private companies, civil society organizations, international organizations and financial institutions all have a role to play to ensure that agricultural investment is truly responsible. Forthcoming studies from the Inter-Agency Working Group (FAO, IFAD, UNCTAD and the World Bank) will provide more information on how international guidance instruments, such as the CFS-RAI and the VGGT, can be used to promote responsible agricultural investment.

ANNEX 1: INTERNATIONAL GUIDANCE INSTRUMENTS PROMOTING RESPONSIBLE AGRICULTURAL INVESTMENT OF RELEVANCE TO THIS STUDY

1. The Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI)

The CFS-RAI were elaborated in the Committee on World Food Security (CFS) in an inclusive process and were endorsed by its 41st Session on 15 October 2014. The CFS is the top body of the United Nations for reviewing and following up on policies concerning world food security. The members of the Inter-Agency Working Group composed of FAO, IFAD, UNCTAD and the World Bank actively supported the CFS consultation process, and the principles take into account and build on the PRAI. However, the CFS-RAI ought to be "global in scope", which means that the CFS-RAI also include investment in forestry and fisheries, and issues related to investment by and with smallholders along the entire value chain.

The CFS-RAI furthermore contain specific provisions for investment home countries. According to its paragraph 32, "States should set out clearly the expectation that investors domiciled in their territory and/or jurisdiction respect human rights throughout their operations." Paragraph 33 furthermore clarifies that "States should ensure, to the extent possible, that actions related to responsible investment in agriculture and food systems both at home and abroad, are consistent with their existing obligations under national and international law, and international agreements related to trade and investment, with due regard to voluntary commitments under applicable regional and international instruments". Finally, the CFS-RAI also state that "where states own, control, or substantially support business enterprises, they should seek to ensure that their conduct is consistent with the Principles" (paragraph 42).

Text Box 7: Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI)

Responsible investments

Principle 1:	Contribute to food security and nutrition
Principle 2:	Contribute to sustainable and inclusive economic development and the eradication of poverty
Principle 3:	Foster gender equality and women's empowerment
Principle 4:	Engage and empower youth
Principle 5:	Respect tenure of land, fisheries, forests and access to water
Principle 6:	Conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks
Principle 7:	Respect cultural heritage and traditional knowledge, and support diversity and innovation
Principle 8:	Promote safe and healthy agriculture and food systems
Principle 9:	Incorporate inclusive and transparent governance structures, processes, and grievance mechanisms
Principle 10:	Assess and address impacts and promote accountability

2. The FAO Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT)

The VGGT were developed between 2009 and 2012 in CFS. Governments, representatives from the private sector, civil society organizations and academia participated in the elaboration of the VGGT, which were endorsed by the 38th Session of the CFS on 11 May 2012. FAO has published a series of technical guides that help interpret the VGGT[10]. Furthermore, countries like France have published guidelines that help to operationalize the Guidelines (Comité technique "foncier et développement" 2014).

The Voluntary Guidelines promote secure tenure rights and equitable access to land, fisheries and forests, and thus contribute to the eradication of hunger and poverty. They address all relevant issues linked to the governance of tenure, and contain one specific chapter on investment and another on land markets. The obligations and rights of the different stakeholders who wish to engage, or may be affected by land transactions are addressed in these chapters. Under its article 16.1 the VGGT furthermore clarify that "States should expropriate only where rights to land, fisheries or forests are required for a public purpose".

3. OECD-FAO Guidance for Responsible Agricultural Supply Chains

As part of a broader effort of FAO to promote good practices for agricultural investment, FAO and the Organisation for Economic Co-Operation and Development (OECD) have jointly developed practical guidance to help enterprises observe existing standards of responsible business conduct along agricultural supply chains. The guidance helps clarifying existing standards in the agricultural sector.

The guide is the outcome of consultations led by a multi-stakeholder Advisory Group established in October 2013. The Advisory Group comprises OECD and non-OECD countries, institutional investors, agri-food companies, farmers' organizations and civil society organizations. Following this process, OECD held a public consultation on the draft guidance in January 2015, to ensure that the widest range of stakeholders have the possibility to provide input.

4. Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (PRAI)

The PRAI were conceived as a concrete answer to the phenomenon of large-scale land acquisitions which attracted substantial international concern. FAO, IFAD, UNCTAD and the World Bank formed an Inter-Agency Working Group (IAWG) to generate a body of empirical evidence from which good practices may be derived, and proposed a set of seven Principles that help promote responsible investment (see Text Box 5). Five international consultations and 15 information sharing events on the PRAI were held between 2010 and 2011, when it was decided that the consultations should be held within the CFS, which subsequently decided to develop the CFS-RAI. The G8 and G20 actively supported the application of the PRAI on the ground.

[10] *http://www.fao.org/nr/tenure/information-resources/en/*

Text Box 8: Principles for Responsible Agricultural Investment that Respect Rights, Livelihoods and Resources

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

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

Principle 3: Processes relating to investment in agriculture are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal, and regulatory environment.

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

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

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

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

5. Guidance for Responsible Investment in Farmland ("Farmland Principles")

The "Farmland Principles" were developed by a group of institutional investors – including the American Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and the Second Swedish National Pension Fund (AP2) – to promote responsible investment in farmland. In 2014, they were incorporated in the Principles for Responsible Investment (PRI), an initiative supported by the United Nations. Thus all PRI signatories involved in investment in primary agriculture must now also adhere to the Farmland Principles.

Text Box 9: Guidance for Responsible Investment in Farmland ("Farmland Principles")

1. Promoting environmental sustainability
2. Respecting labour and human rights
3. Respecting existing land and resource rights
4. Upholding high business and ethical standards
5. Reporting on activities and progress towards implementing and promoting the Principles

ANNEX 2: STATISTICAL ANALYSIS AGRO-FDI AND WORLD FOOD PRICE INDEX 2002-2012

1. Group 1: Japan and the Republic of Korea

Japan: 11 observations, the Republic of Korea: 9 observations (2002 and 2005 not reported) OLS (simple)

	Ln agro-FDI (number of observations: 20)
Ln foodpriceindex	.132845** (.0492728)
Ln GDP	.0465904 (.0183761)

Panel Analysis, Fixed Effects

	Ln agro-FDI (number of observations: 20)
Ln foodpriceindex	.1927535* (.0930581)
Ln GDP	.0465904 (.0183761)

**significant at 10 percent, ** significant at 5 percent, ***significant at 1 percent; Robust Standard Errors reported in brackets*

2. Group 2: France, Germany, Italy, the United Kingdom, the United States of America

France: 11 observations, Germany: 10 observations, Italy: 11 observations, the United Kingdom: 7 observations, the United States of America: 11 observations

	Ln agro-FDI (number of observations: 50)
Ln foodpriceindex	-.8147875 (.4911183)
Ln GDP	.1910637 (.2025921)

Panel Analysis, Fixed Effects

	Ln agro-FDI (number of observations: 50)
Ln foodpriceindex	-1.648446 (1.022326)
Ln GDP	1.802105 (1.729399)

**significant at 10 percent, ** significant at 5 percent, ***significant at 1 percent; Robust Standard Errors reported in brackets*

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Home Country Measures that Promote Responsible Foreign Agricultural Investment: Evidence from Selected OECD Countries: This paper summarizes the good practices by nine selected OECD countries that seek to promote responsible foreign investment in developing country agriculture, primarily by investors in their territory or jurisdiction. The study provides examples of the increasing trend of home countries in establishing binding legal norms and other mechanisms as safeguards that are relevant for agricultural investment. It finds that states apply some specific provisions to hold private corporate actors investing in agriculture abroad accountable, for example in regard to bribery of foreign public officials. Investment home countries are also increasingly using safeguards relevant for agricultural investment by companies that are controlled by the state or seek its support. Furthermore, Public-Private Partnerships are increasingly used in development assistance projects as a means to promote responsible agricultural investment. In these cases, the safeguards usually imply the use of negotiated and approved instruments such as the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT). The Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI), endorsed in 2014 by the Committee on World Food Security (CFS), are likely to become a major guidance instrument, given recent declarations by the G7 and G20.

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I5802E/1/07.16