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The Green Gold Rush

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Introduction:

Following the global financial crisis, triggered by the collapse of the major investment banks in 2007, the agricultural sector was hit by a series of profound shocks and changes that will significantly alter its features in the coming decades. One of the emerging phenomena provoked by these profound changes, is the so called *land grabbing*, which involves both the major investing countries (not only those in the occident, but also the Emirates and China), the major financial firms and those in the agro-business, in a frantic rush to the signing of lease contracts lasting almost a century, and bargain prices for hundreds of hectares cultivated in third world countries or in emerging countries like Brazil. The purpose of these negotiations is to reach new farmland to produce food commodities to be imported into domestic countries in order to ensure sufficient supplies to meet their needs; or even to devote land to produce biofuel feedstocks (this phenomenon was triggered by recent decisions on the international institutional landscape, which stimulate the production of biofuels with low CO_2 emissions), or more simply to gain an increasingly rare and valuable asset: the land.

The *"land grab"* phenomenon has rapidly achieved a significant relevance by the media, so that it was promptly dubbed the "new colonialism". But if on the one hand this type of negotiation takes in most cases the characteristics of a real forced expropriation of land areas intended for different uses, it should not be underestimated the importance that this new business can have both as regards the development of poorest countries, and for the supply of food resources.

Up to what point this phenomenon should be considered dangerous? What are the criticisms that public opinion moves to local governments, that yield hundreds of acres leased to the first bidder? What are the advantages which, under a proper regulation, this type of phenomenon can lead to?

In these pages we will try to analyze all these aspects, starting from the origins of *land grabbing*, deeply linked to the issue of food security, and we will try to see what are the real reasons that drive investors to seek new farmland. We will then try to see how the phenomenon has evolved in time, which areas of the earth are mostly struck by the expropriation of agricultural grounds. We will then illustrate the positions of the

different involved subjects and their roles in this process: from the institutional organizations, which have weakly tried to address the hoarding of lands on a path characterized by ethical principles; to those that strongly opposed themselves to this new form of investment, which are identifiable in the non-governative organizations. Through a case study then, we will try to figure out if the attempts to "regularize" the process that have been made, are actually able to balance the benefits between all the parties involved in the exchange.The aim is to understand if there is the possibility that the contrasts can turn into a sharing of intents so that this potential sore will become an opportunity of development and struggle against hunger.

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CHAPTER ONE:
THE GLOBAL FOOD CRISIS

1.1 Rise in food prices

Approaching to the theme of expropriation of agricultural lands it is opportune to clarify what is the situation on the international panorama as it regards the food security[1] and the provisioning of agricultural commodities. Such pressing matter is in fact deeply connected to the use of the land and above all to its availability. The event that has recently thrown new shades on the food matter is the global food crisis of 2008, which sent the whole world into a situation characterized by strong economic instability and social arrest and has shown how high is the exposure to the risk of an increase in the number of individuals subject to hunger and to the inaccessibility of food resources. The impact produced by the increase in agricultural prices which we want to underline is the one which is reflected over agricultural lands, turning them into a veritable mine of valor and triggering a "green gold rush" driven by investors of different nature.

If we take a look to the data registered by the Food and Agriculture Organization[2] concerning food price levels in the past years, we understand why we are in a condition of crisis which requires an immediate action by political authorities. FAO's Food Price Index[3] is the clearest picture we can find today on the rise of food prices.

The current graph shows its trend, and as we can see its value has steadily increased up to a level which is about 60% more than the level registered in 2000 (from 90 to 215 points), and despite the current value is about 10 points below the one recorded in February of the past year (which represents the highest ever), predictions for the future are not encouraging.

[1] By *food security* we refer to FAO's definition, given in 1983, which refers to the possibility to ensure to each person the access to food so that to satisfy their basic alimentary needs.

[2] FAO, 2012.

[3] Food Price Index is a measure of the monthly change in international prices of a basket of food commodities. Those Food Commodities are: Cereal, Dairy, Oils & Fat, Meats and Sugar. Each of the five price indexes referring to these commodities includes a number of different quotations.

Graph 1: FFPI, Source FAO

If we want to analyze how this result is produced we observe that the largest contribution is given by Oils & Fat, increased over 70%, followed by Sugar with an increase of 66%, then Cereals with about 60%, Dairy with 53% and finally meat with 45%[4].

