CHAPTER FIVE

Moving from Challenge to Opportunity

The previous chapters indicate that land acquisition and associated large-scale investment in countries that have not traditionally been targeted by such investment needs to overcome technical and economic challenges and that, in many instances, limited recognition of local rights, highly centralized approval processes, and gaps in institutional capacity further increase the associated risks. These challenges notwithstanding, host countries have an opportunity to use investor interest to help them utilize the resources at their disposal in a way that can increase smallholder productivity and improve local livelihoods. To do so, it will be necessary for different stakeholders to work together to not only address the risks described in more detail earlier in this report, but also to interact at the country level to create awareness of policy frameworks, monitor actual ventures, and adapt policies in light of new experience. This is important because policies need to be adapted to the specific reality of every country while being flexible enough to be able to respond to evolving experience and changes in the broader environment.

This chapter outlines ways in which different stakeholders can contribute to this objective. It also proposes efforts to improve land governance as a high priority. Roles and possible contributions of the different stakeholders can be described as follows:

- Governments in target countries now recognize that responses to the 2007–08 spike in land demand clearly failed to fully utilize the potential for these investments to contribute to poverty reduction and growth. Some have

established moratoria on further transfers of land to investors pending the inclusion of such investment into their agricultural strategies and the creation of institutional preconditions to identify potentially suitable land and effectively process and monitor such investments. Many investing country governments realize that adherence to a set of key principles will be required to avoid jeopardizing the social, environmental, and economic sustainability of such investments. Tangible support to help target countries build the institutional capacity and strengthen the evidence base to make principles operational will thus benefit everybody.

- Investors in certain commodity sectors have established roundtables to formulate standards in order to guide expansion of their operations. While coverage, quality, and market acceptance vary, and the process is often time consuming, such standards can inform regulation and provide a platform for voluntary disclosure. A large number of financial institutions, the so-called "Equator Banks," have adopted principles that build on International Finance Corporation (IFC) performance standards to reduce social and environmental risks. With mechanisms for disclosure and the inclusion of investment and sovereign wealth funds, these initiatives could have a far-reaching effect on the implementation of projects on the ground.
- Civil society, producers' organizations, and academia demonstrate the ability to create awareness of this phenomenon and its repercussions. They provide input in several areas: (i) educating communities on their rights and helping them exercise these rights effectively (participatory mapping, land use planning, dispute resolution); (ii) assisting in designing, negotiating, and monitoring specific investment projects to make general principles operational; (iii) holding governments accountable for adherence to global standards and national legislation; and (iv) reviewing the impact of policies to foster policy debate.
- International institutions typically encounter the consequences of large-scale land acquisition on poverty and productivity in their regular work. This could give them an advantage in three areas, namely (i) serving as a catalyst to bring together stakeholders in support of common principles; (ii) supporting both high-quality analysis to make principles operational and monitoring to assess the impacts and potential unanticipated consequences of doing so; and (iii) providing technical and financial support to help countries build institutional capacity and infrastructure (for example, land registries, and roads) to facilitate market functioning.

KEY AREAS FOR ACTION BY GOVERNMENTS

Whether large-scale investment in agriculture or land acquisition will enhance opportunity and contribute to broader development will depend on a country's endowments and traditions, as well as its policy, legal, and institutional framework and its capacity to protect its resources and people. Our review

suggests that in many of the countries that might be most affected by increased land demand, existing frameworks suffer from deficiencies that may increase risks and make it difficult to fully realize opportunities. To address these challenges, countries that may be subject to investor interest can act in three areas.

The first area is to assess available resources in light of global opportunities to determine comparative advantage. This will identify strategic priorities by commodity and link these to the processes of local planning. This process will ensure that investments can help achieve broader development objectives. Assessments would also provide inputs into policies and guidelines that deal proactively with investors (for example, in minimum amounts to be invested per ha or jobs created).

