



USAID
FROM THE AMERICAN PEOPLE

Responsible Land-Based Investment

Sarah Lowery
E3/Land and Urban, USAID
Economist and Public-Private Finance Specialist
January 25, 2018

— AGENDA



AGENDA

- Define responsible land-based investment
- Outline potential rewards of investments
- Describe land-based risks and costs of investments
- Walk through key steps to undertake in investing responsibly
- Conclusion

— DEFINING RESPONSIBLE LAND-BASED INVESTMENT



RESPONSIBLE LAND-BASED INVESTMENT

- Investment that **respects the legitimate land and resource tenure rights of people who derive benefit from the land in or near proposed investment sites**
- Whether rights are rooted in **statutory law or customary or traditional tenure systems**, they are legitimate and should be respected by investors

RESPONSIBLE LAND-BASED INVESTMENT

- Investments will be structured to not only do no harm but will also **provide additional benefits to such legitimate tenure holders** and the broader economy
- Such investments will be **environmentally sustainable**

WHY IS THIS TOPIC IMPORTANT?

- Protecting the land and resource rights of the poor is critical, **yet over 70 percent of land is estimated to be unregistered in the developing world**
- More and more investors are interested in sustainability, and many certification standards include land criteria
- But 93 percent of concessions in emerging markets are inhabited; many protests and conflict over land-based investments

KEY TAKE AWAYS

- Responsible investment respects the legitimate land and resource tenure rights of people who derive benefit from the land in or near proposed investment sites
- Such investment should provide benefits to these rights holders
- Critical for the poor, who depend on land for food, shelter, livelihoods, etc.
- More and more attention is placed on responsible investing
- Nonetheless, protests and conflict over land-based investments continue

— POTENTIAL REWARDS OF LAND-BASED INVESTMENT



POTENTIAL REWARDS OF LAND-BASED INVESTMENTS IN DEVELOPING COUNTRIES

- People near investments can potentially benefit through:
 - Employment opportunities, at least in the short-term
 - New or expanded markets for their agricultural goods or timber (if the investment sets up a mill or processing plant, for example)
 - Access to electricity

POTENTIAL REWARDS OF LAND-BASED INVESTMENTS IN DEVELOPING COUNTRIES

- Governments are often supporters of large-scale investments because they have the potential to:
 - Create economic growth via jobs, goods or services produced, etc.
 - Earn foreign reserve
 - Provide benefits such as electricity to their people
 - Create personal wealth

POTENTIAL REWARDS OF LAND-BASED INVESTMENTS IN DEVELOPING COUNTRIES

- Returns for investors can be substantial because of:
 - Cheaper inputs (land, labor, etc.)
 - Nascent markets for products
 - Government incentives for investment
 - Certain countries boast natural resources for particular investments – e.g., arable land, wind energy potential, etc.