FAO food price index

		Food Price Index [1]	Meat [2]	Dairy [3]	Cereals [4]	Oils and Fats [5]	Sugar [6]
2000		**90**	96	95	85	68	116
2001		**93**	96	107	87	68	123
2002		**90**	90	82	94	87	98
2003		**98**	97	95	98	101	101
2004		**112**	114	123	107	112	102
2005		**117**	120	135	104	104	140
2006		**127**	119	128	122	112	210
2007		**159**	125	212	167	170	143
2008		**200**	153	220	238	227	182
2009		**157**	133	142	174	151	257
2010		**185**	152	200	183	194	302
2011		**228**	177	221	247	252	369
2011	February	**238**	171	230	259	281	418
	March	**232**	175	234	251	262	372
	April	**235**	180	229	265	261	346
	May	**232**	180	231	261	261	312
	June	**233**	178	232	259	259	358
	July	**231**	177	228	247	253	400
	August	**231**	179	221	252	245	394
	September	**225**	177	215	244	239	379
	October	**216**	176	204	231	224	361
	November	**216**	181	201	229	235	340
	December	**211**	179	202	218	227	327
2012	January	**213**	174	207	223	234	334
	February	**215**	175	205	227	239	342

Tab. 1: FFPI, Source FAO

[4]These percentages represent the increase for each price index on February 2012 compared to its level in 2000.

Alerting us about the possible future trend of this index is professor Yanir Bar-Yam, president of NECSI, who published a paper[5] containing a previsional model of food prices. He says: "The food price bubble of 2011 caused widespread hunger and helped trigger the Arab spring. In 2013 we expect prices to be even higher and this may lead to major social disruptions." Basically, according to this study, the next food price peak will take place in about a year, and the result will be dramatically higher prices than those we have encountered thus far. Let us now try to understand more closely which are the identifiable causes that underlie this global crisis in agricultural food prices, which are multiple and differentiated.

1.2 Population Growth

First of all we must consider the population growth, as it represents the increase in demand for the agricultural market. On September 12th and 13th in Rome, was held an important summit organized by FAO, whose central matter was that of the food sovereignty and safety. The first remarkable data which emerges from the account[6] worded in that occasion is pertaining the world demographic growth.

World Population Est. & Proj.

year	World (Total)	year	World (Total)
2009	6817737	**2030**	8321382
2010	6895888	**2031**	8381713
2011	6974041	**2032**	8440926
2012	7052134	**2033**	8499017
2013	7130012	**2034**	8556004
2014	7207456	**2035**	8611877
2015	7284293	**2036**	8666611
2016	7360430	**2037**	8720223
2017	7435807	**2038**	8772685
2018	7510343	**2039**	8823955
2019	7583939	**2040**	8874041
2020	7656527	**2041**	8922917
2021	7728044	**2042**	8970570
2022	7798445	**2043**	9016998
2023	7867737	**2044**	9062145
2024	7935915	**2045**	9106020
2025	8002979	**2046**	9148598
2026	8068916	**2047**	9189906
2027	8133722	**2048**	9229929
2028	8197383	**2049**	9268666
2029	8259936	**2050**	9306131

Tab. 3:World Population Estimations & Projections, Source FAO

According to the projections, the world population is destined to reach 9.3 billion units

[5]M. Lagi, Y. Bar-Yam, K. Z. Bertrand, Y. Bar-Yam, 2011
[6] FAO, 2009.

within 2050, with an increase of over 30% in comparison to the actual level, which are almost 2.3 billion people more to feed. If we give a closer look to how the increase of population is distributed, we observe that the greatest raises will happen in the developing countries, while in the countries whose economies are already set to high levels of income the rate could even decrease in some cases; whereas in Africa the population is destined even to double.