The debate on large-scale investment has often paid insufficient attention to the fact that such investment should ultimately facilitate equitable growth and poverty reduction in target countries and be linked to their broader development strategy. To inform such strategies, it is important to start with an assessment of whether such investment has the ability to contribute to employment generation, food security, regional development, and technology access. The agro-ecological zoning (AEZ) methodology, combined with growth projections, can help assess what type of investment—either in support of existing smallholders or through expansion of cultivated areas—will be desirable. While lack of infrastructure or technology may be a constraint to more effective land use, public investment could be used to increase the benefits from investments. It can also help to formulate criteria that investments should satisfy accordingly. By locating high potential areas, one can determine complementary public investment needed to make private investment attractive, for example, providing infrastructure, clarifying and securing local rights, improving administrative structures, and protecting critical natural resources. These can then be undertaken strategically and possibly in partnership between public and private sector, to increase the viability and sustainability of proposed investments as well as the opportunities for local producers to fully achieve their potential.

The best strategies will have little impact if local rights holders and investors are unaware of their rights and ways to enforce them. In addition to information campaigns drawing on media, local governments, and civil society, strategy formulation through a participatory policy dialogue is important. But information and knowledge must flow beyond the capital city and reach landowners and local governments in the field to educate them about existing rights. Model agreements, for example, can help structure expectations and thus reduce transaction costs for all participants. While incentives to promote outside investment are common in many countries, they are often not tailored to effectively achieve the intended benefits, such as jobs or capital investment. In worst case scenarios, poorly designed incentives may end up causing harm (for example, if land is transferred in neglect of local rights), or foster corruption.

Second, even if large-scale acquisition of land is not within a country's preferred set of strategies, increased demand for land implies a need to strengthen governance of land and associated natural resources more generally. As higher land values make control of this asset more desirable, existing rights must be protected and the governance of this asset adjusted to the changed situation. Achieving this effectively and on a nationwide scale will often involve policy and institutional reforms in the land sector with a 5-year to 10-year horizon. This is generally more cost-effective than addressing rights issues on a sporadic basis for areas where investor interest is likely to materialize. In the past, low land values and high implementation costs may have implied that the benefits from such efforts would have been below the costs. Higher land demand will increase reform benefits while new technologies can significantly reduce costs. Moreover, the fact that such reforms will be a precondition for attracting investment to generate economic benefits and to become eligible for payments in return for environmental services (for example, under REDD) can change the political economy of the issue and generate momentum in favor of change. Finally, although improving governance of land and associated natural resources is a long-term process and certain preconditions (such as a legal framework to recognize local rights) are required, implementation can be spread out over a longer time period, starting from hotspots where demand is already evident or about to materialize.

To improve governance along these lines, it is necessary to ensure the following:

- That existing rights to land and associated natural resources are recognized and ideally demarcated to allow users to defend them against challenges and engage in voluntary transfers
- That land use regulations help avoid negative externalities and land taxation contributes to effective decentralization and cost-effective provision of local public goods while discouraging land speculation
- That public land is clearly identified, managed transparently, and generates public rather than private benefits, with processes for acquisition of such land being tightly circumscribed and divestiture of such land done in an open and competitive process
- That landownership information provided by the public sector is comprehensive and reliable, with up-to-date information on landownership and relevant encumbrances maintained in a cost-effective way
- That legitimate and legally valid mechanisms to resolve disputes and manage conflict are accessible to most of the population and equipped to dispose of cases in a fair and expeditious manner (World Bank 2010).

Third, if large-scale investment can contribute to broader development, there is a need to build institutional capacity and improve procedures to manage the process. This will require emphasis on community consultation, coordinated

processes for land transfer, analysis of economic and technical viability, land use planning, regulations to ensure environmental sustainability, and the monitoring and enforcement of contractual provisions. While the issues arising from this have been discussed in chapter 4 in a forward-looking perspective, it is important to note that few countries start with an entirely clean slate. Dealing effectively with investments that have been approved in the past but that may have ceased operation can, in some countries, pose significant challenges. In many instances, bankrupt investments have destroyed or degraded local resources but, with no resources available for dealing with this legacy, it is local communities who are left with the cost.