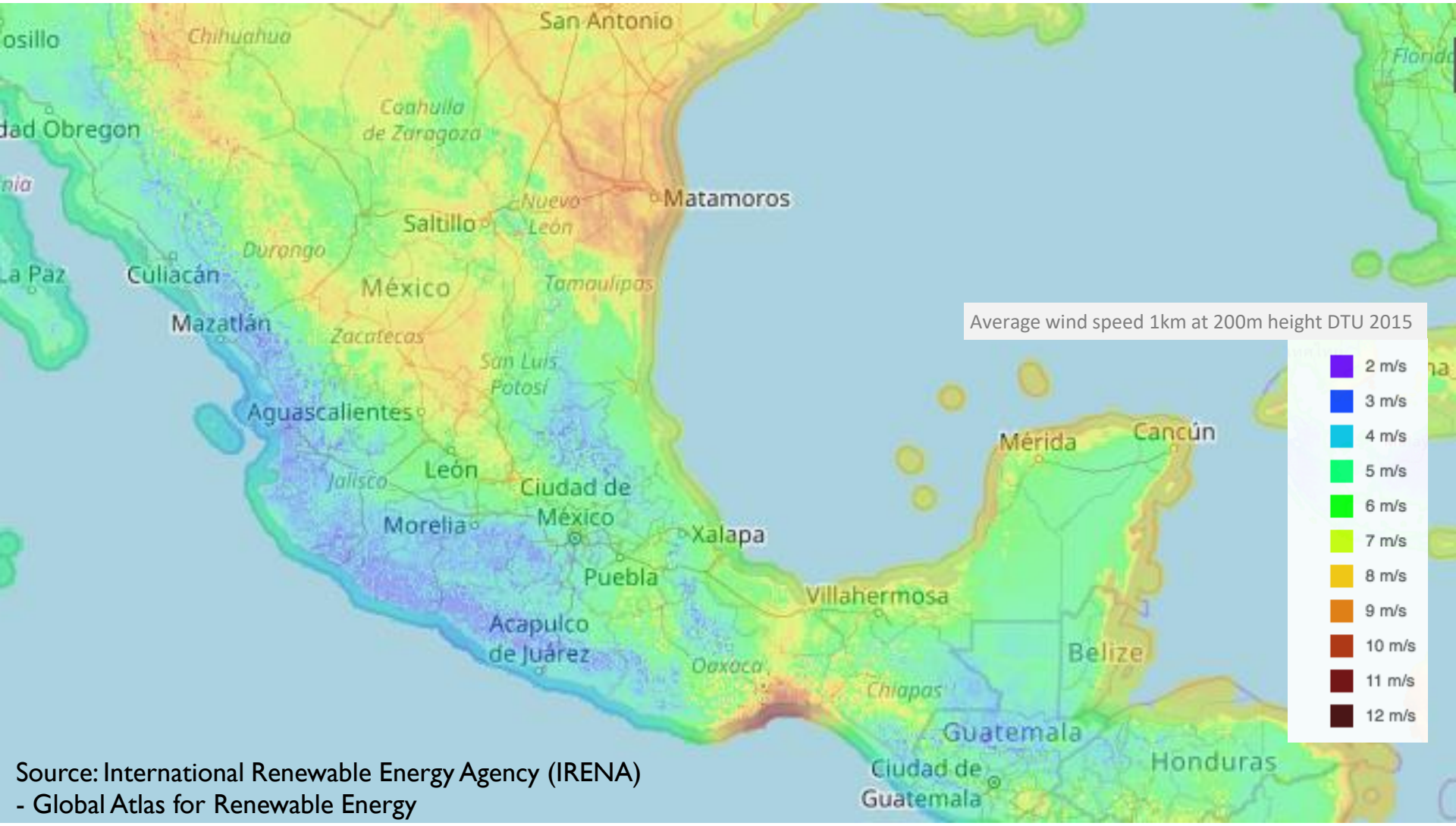


USAID
FROM THE AMERICAN PEOPLE

Nine countries contain 90% of Africa's unutilized arable land

	Non-forested unutilized land ¹ (million ha)	Proportion	Cumulative Proportion
DRC	84.8	46.5%	46.5%
Angola	18.9	10.4%	56.9%
Congo	12.9	7.1%	63.9%
Zambia	10.8	5.9%	69.9%
Cameroon	10.5	5.7%	75.6%
Mozambique	9.0	4.9%	80.5%
CAR	7.1	3.9%	84.4%
Gabon	6.5	3.6%	88.0%
Sudan	5.8	3.2%	91.2%
Rest of Africa (n=45)		8.8%	100.0%

(Source: Schoneveld 2014)



HOW ARE THESE RISKS MITIGATED?

- Many of these investors reduce these risks by not investing in certain geographies
- Some investors don't invest in Africa because they feel that the land-based risks are simply too great
- Some investors also reduce risks by favoring brown field investments over green field investments

HOW ARE THESE RISKS MITIGATED?