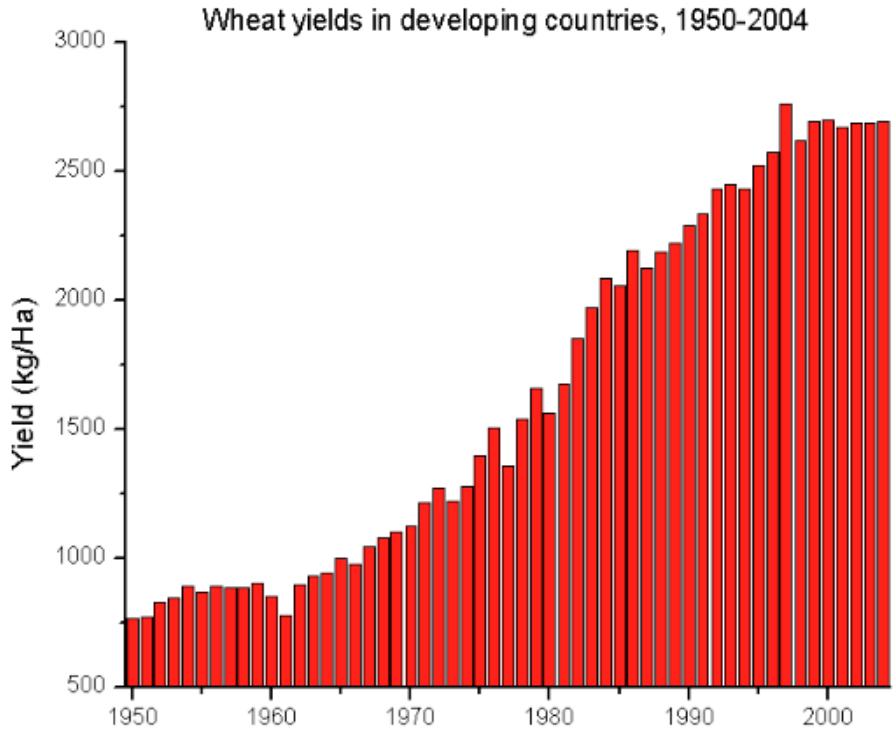
	Africa	Europe	India	China	South America	More Developed Regions
2010	1 022 234	738 199	1 224 614	1 341 335	392 555	1 235 900
2015	1 145 316	742 067	1 308 221	1 369 743	412 909	1 256 172
2020	1 278 199	744 177	1 386 909	1 387 792	431 471	1 273 439
2025	1 417 057	743 890	1 458 958	1 395 256	447 830	1 286 739
2030	1 562 047	741 233	1 523 482	1 393 076	461 496	1 296 089
2035	1 713 090	736 922	1 579 802	1 381 588	472 331	1 302 401
2040	1 869 561	731 826	1 627 029	1 360 906	480 325	1 306 885
2045	2 029 824	726 029	1 664 519	1 331 768	485 537	1 309 956
2050	2 191 599	719 257	1 692 008	1 295 604	488 073	1 311 731
2055	2 352 922	711 147	1 709 733	1 254 854	488 443	1 311 610
2060	2 512 188	702 347	1 717 969	1 211 538	486 781	1 310 345
2065	2 668 299	693 908	1 717 198	1 167 887	483 302	1 309 189
2070	2 820 005	686 745	1 708 200	1 125 903	478 231	1 309 184
2075	2 966 011	681 329	1 692 208	1 085 948	471 835	1 310 766
2080	3 105 039	677 700	1 670 462	1 048 132	464 529	1 313 988
2085	3 236 044	675 611	1 644 300	1 013 763	456 758	1 318 463
2090	3 358 296	674 657	1 614 974	984 547	448 808	1 323 738
2095	3 471 176	674 451	1 583 501	960 579	440 905	1 329 315
2100	3 574 141	674 796	1 550 899	941 042	433 359	1 334 786

Tab.3: Population growth distribution, Source UN, Dept. of Economic and Social Affairs

To satisfy such an increase in food demand, continues FAO in its report, we will need to increase agricultural production by 70% compared to the current level, furthermore in a more sustainable way than before. The risk we run by failing to achieve this goal is to have progressively widening areas and populations threatened by hunger and poverty. On this point, many economists insist on bringing to the fore some of the theories introduced by the economist T.R. Malthus in his essay on population[7]. According to those theories the society reaches a “point of break”, which is a temporary stop in economic development caused by the demographic growth which runs faster than the food availability. The current validity of these theories is even more enlightened if we look at how it seems to have halted the increase in yield due to the growth in food production technology. This fact has characterized the so-called "green revolution"occurring between the 1940s and the late 1970s, which saved over a billion people from starvation. To understand its importance it is sufficient to observe the

[7]T. R. Malthus, 1798.

evolution of crop yields in that period.