A number of key tasks appear to be relevant in this context. One relates to clarification of records and boundaries that may require attention to judicial or quasi-judicial processes of conflict resolution. Maintaining up-to-date data on land transfers are a precondition for monitoring investors' compliance with development conditions. It could also help generate data for policy purposes (such as land taxation) and allow local people to capture benefits.[1] Changes in legislation, together with new technology, now make it possible to conduct the required work much faster and at a lower cost than would have been possible even a decade ago. Still, it will be important to start with existing records and carefully assess readiness for expansion—in human, financial, and political resources—based on a phased approach.

A second area of concern, especially in countries where large amounts of land have been transferred but are not fully utilized, is the review and potential cancellation of past concessions. As land awards have often focused on areas with high agricultural productivity, this could make large amounts of land available to more productive uses.

Finally, in light of the outcomes they achieved on the ground, a careful audit of the processes and procedures that have been adopted to make land available for investments could be useful in providing relevant insights to policy makers. An audit of processes and contractual arrangements, for example, could generate important lessons at low cost.

INVESTORS

Responsible investors are well aware of the fact that large opportunities are often associated with a high level of risk and that ventures will produce sustainable benefits only if ways can be found to effectively address this risk. Building on more technical standards for product quality, some producers and processors throughout the supply chain for specific commodities have recently adopted principles and standards to protect them against business and reputational risk. These producers understand the importance of not being seen as supporting practices that are considered to have negative impacts on the environment (for example, biodiversity loss or greenhouse gas emissions) or the social well-being (for example, food security) of local populations. Major

banks have signed up to the Equator Principles to protect against similar risks in the financial sector.

Commodity Standards

To address potential consumer concerns related to environmental and social outcomes, industry-driven initiatives to set standards and certify commodities in different parts of the value chain have recently multiplied. Among the earliest and best known standards are those of the Forest Stewardship Council (FSC) for forests and forest products, established after the 1992 Rio Earth Summit. Subsequent initiatives include the Roundtable on Sustainable Palm Oil (RSPO) in 2004, the Better Cotton Initiative in 2005, the Roundtable on Responsible Soy and the Better Sugarcane Initiative around 2006. Concerns surrounding sustainability of biofuels have recently given rise to standards and meta-standards, namely, general frameworks that benchmark existing standards, mainly by government agencies, to assess the social and environmental acceptability of biofuels. The latter include the Roundtable on Sustainable Biofuels (RSB), the Dutch Cramer criteria in 2007, and the meta-standard on sustainability reporting within the U.K. Renewable Transport Fuels Obligation (RTFO).[2] All of these initiatives involve negotiated trade-offs to reduce social and environmental risks to levels considered "acceptable" (de Man 2010). Review of this experience points to a number of lessons.

First, commercial viability of such efforts depends on either the ease of tracing produce and the willingness of consumers in target markets to pay premiums for sustainably sourced produce or, in the case of biofuel standards, the remit of regulatory authorities (such as European Union biofuels standards).[3] In Western retail markets for wood and associated products, certification by the Forest Stewardship Council has become a requirement, and the added cost of certification can be passed on to consumers. In the palm oil market, by contrast, demand in many new markets is highly price-elastic (as for low-cost cooking oil in China and India), implying that the market for RSPO-certified oil has yet to take off. Establishing industry-led standards also takes a long time. A period of 5 years to 10 years until an initiative becomes operational is considered respectable (de Man 2010). In a rapidly changing environment, this may be too slow to limit serious damage on the ground.

