

The Land Rush:

A Fact Sheet on Commercial Land Acquisitions in Developing Countries

Historical Context:

Throughout much of the developing world, more than a billion poor people lack legal rights to the land they farm. Increasingly, many are at risk of losing their land due to a recent uptick in land acquisitions and seizures by private sector interests and governments.

The current land rush is essentially a third wave of outsourcing.

- The first wave, in the 70s and 80s, sent manufacturers scrambling to lower wage countries.
- The second wave involved the outsourcing of white collar service jobs primarily to India and other English-speaking, low-wage countries.
- Now a third outsourcing wave is sending investors to under-developed nations to buy up farmland. The reasons for surging demand for farmland are varied – they include rising food and energy prices and the increasing attractiveness of farmland as an asset class for investors.

Most of these farmland acquisitions are occurring in low-income and middle-income countries, often in settings where land property rights are weak, unclear, and poorly governed – creating enormous risks for poor people, investors, and governments.

The Facts:

- Experts conservatively estimate that due to increasing demand for food and biofuels, six million hectares of new farmland will be brought into production *per year* in developing countries over the next 20 years. Most of these acquisitions will occur in countries where land property rights are unclear, weak, and poorly governed (World Bank).
- At least 2.5 million hectares of land has already been acquired (in parcels of 1,000 hectares or more) in just five countries: Ethiopia, Ghana, Madagascar, Mali, and Sudan from 2004-2008 (IIED).
- According to media reports, the Ethiopian government plans to make available some 3 million hectares of land to investors in the next 3 years. This amounts to about 20 percent of the total land area currently under cultivation in the country.
- Some nations, including Madagascar and Mozambique have received requests from investors for more than half of their total cultivable land area.
- In much of the developing world, determining who “owns” or has the right to use a particular parcel of land is not straightforward. Land laws often are lacking, do not reflect ground realities, or are unimplemented. Local communities often have their own unwritten customary law that determines ownership or use. Under these traditional laws, entire communities have farmed land for generations, but their rights to occupy and use the land may not be formally recognized by statutory law.

Common Misconceptions:

- *There is abundant “empty” land available in Africa and elsewhere.* Land, and particularly productive land, is rarely empty or unused.

- *All large-scale land investments are “land grabs” that violate host country laws.* While this is sometimes true, in most cases, land is acquired for these projects in ways that are consistent with local law. The problem is that the local law is often vague, out of date, or does not sufficiently protect the rights of small-holder farmers, and particularly women.
- *Large farms are more efficient than small farms.* When it comes to agriculture, bigger isn't always better. Small family farms are almost always more productive than large farms in more labor-intensive developing country settings. Agricultural production rarely has economies of scale beyond what a family can manage.
- *All or most of the investors are foreigners.* In many countries the majority of land investors are domestic companies or individuals.
- *Investments in farmland typically benefit local communities.* A World Bank study of 19 recent cases found the contrary: local communities often are left even worse off by the investment (World Bank).
- *Investors can avoid risks by relying on governments to acquire land.* Where land rights are inadequate, unclear, and poorly governed, land expropriations by governments typically result in aggrieved local communities and substantial risks for investors.

The Risks:

- The potential risks to local communities are enormous, including the **loss of formal or customary rights** to smallholder farms, pasture, forestland, and other community property resources, especially for poor farmers and women. There is a risk of **loss of livelihoods** and substantial numbers of **displaced people**.
- There is the potential for **increased food insecurity** at the community and household level in host countries.
- There are environmental hazards: including: **land degradation**, depletion of water resources, elimination of forests and loss of bio-diversity
- There is increased potential for **conflict** as a result of land acquisitions, relocations and restricted or reduced livelihood opportunities (International Land Coalition; FAO et al.).

Can Large-scale Farming Benefit all Parties?

The good faith application of a series of basic principles in structuring projects can increase the likelihood that all stakeholders benefit. These principles, recently developed by the United Nations FAO and others, are:

- Existing rights to land and associated natural resources should be recognized and respected.
- Investments should not jeopardize food security but rather strengthen it.
- Processes for accessing land and other resources and then making associated investments should be transparent, monitored, and ensure accountability by all stakeholders.
- All those materially affected should be consulted, and agreements from consultations should be recorded and enforced.
- Investors should ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in durable shared value.
- Investments should generate desirable social and distributional impacts and do not increase vulnerability.
- Environmental impacts should be quantified, measured and minimized.

Application of these principles will frequently involve improvements in law and policy as well as practice. Thus, action is required by host governments, investors, aid donors, civil society, and land tenure practitioners.