Graph 2: Wheat Yields In Developing Countries, Source FAO

So it is clear that if a constant increase in demand cannot be dealt with a commensurate increase in supply, prices can only increase. The most immediate consequence of the combination of these phenomena is the increase of hungry people, no longer able to afford access to food; and the consequent social riots, such as those occurring in Northern Africa[8] which is precisely one of those areas in which the population is dramatically increasing.

1.3 Climatic influence

A second cause in the rise of food prices is the climatic influence on agriculture. Climatic events deeply affect the course of the agricultural crop. In this late years the first wheat producing countries such as Argentina, United States, Australia and Russia were hit by a series of adverse weather events that have strongly affected the production: drought, floods and extremely high temperatures have messed up the

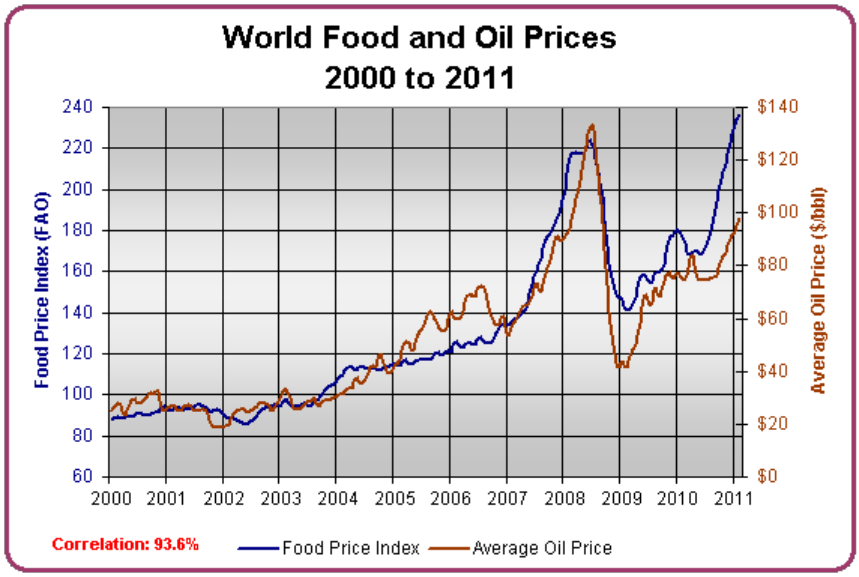
[8]D. Mackenzie, 2011.

balance of the global wheat market forcing in some cases to block exportations, in other cases as for China even to change from exporting country to an importing one[9]. A recent study carried out by two american authors[10] analyzes the effect of climate changes on agricultural production. According to the authors: "Models that link yields of the four largest commodity crops to weather indicate that global maize and wheat production declined by 3.8% and 5.5%, respectively, compared to a counter-factual without climate trends.". And more: "Global average temperatures have risen by roughly 0.13 ℃ since 1950, yet the impact this has had on agriculture is not well understood. An even faster pace of roughly 0.2 ℃ of global warming is expected over the next 2-3 decades, with substantially larger trends likely for cultivated land areas". Even in this case, the effects produced on a social scale are very dangerous. Just think of the Egyptian protests in 2011. Egypt is among the world's largest importers of wheat, and the global wheat market received a number of nasty shocks recently. The worst came that summer, when Russia was hit by an unprecedented drought and heat wave that destroyed 40 percent of its wheat harvest. Intimidated by the risk of not being able to satisfy its own needs anymore, Russia abruptly banned exports. And Egypt, which had just signed a big wheat deal with Russia, was left scrambling. That's what brought to a wave of protests and violence: a lot of people could not meet its food needs anymore.

1.4 The price of oil.

The third factor which undoubtedly has a strong influence on the trend of agricultural prices is the price of oil. To understand that just think of how the entire agricultural sector is dependent on oil all along the chain of production. From the energy requirements of the productive process to the costs of transport and the fertilizers and pesticides.

[9]In the first seven months of 2010, China imported about 38 million tons of cereals, an increase of 20% year over year. The only quantity of wheat imported in 2010 was 56 times higher than that of 2009.
[10]D. B. Lobell, W. Schlenker, J. Costa-Roberts, 2011.