Second, the legitimacy of standards, their effectiveness in mitigating risks, and their speed and cost of operation will depend not only on them being technically sound, but also on their underlying governance structure, in particular participation by civil society. A more participative and decentralized approach has higher transaction costs but can be more robust (Synnot 2005). The FSC has broken new ground in this. It is a member-based organization with three "chambers" that represent social and indigenous organizations, environmental organizations, and economic interests, respectively, rather than a purely business-driven initiative.[4] Allowing national chapters to adapt certification rules

to local conditions enhances the FSC's relevance, ensures the evolution of standards, and provides a vast pool of expertise. This has greatly increased the FSC's legitimacy, causing industry leaders to prefer it to competing schemes. In most industry initiatives, governments have a limited role despite their importance in supporting implementation. In areas that are core competencies of the public sector, including land rights and environmental protection, this has arguably reduced the effectiveness of these initiatives. For example, the RSPO is judged to have been very effective in regulating plantation management but much less so in preventing establishment of new plantations in areas of high conservation value. One response has been the addition of a government chamber in recent initiatives (such as the RSB). For land acquisition especially, industry initiatives that lack government participation will have difficulty protecting against specific risks (for example, surfacing of hidden claims), providing access to or compiling relevant data cost-effectively, and translating the experience in applying standards into broader policy reform.

Third, sustainable standards are not developed in the abstract but by learning from successful examples by industry leaders and in continual interaction with practice. In the ideal case, as indeed observed in some sectors, procedures adopted by industry leaders have provided inputs to standard development in a three-stage evolution. First, a few leading companies create internal standards and management systems to respond to new challenges in a way that provides them with a competitive edge. Then, the approaches taken by key companies are consolidated into harmonized standards and compliance systems that allow moving toward a noncompetitive industry standard. Finally these industry standards are integrated into countries' policy and regulatory framework.

Fourth, while most standards reference land issues in some form, the way this is done is often weak. Many standards' requirements for adherence to national legislation do not add anything in substance (companies would presumably have to abide by the legislation anyway) and ignores the fact that weaknesses in national law are the key reason for needing a standard in the first place. The ambition of declarations is not always matched with robust mechanisms for implementation, and independent verification of compliance is lacking. This creates an opportunity to strengthen the development of industry standards and define a workable set of principles to which other initiatives could then refer. The general nature of land-related criteria and their limited operationalization imply that their impact on the ground remains weak. To deal with this shortcoming, a focused effort to identify specific land-related criteria (rather than trying to encompass every single issue related to investment in large-scale agriculture) that could then be referenced by a wide range of industry standards could be a desirable option. The criteria should be limited to land-related issues, deal with key problem areas, and be backed by examples on the ground, guidance on disclosure, and robust mechanisms for third-party verification.

Fifth, the growing number of industry standards creates a danger of duplication and of focusing on semantics rather than discussing how principles will be applied and compliance monitored. Promoting accepted principles to govern agricultural land acquisition can have a significant impact, even if it is just voluntary initially. By providing consistent guidelines on what should be reported and allowing for third-party verification, industry leaders could provide examples of good practice. This would allow for the identification of mechanisms to set substantive standards and make land-related provisions in existing commodity standards operational. While expectations for new initiatives in this area should not be exaggerated, engagement with industry leaders, standards bodies, and governments to ensure that existing criteria can be implemented and gaps filled offer promise if they are complemented with actions by other stakeholders.

Financial Institutions (Including Commercial Banks and Funds)

Financial institutions have long had a strong interest in having their clients comply with performance standards.[5] In the end, this will minimize commercial and reputational risks caused by loopholes in legislation or enforcement capacity in countries where investments are implemented. Given the complexity of their operations and the resources at their disposal, multilateral institutions have developed such standards and provided guidance on their implementation. The World Bank's safeguards consist of 10 separate policies; six environmental, two social, and two legal. In 2006, the IFC and the Multilateral Investment Guarantee Agency (MIGA) replaced the safeguards with a policy comprised of eight performance standards distributed equally among social and environmental standards and broader community impacts and labor standards. They clarify roles and responsibilities for IFC's and MIGA's private sector clients and are accompanied by advisory services that strengthen client capacity and processes.