- Some investors reduce their risks by strategically choosing co-investors with political connections
- Finally, investors may also reduce their risks by investing responsibly

— LAND-BASED RISKS & COSTS OF INVESTMENTS



LAND-BASED RISKS & ASSOCIATED COSTS

- Investors can face myriad risks related to the land on which they are building their investment:
 - Uncertain land tenure puts whole investment at risk
 - Legal uncertainties (weak legal frameworks, laws not enforced)

LAND-BASED RISKS & ASSOCIATED COSTS

- Investors can face myriad risks related to the land on which they are building their investment:
 - Often overlapping or conflicting tenure systems (customary and statutory)
 - Costs of risks materializing can be staggering – e.g., Case studies from a 2012 Munden Report point to costs upwards of US\$20M for cancelled projects in Africa and South America



Women



Transparency

Water

Choose an issue



LAND

In many low-income countries, where disputes over land use are already acute and land ownership is horribly skewed, communities depend on their land for their lives and livelihoods. Yet companies and governments are seizing land and evicting families to grow crops for export. The Behind the Brands Scorecard looks at whether the big food companies say they do the right thing by the land and the communities who live on it, and have policies in place to deal with suppliers who violate land rights.



How are the scores formed?

We assessed publicly available information on the policies and commitments of the 'Big 10' food companies towards the sourcing of agricultural commodities from developing countries. The Scorecard looks at seven themes, weighing each theme equally. The index tackles some cutting edge issues that will require rigorous debate and dialogue between companies, civil society and industry experts. Find out more...

LAND-BASED RISKS & ASSOCIATED COSTS

- Local people often face the greatest risks and costs, because this land is their home and source of livelihood. They may:
 - Be involuntarily resettled without economic compensation
 - Lose access to grazing lands, water or other resources
 - Lose land or resource rights because local leadership approves

LAND-BASED RISKS & ASSOCIATED COSTS

- Local people often face the greatest risks and costs, because this land is their home and source of livelihood. They may:
 - Lose friends when compensation schemes create jealousy and unrest
 - Protests can lead to bodily harm or death – according to the Guardian and Global Witness, 200 people defending their community's land, natural resources or wildlife were killed in 2016 alone

LAND-BASED RISKS & ASSOCIATED COSTS

- Governments can also face substantial risks and costs:
 - Social unrest (e.g., uprisings in Ethiopia)
 - Litigation (e.g., Agro EcoEnergy dispute in Tanzania)
 - Lost opportunities with political and/or financial liabilities (lost tax revenue, etc.)

AGUA ZARCA HYRDOELECTRIC PROJECT

Size: **22MW**

Location: **Santa Barbara, Honduras**

Developer: **Desa**

Construction began: **2011**

Financing: **US\$44 million**



COMMUNITY ENGAGEMENT & OPPOSITION

- 2006 – Began voicing opposition
- 2013 – Outright opposition and road blockade
- 2013 – Indigenous leader Tomás García killed and others wounded
- 2016 – COPINH co-founder Berta Caceres killed
- 2016/17 – 7 more activists killed

KEY TAKE AWAYS

- For investors, land-based investment risks are real and can be very costly if they materialize, including both financial and reputational costs
- For local people, there are great risks to their lives and their livelihoods, cultural and spiritual identities if land-based investments are undertaken in ways that do not respect their rights or seek to benefit them
- For governments, the costs of protests or conflict over investments can likewise be damaging to the ruling party's reputation, can incur substantial costs, and are lost opportunities for growth and development