Graph 3: World Food and Oil Prices, Sources US Energy Information Administration and FAO.

The great interdependence between the price of oil and food commodities is revealed by this graph showing the trend of farm prices of FAO and the average price of oil (in billions of U.S. dollars) between 2000 and 2011. As can be seen on the graph, the two curves have an absolutely similar trend, and the evidence of the strong dependence between these two indices is given by their correlation, measured at about 93.6%. So the bond oil-agriculture is much stronger than it looks and world's dependence on oil assume worrisome connotations in a world on the brink of crisis. One thing to consider carefully, in a world increasingly populated where a final energy crisis could mean life or death for billions of people.

1.5 Living Standards in Emerging Countries

A fourth factor is the increasing wealth in developing countries such as India and China. The economic development of these countries led them to higher levels of income, which means millions of people rich enough to afford meat and other foods. Meat production is increasing across those countries and is raising world grain prices[11]. As a matter of fact in China, corn imports have increased from 50,000 tons in 2008 to

[11]OECD-FAO, 2011.

1.57 million tons in 2010, and in the Chicago market, the futures prices of corn per 25 kilograms rose sharply from less than $4 in the first half of 2010 to about $8 in June, marking the highest price ever[12]. Even in a country with a strong vegetarian tradition such as India we are witnessing a change in diets with an increase in meat consumptions, also due to the improving hygienic conditions of the whole productive system. Since it takes about 4 kg of cereals to produce one kg of pork, and about two kg of cereals to make one kg of poultry meat, it's easy to imagine that such a dietary shift towards meat in countries with populations of over 1 billion people each has an enormous impact on commodity markets.

1.6 Financial Speculation

The financial speculation is another of those factors which led to the food crisis of 2008. It introduced a mechanism of prices fixation no longer only driven by supply and demand, but increasingly driven by the actions of financial speculators and the performance of their investments. This kind of speculation based on agricultural commodities was made possible by deregulation in the financial sector of the United States, starting with the Commodity Futures Modernization Act[13] (CFMA) in 2000. This act introduced some relevant modifications on futures trading so that this type of transactions on commodities is no longer subject to the shut control of the previous regulation. Basically the number of contracts that could be held at any one time has been removed. From that moment on, many of the major investment agencies such as Goldman Sachs, Morgan Stanley and Barclays have started the proliferation of collective investment schemes and index funds based on these commodities dramatically exposing agricultural prices to the risk of greater volatility. If up to that moment future contracts were created to help farmers deal with the uncertainty of growing crops[14], with that change such contracts can be bought and sold by bankers and traders who have no involvement at all in the actual food being traded, but instead they

[12] K. Yoshioka, 2011.
[13] http://en.wikipedia.org/wiki/Commodity_Futures_Modernization_Act_of_2000
[14] A futures contract enables farmers to sell their crops at a future date at a guaranteed price, which provides a degree of certainty to enable planning and ensure a regular income.

bet on food prices as a new way to make money.

In 2012 FoEE (Friends of the Earth Europe), the european branch of the international non-governmental organization FoEI (Friends of the Earth International), published a report[15] which analyses the activities of 29 European banks, pension funds and insurance companies, including Deutsche Bank, Barclays, RBS, Allianz, BNP Paribas, AXA, HSBC, Generali, Allianz, Unicredit and Credit Agricole. This report reveals the significant involvement of these financial institutions in food speculation, and the direct or indirect financing of land grabbing. The scenario that emerges from these pages shows an agricultural market strictly depending on finance and an increasing speculation over one of the most important human rights: the right to food. In order to arrest this dangerous process, the deregulation prompted by the recent financial crisis must be reversed and thus the size of speculation on agricultural commodities must be reduced.