Principles built on these frameworks were adopted by other multilateral and bilateral institutions. In 2003, a group of private Equator Banks (currently 73) committed themselves to implementing the Equator Principles, with provisions identical to the IFC's standards (Schanzenbaecher 2010). With support from the International Monetary Fund (IMF), a 2008 Forum of Sovereign Wealth Funds adopted the "Santiago Principles" to guide its operations. The Equator Principles, which include IFC's Performance Standard 5 on "Land Acquisition and Involuntary Resettlement," provide the most specific guidance on land issues.

Experience with investment projects financed by the major financial institutions shows that effectiveness of these rules depends on the mechanisms for disclosure and enforcement that are available to assess whether actors comply with standards and to deal with cases where they do not (Kiene 2010).[6] Effective implementation also depends on the knowledge and skills

of those applying the principles. This is an area where considerable expertise has been gathered. It depends on the clarity (including consultation and publicity) of the process and the capacity of affected populations to articulate and transmit concerns (or their scope for seeking assistance in doing so).

Given their coverage and the number of banks that subscribe to them, the Equator Principles offer considerable potential to address some of the challenges that have thus far limited success of industry self-regulation in the commodity supply chain within a reasonable time frame. Two areas that would need to be addressed in order to allow this potential to be fully realized relate to routine disclosure and the number of institutions subscribing to these principles.

- Limited disclosure weakens the ability to assess the extent with which performance standards are complied. While projects supported by multilateral institutions, including IFC, normally need to publish key documents and progress reports, adherence to the Equator Principles is voluntary, and no recourse mechanism is available to deal with noncompliance. Their effectiveness could be enhanced by mechanisms to improve disclosure of key facts that may include investment amounts, jobs generated, environmental impact assessments (EIAs), social impact assessments (SIAs), and payments for land to allow independent third-party verification. The current review of Performance Standards and disclosure requirements conducted by IFC is one way to address this and thus improve relevance on the ground.
- Financial sector standards will only be successful if all relevant players, including investment and sovereign wealth funds, agree to adhere to them. Getting broad buy-in remains a challenge. Nonetheless, models where countries take the lead and buy-in at the country level then requires compliance by all entities operating in a specific country offers some promise.

CIVIL SOCIETY

Civil society, producers associations, and academia can provide input in three respects, namely, (i) educating communities on their rights and helping them exercise these effectively, (ii) providing specific assistance in negotiation and subsequent monitoring, and (iii) performing a watchdog function to spot and publicize deviations from existing policy or globally agreed norms.

A key finding from case studies is that communities were rarely aware of their rights and, even in cases where they were, lacked the ability to interact with investors or to explore ways to use their land more productively. In areas with high agro-ecological potential, there will be a need to disseminate information about rights and procedures that could be used to minimize the risk of communities being unprepared when confronted with investment proposals. Local land use planning has been used with great success to document

existing rights (including secondary ones) in Tanzania, for example. Benefits include specifying areas that the community may not need at the moment and can be made available for others to use and identifying potentially relevant environmental issues. In Mozambique, virtually all of the community land delimitations have been carried out by local NGOs, and efforts are currently under way to link this process to land use planning and possibly legal assistance.

If demand for investment has already materialized, more intensive assistance may be needed to screen the technical, economic, environmental, and social aspects of investor proposals. Communities will also need to identify information gaps and how investments could help provide local benefits. This requires a higher level of legal and technical skills (for example, through support by local producer organizations) and a more intensive engagement at the local level. Having local input into negotiation of agreements will make monitoring easier throughout the implementation process and help build capacity and skills. The return to investments in this area can be very high.

Civil society has traditionally performed an important role in holding governments accountable and publicizing deviations from existing legal norms. Civil society groups could have an important role in assessing investments' compliance with general principles and, more important, with specific contractual arrangements and standards. This would help to gain operational knowledge that is relevant to field realities, showcase positive examples, learn from their success, identify deviations from agreed standards, and point to reasons for deviations and ways in which such deviations could be avoided in the future.