— KEY STEPS TO UNDERTAKE IN INVESTING RESPONSIBLY



RESPONSIBLE LAND-BASED INVESTMENT

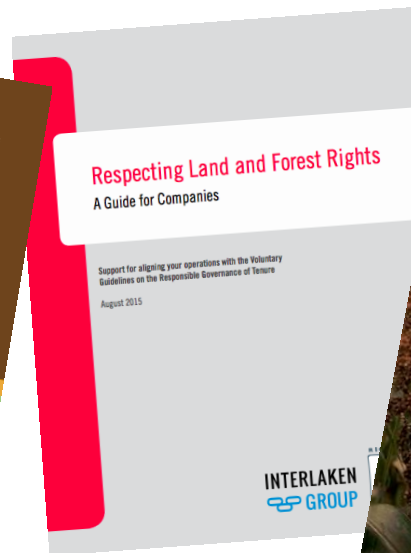
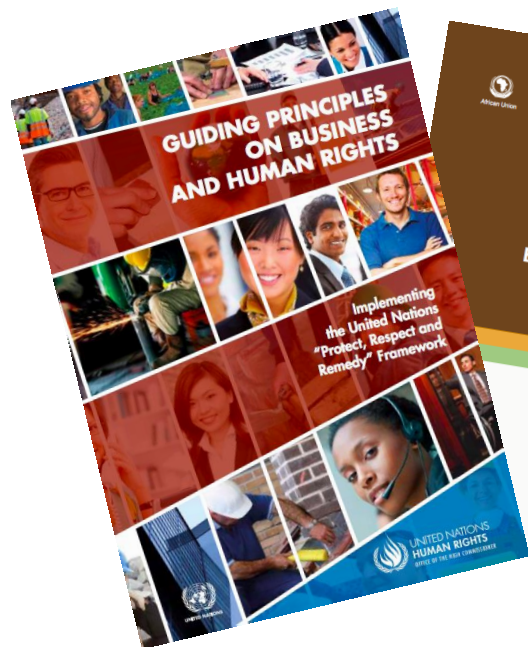
- Investment that respects the legitimate land and resource tenure rights of people who derive benefit from the land in or near proposed investment sites
- Whether rights are rooted in statutory law or customary or traditional tenure systems, they are legitimate and should be respected by investors
- Investments will be structured to not only do no harm but will also provide additional benefits to such legitimate tenure holders and the broader economy
- Such investments will be environmentally sustainable

CONTEXT

- Years of programming and discussion on the importance of strengthening land tenure, resource rights, and governance
- 2012 – Creation of Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT or “Voluntary Guidelines”)
- 2014 – Creation of Principles for Responsible Investment in Agriculture and Food Systems (RAI)



GUIDANCE FOR INVESTORS



PRACTICAL STEPS TO INVEST RESPONSIBLY

- Tenure Rights:
 - Understanding, identifying and recognizing rights
 - Assessing potential direct and indirect impacts on tenure rights
 - Mitigation measures
- Participation, consultation and negotiations
- Grievance mechanism – dispute resolution
- Transparency and corruption
- Food security, human rights, environmental sustainability and local capacity building