Recommendations for Investors:

Investments that are harmful to local communities are less likely to be successful.

- **Protect land rights.** Understanding and respecting the land tenure realities is crucial if investments are to be socially legitimate and legally secure. In areas where land rights have not been formalized, the investor should take the initiative to work with government, civil society organizations, and local communities to ensure that individual and community rights are documented and protected through the course of the project. Conduct land tenure impact assessments. Doing so will reduce the likelihood of future opposition from those who might have been left out of the process.
- **Do what is right, even if it is not required.** The laws of some countries may not meet international human rights standards, including principles of transparency and nondiscrimination. In those circumstances, investors should adhere to international standards and recognized CSR principles. Investors have thus far been attracted to settings with low land rights recognition because they often offer an ease of entry. However, this same factor (weak land governance) has eventually caused problems for investors and led to financially unsuccessful projects.
- **Align the incentives.** Be partners with the local communities by investing in the people, particularly in women, rather than solely in their land. Do not assume that the host country government will protect the rights and interests of the local citizens. Investors must make sure that these deals are good long-term arrangements for all parties in order to mitigate risks and ensure long-term, sustainable returns.
- **Recognize the potential of existing smallholder farmers.** Investors interested in increasing agricultural production should consider partnering with existing smallholder farmers. World Bank research reveals that working with existing smallholders offers more potential for production increases than expanding into uncultivated areas.

Recommendations for Governments:

- **Review and strengthen the legal framework** governing all aspects of land rights and land acquisitions. This includes ensuring that the country's legal framework protects the land and water rights of existing rural citizens and adequately protects vulnerable groups including the poor and women. Programs that carefully document and formalize existing land use rights, especially for the marginalized, are a good first step.
- **Consider investments only after conducting careful impact assessments.** These should include land tenure impact assessments, community impact assessments, and environmental impact assessments. Use the findings of these assessments to structure investments that maximize the equitable sharing of economic and social benefits while minimizing the negative impacts.
- **Avoid expropriation as a tool for accessing land.** Prioritize investments that work with current owners and do not require the expropriation of land rights. World Bank research indicates that investment projects relying on voluntary transfers of land rather than expropriation are much more likely to be successful. Require investors to obtain the free, prior and informed consent of the local communities. If expropriation must be used, it should follow established procedures that include extensive consultation with "land losers", judicial review, land-for-land compensation, and full resettlement and rehabilitation packages.
- **Prioritize projects that work with existing smallholders.** In most countries, large gaps exist between actual and potential agricultural yields of existing smallholders. The best path to

increasing agricultural production typically involves helping smallholder farmers close this gap rather than just introducing large-scale production in non-cultivated areas or moving small farmers off the land altogether. Governments can frequently increase output and welfare simply by providing existing smallholders with secure, legal rights to land.

- Ensure transparency. This should involve maintaining public records of all the significant documents relating to the investment and building independent monitoring and evaluation mechanisms for the lifespan of each investment project. A level playing field for all parties requires easy access to relevant information. Public notice should be required to provide interested and affected parties a true opportunity to register their claims.
- Ensure that projects follow the investment principles developed by the UNFAO and others.

Recommendations for Civil Society:

- Provide awareness, training, and legal aid programs to help communities understand and protect their land rights and to represent their interests in dealing with investors and governments.
- Conduct impact assessments. Assist governments by developing expertise in and conducting land tenure impact assessments, community impact assessments, and environmental impact assessments.
- Monitor and supplement government oversight and management of investor agreements.
- Promote greater government and investor transparency by creating and implementing systems to monitor land deals and promote information sharing.

Recommended Further Reading:

- Klaus Deininger et al., [“Rising Global Interest in Farmland-Can it Yield Sustainable and Equitable Benefits?”](#) (The World Bank, 2011)
- Joachim Von Braun & Ruth Meinzen-Dick, [“Land Grabbing by Foreign Investors in Developing Countries,”](#) International Food Policy Research Institute Policy Brief 13 (April 2009)
- World Bank, [“Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources”](#) (FAO, IFAD, UNCTAD, 2010)
- Shepard Daniel & Anuradha Mittal, [“The Great Land Grab”](#) (Oakland Institute 2009)
- Michael Taylor et al., [“Increasing Commercial Pressure on Land: Building a Coordinated Response”](#) (International Land Coalition 2009)
- Lorenzo Cotula et al. [“Land Grab or Development Opportunity: Agricultural Investment and International Land Deals in Africa”](#) (IIED, IFAD, FAO 2009);