INTERNATIONAL ORGANIZATIONS

Large-scale land acquisition affects the work of multilateral organizations because of its impact on natural resource management, agricultural growth, and poverty reduction. It also touches on global public goods in the areas of conflict, environment, and food security. Multilateral organizations have a comparative advantage in three mutually reinforcing areas. They can serve as a catalyst to bring stakeholders together in support of a common set of principles and ways to make them operational and check compliance on the ground. They can contribute to high-quality economic, financial, environmental, and social analysis at the country and the global level to help countries weigh available options and provide evidence on the impact of different actions in these dimensions now and in the future (for example, in light of possible climate change). And they can provide technical and financial support to help build institutional capacity and infrastructure (for example, land registries, roads, storage facilities) to help target as well as origin countries achieve their development objectives in a sustainable and constructive way.

Support from multilateral institutions can help stakeholders to agree on minimum principles to guide action and, more importantly, ways in which such principles can be implemented on the ground and compliance determined and monitored. This is relevant because many of the activities supported by such institutions, for example, construction of road infrastructure, will have far-reaching impacts on land values and the pressure for land acquisition in land abundant countries. Experience in other sectors suggests that the bulk of such work will need to be done at the country level, but that efforts will be most effective if they are linked to mechanisms for structured interaction among stakeholders on a regular basis. In the mining sector, the Extractive Industries Transparency Initiative (EITI) (box 5.1) provides an interesting model that can inform much-needed efforts to improve land governance.

Observers note that EITI took a long time to get off the ground and that, with weak incentives for participation, progress with country certification has been slow. To ensure that efforts to improve land governance avoid similar problems, two issues will need to be addressed.

- Any initiative in land governance will need to build on existing activities at the country and regional level and have strong political backing from the start. In Africa, these would be based on the Framework and Guidelines on

Box 5.1 The Extractive Industries Transparency Initiative

In the mining and extractive industries, the Extractive Industries Transparency Initiative (EITI) promotes sector-specific transparency at the global level.[7] It establishes a country-owned and country-driven process to promote accountability in an area where openness was often lacking. Participating countries fall into two categories: candidate and compliant. To become a candidate, governments must commit to implementing the EITI in partnership with civil society and the private sector and publicize a costed country work plan. To be compliant, countries need to disclose and disseminate a report that includes information on revenue streams validated by the local multi stakeholder group and endorsed by EITI's global governing body (EITI 2009).

By bringing together a multistakeholder steering group that comprises government, companies, and civil society, the process can provide a forum for dialogue and a platform for broadening reforms to promote policies contributing to good governance of resources by having different stakeholders explore specific issues and thus perform an effective watchdog function. Having civil society perform such a function should lead to more substantive involvement on the policy front or greater vigilance in the auditing of company accounts, something often described as EITI Plus (Goldwyn 2008).

Source: Authors.

Land Policy that was adopted by African Union Heads of State in 2009. In other regions, similar pronouncements are available. At a global level, Organisation for Economic Co-operation and Development Investment Guidelines and "Voluntary Guidelines for Tenure of Land and Associated Natural Resources" being put together by the Food and Agriculture Organization of the United Nations in a participatory process could also provide a starting point. Thus, gradual progress starting with existing programs will be possible.

- As countries that improve land governance will incur costs, ensuring that participation provides them with tangible benefits will be essential. Benefits could be technical, financial, or reputational. They may involve support to building capacity for project design, analysis, and dissemination, or a certification that is based on countries or investors agreeing to independent third-party verification that involves minimum levels of disclosure and the option for independent review and analysis.

In light of the fact that multilateral institutions already advise client countries on poverty reduction and broader development strategies, they have an advantage in carrying out rigorous monitoring and empirical research, both at the country and global levels. Support to evidence-based policy making in this direction, drawing on inputs from others as needed, is especially important in light of the lack of empirical evidence on large-scale land acquisition and the links to core topics of interest to development issues.