1.7 The "new fuels".

Finally among the factors affecting the rise in agricultural prices we cannot disregard a phenomenon which strongly affects the agricultural market nowadays: the demand for bio-fuels. As a matter of fact, according to estimates provided by the World Bank[16], the production of biofuels would be responsible for 75% of the price rise that has led to the recent food crisis. The benefits of the biofuels were introduced as a response for the oil-importer countries to the excessive dependence on fossil fuels and as a partial solution to climate changes. This led to the promotion by the industrialized countries of the expansion of biofuel production on a global scale, putting into competition crops for food and crops for the production of biofuels.This has triggered a spiral of rising prices of agricultural grains such as soybeans and corn (crops used for biofuel production), and had a strong impact on access to land, water and income from

[15]The full report, 'Farming Money: How European banks and private finance profit from food speculation and land grabs', was published by Friends of the Earth Europe, in collaboration with BankTrack, WEED, CRBM, World Development Movement, Corporate Europe Observatory, CNCD - 11.11.11, SETEM and Les Amis de la Terre.

[16]WDR, 2008.

local communities. Leading the race for the production of biofuels, particularly ethanol, are two countries: the United States and Brazil. A key role in this regard is represented by the Energy Policy Act[17], a bill passed by the US Congress on July 29, 2005. This Act provided, among other things, that the amount of biofuel mixed with regular gasoline and traded in the United States was gradually increased to reach 7.5 billion gallons (about 230 billion liters) by 2012; and introduced a series of tax breaks for producers and traders of biofuels and biodiesel. This policy choice has led to a remarkable flowering of plants for the production of ethanol. It was followed in 2007 by another act of the Congress: the independency Energy and Security Act[18], which aimed the ambitious goal of raising domestic consumption of ethanol to 15 billion gallons by 2015. As a matter of fact, in the years between 2000 and 2007, ethanol production has tripled in the wake of the decisions taken by the U.S., leading manufacturer country, and facilitated by the worrying prospect of oil prices, which increasingly encourage alternative investment strategies. The development of the biofuels market, and particularly the growing demand for ethanol has inevitably poured new attention on Brazil, a country where more than 7 million acres are devoted to the production of sugar cane, used to produce this type of fuel. So the strong demand coming from Asian countries and the political objectives of the European Union to replace 10% of regular gasoline used for transport by renewable energy by 2020[19], has meant that traditional Brazilian sugar cane growers, but also international investors, have jumped overboard in this new source of income. The framework resulting from the coincidence of these elements is well represented by the FAO in its report: "The state of Food and Agriculture" in 2008[20], according to which if the demand for raw materials for biofuels grows, food prices will increase automatically. And even if biofuels were obtained only by inedible products (second-generation biofuels), the problem would not be solved, because the same land and resources are necessary to get food as to get fuel.

[17]http://en.wikipedia.org/wiki/Energy_Policy_Act_of_2005
[18]http://en.wikipedia.org/wiki/Energy_Independence_and_Security_Act_of_2007
[19]European Union climate and energy package:
http://en.wikipedia.org/wiki/European_Union_climate_and_energy_package
[20]FAO, 2008.

1.8 From the prices crises to a new investment opportunity

Once the different causes which generated the crisis in food prices have been understood and discussed, the consequences can be analyzed more closely. In particular we are interested here in highlighting the impact that this shock on prices has had on agriculture, especially on the land. As a matter of fact, the price crisis has created new economic opportunities for investors and speculators, causing a dramatic spike in investments in agriculture on a large scale, mostly by foreigners, in the South of the world in order to produce food and biofuels. Due to the inaccessibility to food, countries like Saudi Arabia, the UAE, Libya, Korea, India and China, which have a vast amount of resources but not enough space to ensure food security for its inhabitants, have begun to lease, or in some cases to buy agricultural land in developing countries, especially Africa and Asia. Likewise, the large agro-business multinationals have shown a sudden interest in hoarding of agricultural land in order to create huge plantations for the production of biofuels. And yet, a consistent number of financial firms are convinced that investment in land can guarantee secure gains and so they take part in this "race for green gold".