Baja California Sur Wind Farm

Size: 50MW

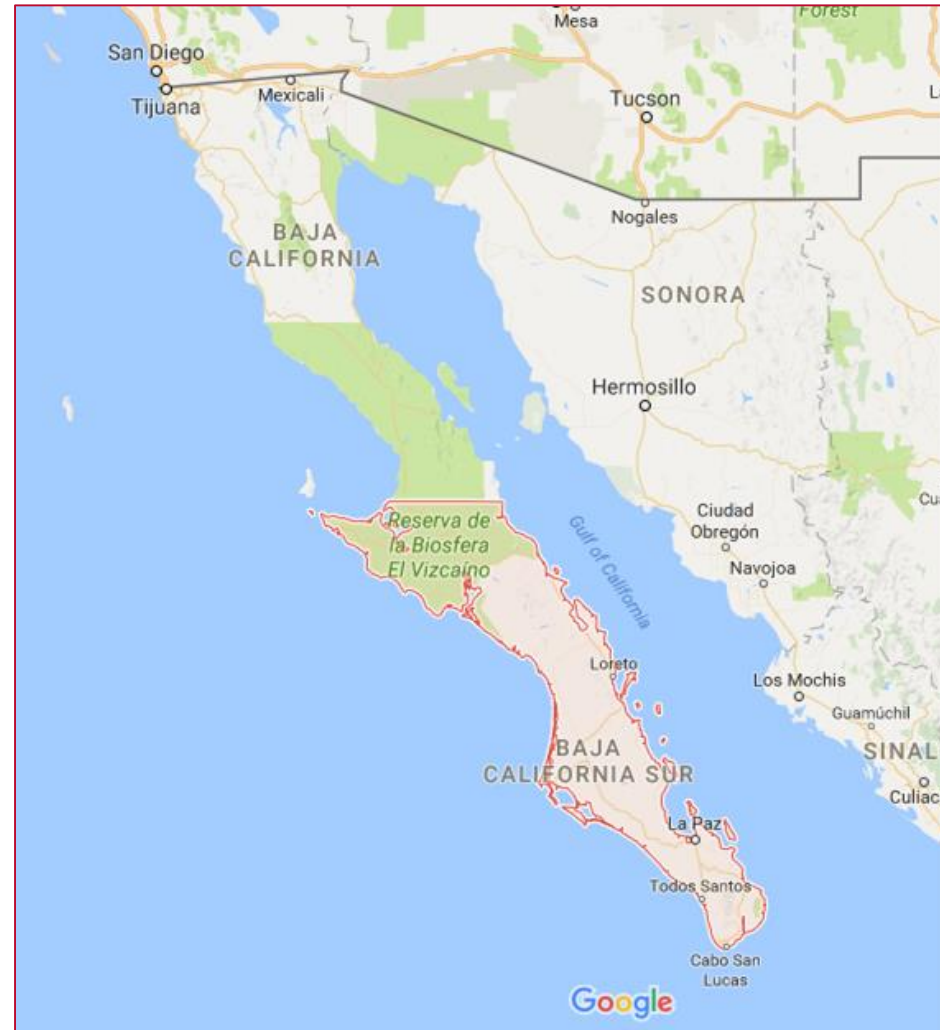
Location: 25 miles NW of La Paz

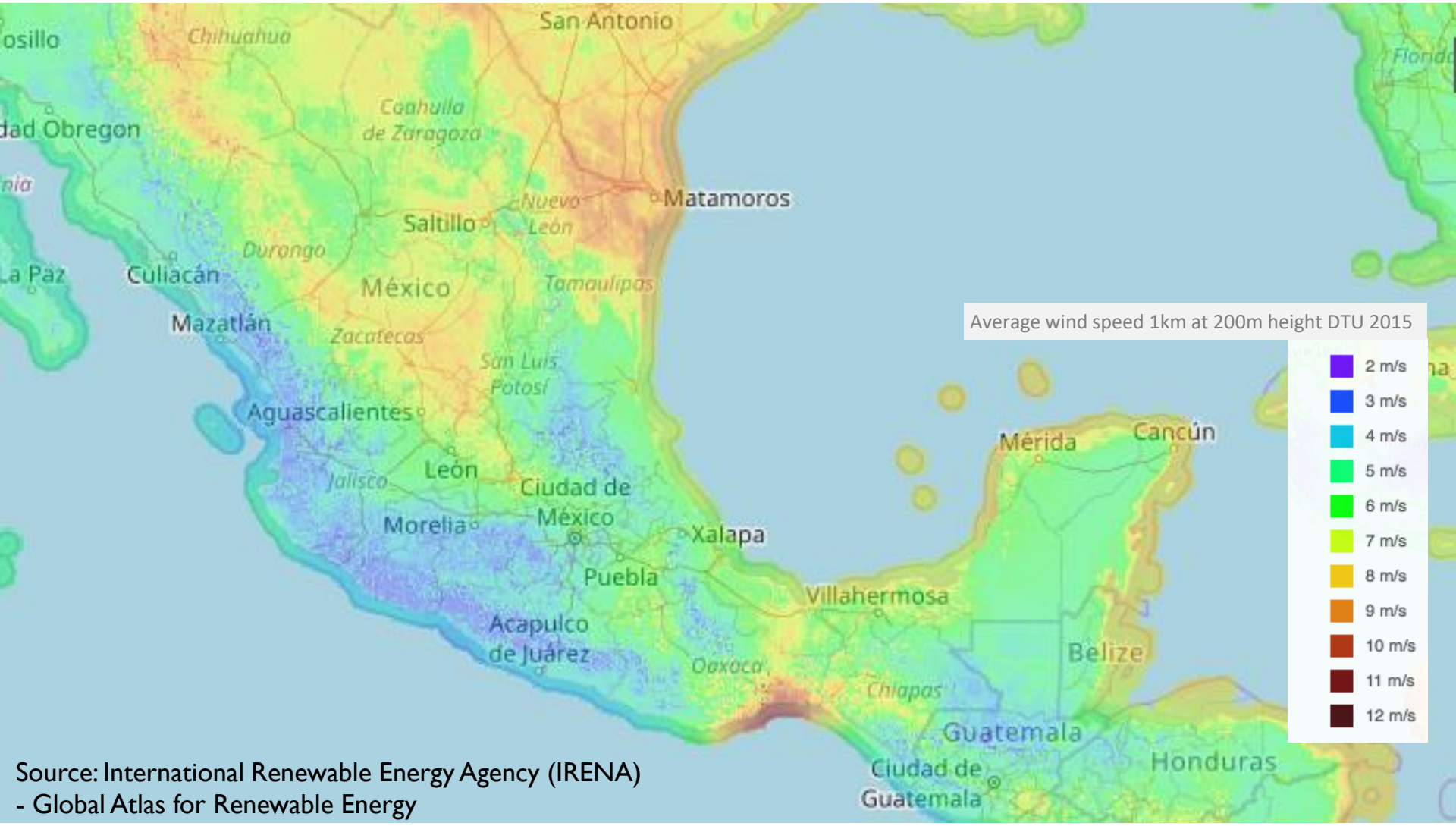
Developer: Energía Veleta

Land secured: 2013

Projected online: 2018

Capital investment: US\$100 million





Source: International Renewable Energy Agency (IRENA)
- Global Atlas for Renewable Energy

COMMUNITY ENGAGEMENT & BENEFITS

- Visits, group meetings, and videos
- Community has option to hire counsel
- Contract limited to 7 years
- Landowners receive 3-5% of gross income
- Preferential contracting for locals

KOKISH RIVER HYDROELECTRIC PROJECT

Size: **45MW**

Location: **British Columbia, Canada**

Developer: **Brookfield Renewable Energy and 'Namgis First Nation**

Environmental Assessments: **2004-2010**

Commercial Operation: **2014**

Capital investment: **US\$190 million**



USAID'S WORK ON RESPONSIBLE INVESTMENT

- Developed guidance documents for the private sector on responsible investment
- Partner with private companies on live investment opportunities to enhance their due diligence around land

USAID'S WORK ON RESPONSIBLE INVESTMENT

- Created an investor survey on land rights, which helps build the case that:
 - Clear, secure land rights are paramount for responsible investment;
 - Substantial sums are left on the table when investors don't pursue projects because of uncertain land rights;
 - Significant costs are incurred if projects are delayed or abandoned because of land issues; and
 - Responsible investments that benefit local landholders are possible

KEY TAKE AWAYS


- Voluntary Guidelines and RAI show international agreement on the importance of tenure security, including for responsible investments
- Multiple guidance documents collated into Analytical Framework: 5 main steps to investing responsibly
- Case studies show how investments can be made that benefit local people and generate broader economic growth
- USAID is actively working to increase responsible land-based investments

— CONCLUSIONS



CONCLUSIONS

- Responsible Land-Based Investments **respect the legitimate land and resource tenure rights of people who derive benefit from the land in or near proposed investment sites**
- Support for responsible land-based investment is available: For instance, tools and guidance described here, as well as USAID and other donors' efforts are promoting responsible investment
- Investing responsibly is challenging but it's the right thing to do. It reduces land-based risks and potential costs for investors, communities and governments, and it creates important benefits for each of these stakeholder groups
 - The case studies of the wind farm and the hydroelectric project provide evidence of this



E3/Land and Urban Office
www.LandLinks.org
landmatters@usaid.gov
#landmatters #landrights



USAID
FROM THE AMERICAN PEOPLE