This study demonstrates the usefulness of evidence-based research in a number of respects. At the country level, it allows dispensing with prejudices on the extent of the phenomenon, the characteristics, and—to some extent—the initial impact of key deals and the actors involved (which in many cases involve local people). It also highlights the need to improve systems of data management to better inform decision makers, as well as private stakeholders and local communities, about existing deals and potential future opportunities and provides suggestions on how this may be done in a specific-country context. At the global level, it helps identify good policy in specific areas and provide the basis to compare demand for land with what may be available in different regions and countries by helping to identify potential hotspots, the need for and potential impact of complementary measures, and the possible long-term implications.

Additional evidence that multilateral organizations can help gather will be desirable in three areas, namely to (i) draw out implications at the country level in more detail and bring together information on agro-ecological potential, property rights, and infrastructure access, ideally in a process that feeds into decentralized governance at the local level; (ii) analyze the effect of country policies, many of them adopted very recently, aiming to more proactively manage the phenomenon and draw on information (for example, monitoring of project performance) that becomes available in this context; and (iii) document in more detail the productive performance of key investments, possibly feeding into a mechanism to share lessons from experience across countries.

Ultimately, governments in recipient countries are responsible for securing property rights and creating an environment that allows use of the resources available in a way that furthers social and economic development by framing and implementing policies conducive to growth and poverty reduction. There is little doubt that, in many cases, lack of capacity is a key factor that contributes to less than desirable outcomes. Although opportunities for effective capacity building may be constrained if the policy environment is not conducive, quite a number of countries are willing to adjust their policies and, in some cases, have already started doing so. This provides a starting point to assess the impact of policy reform in a way that involves all relevant stakeholders. The benefits from such activities can be large. The ability to document successful projects and policies, especially in Africa, while benefiting everybody, will help those investors confront operational and reputational challenges associated with such ventures. Finding resources to help build the needed capacity should therefore be possible.

CONCLUSION: THE NEED FOR AN EVIDENCE-BASED MULTISTAKEHOLDER APPROACH

The magnitude and often speculative nature of land transactions observed recently has caught many actors by surprise. Demand for land acquisition continues and may even be increasing. At the same time, scarcity of information on what is happening encourages speculation on a large scale. The review of empirical evidence conducted for this study leads to three main conclusions.

First, the large size of the areas that could potentially be involved (such as those not currently cultivated but with high agro-ecological potential), the concentration of such land in few countries, and the fact that there appears to be significant interest in countries with weak governance imply that the risks associated with such investments are immense. Case studies confirm that in many cases public institutions were unable to cope with the surge of demand and quickly screen out nonviable proposals and that legal provisions were unclear and not well-disseminated or known by rights holders. As a result, land acquisition often deprived local people, in particular the vulnerable, of their rights without providing appropriate compensation. In addition, consultations—if conducted at all—were superficial and did not result in written agreements, and environmental and social safeguards were widely neglected. In a number of countries, investors are treated more favorably than local smallholders, for example, in terms of tax payments and the ability to obtain land and other resources. Rudimentary project proposals, lack of technical know-how, and optimistic revenue projections together with highly opaque ways of processing and approving projects implied that many projects either did not start production at all or operated only on a small fraction of the land they had been allocated. In one country, investors had actually resorted to leasing land out to

smallholder farmers. In some cases, investors who were unable to turn a profit due to unrealistic plans then started to encroach on protected areas or on land that had explicitly been set aside for use by local people, causing environmental damage and threatening local food security.

At the same time, these risks correspond to equally large opportunities. Some countries have very large areas of land that is currently not cultivated but suitable for rainfed cultivation of crops with high and growing global demand. In many cases these countries are also home to large numbers of smallholders who eke out a living on tiny plots, unable to access technology or capital, located far from infrastructure, and with yields that are only a small fraction of what is possible. Addressing the underlying constraints in terms of technology, access to capital markets, infrastructure, or institutions to allow increased productivity and effectiveness in the utilization of these assets could have far-reaching development impacts.

Second, investors could contribute to this effort in a number of ways, including through adequate contract farming arrangements. While some mechanisms for doing so have been identified in the case studies, many other options for productive partnerships are likely to be available. To realize the benefits that could be attained in this way, three things will be needed: a strategic approach that proactively engages investors, changes in land governance and policy, and greater institutional capacity. Required measures include recognition of local rights to land and associated resources, open and well-documented mechanisms to transfer these rights voluntarily instead of having them expropriated by the state, and public institutions with clear mandates and sufficient capacity to prevent negative external effects—whether socially or environmentally. Although this is a daunting list, a global review of good practices suggests that there are examples to draw from and that the benefits from doing so could be high. Although much of the suitable land is located far from infrastructure, infrastructure construction could set in motion a virtuous cycle of development. More importantly, the high global interest in this issue suggests that country governments willing to embark on this agenda should be able to draw on significant technical and financial support.

Third, while making the necessary institutional arrangements is a responsibility of governments in target countries, a pervasive lack of reliable information on opportunities, actual transfers, and the impact of large-scale investments can lead to negative impacts. Investors unaware of the location of high potential land that current owners might be willing to transfer may spend considerable time and energy searching for land or designing projects that are bound to fail. Communities who have not been educated about their rights to land and associated natural resources or the potential uses and implied value of such resources are more likely to make decisions about their divestiture that they may regret and that may not be sustainable or even lead to conflict. Limited awareness of key economic and technical parameters of relevance for implementing projects will hurt the stakeholders, as it forces them to invest in

acquiring knowledge that should be easily available. Finally, weak or nonexistent information on project performance makes it impossible to identify investments that are underperforming and liquidate or transfer them to alternative uses, to ensure that environmental and other safeguards are actually adhered to, and to evaluate the effectiveness of policies with a view toward making changes to adapt them to existing needs.

To ensure that information to help make critical decisions and effectively deal with risks is more widely available, concerted multistakeholder efforts are needed to improve land governance and to define a set of parameters that would be accessible to all interested parties to provide input into planning, analysis, and policy advice. Exploring the available options and drawing on the lessons from EITI and other initiatives to move rapidly in this direction could avoid some of the considerable risks highlighted by this study. By allowing continued feedback to decision makers in public and private sectors, it could also help stakeholders more effectively use the opportunities created by increasing global interest in agricultural land.

NOTES

1. Having an inventory of clearly defined boundaries on the different types of land that may be acquired by investors (at least for land in the custody of the state) would prove very useful in this respect.
2. The RTFO includes strong requirements to demonstrate that biofuels contribute to net greenhouse gas savings and that their feedstock is produced sustainably. To minimize the cost and administrative burden of compliance, the reporting model makes use of existing voluntary agri-environment and social accountability schemes which thus have been benchmarked against an RTFO Sustainable Biofuel Meta-Standard, creating a direct link between the "voluntary" commodity standards and the obligatory U.K. standard on biofuels (The Royal Society 2008).
3. Domestic markets, however, may be less responsive to certification in international markets, as in the wood sector, for example.
4. Voting rights are apportioned to chambers equally. Within chambers, northern and southern subchambers have equal voting rights. In fact, the impetus for formation of the FSC came from civil society, with a major role played by the World Wildlife Fund.
5. The IFC supports development and implementation of commodity standards (for example, RSPO). However, although there is overlap between commodity standards and IFC's Performance Standards, the commodity standards cannot be, at any time, considered as a substitute for IFC's Performance Standards. IFC's Performance Standards are written broadly and inclusively to have global relevance across countries, sectors and project specific contexts, and their specific application varies by country, sector and project. By contrast, commodity standards are sector driven and address only environmental and social issues relevant to a given sector.
6. To improve compliance, the World Bank has an Inspection Panel to provide affected citizens and communities with access to independent recourse through the World Bank's Board of Directors, which has the responsibility to ensure compliance. Similarly, IFC has a Compliance Adviser/Ombudsman who reports directly to the President of the World Bank Group.

7. As of April 2010, the EITI was supported by 31 implementing countries, around 40 major international oil, gas, and mining companies, 80 institutional investors managing assets of more than US$14 trillion, hundreds of civil society groups and networks, and supporting countries and donors.

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