CHAPTER TWO:
LAND GRABBING

2.1 What does “Land Grabbing” mean?

Between October and November of 2008, appears on some of the most famous international newspapers[21], a news that for the first time sheds light on a phenomenon that goes on record as “neocolonialism”. The Korean company Daewoo signed an agreement with Madagascar's government of the former President Ravalomanana to secure the transfer of 1.3 million hectares of farmland for 99 years. More than half of the total area of arable land (2.5 million hectares). All for free. In exchange Daewoo is committed to take the Malagasy as farmers. According to Daewoo's manager it is a win-win solution: “ It is totally undeveloped and untouched land. We will create work by making it cultivable, and this is good for Madagascar”, but unfortunately the products of 1.3 million hectares of Madagascar will be sent to South Korea for its needs, and Madagascar is part of the World Food Programme from which receives food for 900,000 people who live on the edge of subsistence. Besides, the 1.3 million hectares are mostly forests, and will be destroyed with heavy effects on climate. Following the publication of this news, the local population has revolted and numerous riots have broken out, leading to the downfall of Ravalomanana's government and starting the establishment of Rajoelina, who as his first operation just canceled the deal with Daewoo, declearing[22]: “We are not against the idea of working with investors, but if we want to sell or rent our land, we must amend the constitution, must consult the public. For this, now the agreement is canceled”. This episode is just the tip of the iceberg compared to the amount of transactions occuring in a totally unregulated contest and without a fair compensation. The term "Land Grabbing" was coined by an international non-profit organization named Grain, which operates from the early 80s and that works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems. Just Grain, in November 2011, has

[21]S. Jung, C. Oliver, T. Burgis, 2009.
[22]T. Burgis, J. Blas, 2009.

published a document entitled "Land Grabbing and global food crisis[23]" that illustrates the phenomenon and how it is characterized. According to that document, the term "Land Grabbing" refers to the acquisition (lease, concession or outright purchase) by corporate states of large areas of farmland (>10,000 ha) in another country and on a long-term basis (generally 30-99 years), for the production of basic foods that will then be exported in domestic countries. The lead actors of these expropriations are the States, which often seek, support and facilitate deals in order to ensure food security to its citizens; the companies which are a mixture of agribusiness firms, industrial firms and most of all investment funds, and which undertake these project wether on their own or under podding from the State; and finally multilateral agencies represented by development banks, bilateral cooperation and international institutions involved in promoting those deals.

2.2 Driving Forces

The drivers of these large-scale land investments today are really differentiated and really complex, but there are certain emerging common factors which are worth noting.

2.2.1 Food

First of all the price volatility in the global food market has led certain countries affected by food insecurity to realize the instability of their own situation and to identify the risks they are exposed to. Some of them have turned to foreign direct investments in farmland in order to grantee adequate food supplies for their domestic population. This is particularly evident in relation to investments made by many of the Gulf States, characterized by scarce water and soil resources, and for this reason heavily dependent on international markets for their food supply. Other countries with similar food security concerns and fast-growing populations, such as China, South Korea and India are also seeking opportunities to produce their own food overseas. The need to satisfy the

[23]Grain, 2011.

domestic demand for food has become urgent need since the food crisis of 2007-2008, during which the value of staple foods like rice, wheat, corn and sugar has shot up dramatically. The deteriorating situation is evidenced by the numerous media reports at that time telling about hunger riots and outbreaks of revolts in several states of Northern Africa, Asia and Central America[24]. These riots had dangerous consequences on the international market too, where many countries have had to block exports of food resources, exposing even more importing countries in the grip of hunger. The most striking case is that of rice exporting countries[25]. To avert the risk of such internal revolts, many governments have had to draw up plans to build up enough provisions to feed their population through imports. It is the case of the Gulf Arab countries, characterized by huge amounts of liquidity but also by a strong dependance on food imports, especially rice. And since it is really difficult to increase rice production in such dry lands, they have decided to produce elsewhere the food they needed. It is so that in January 2009, the King Abdullah Initiative for Saudi Agriculture Investments Abroad (KAISAIA) is founded. This organization has the task of stimulating the Saudi investors who are interested in exploring foreign markets and by doing so, to maintain the food security for Saudi Arabia. Through funds provided by this organization, saudi investors analyzed several countries that could meet certain criteria: the presence of encouraging government incentives and administrative regulations, the possibility of obtaining property or availability of long-term soil and the possibility to export crops in the kingdom of Saudi Arabia, and finally the possibility to choose the type of product to cultivate. Thanks to this ambitious project, the Saudi kingdom since 2009 has negotiated several agreements with countries like Ukraine, Turkey, Kazakhstan, Egypt, Sudan, Ethiopia, the Philippines, Vietnam, Argentina and Australia for several hundreds of thousands of hectares in order to increase its production[26]. The same problem also afflicts the Republic of China that covers as much as 20% of the world population but has only between 7% and 9% of arable land[27]. China is also plagued by several

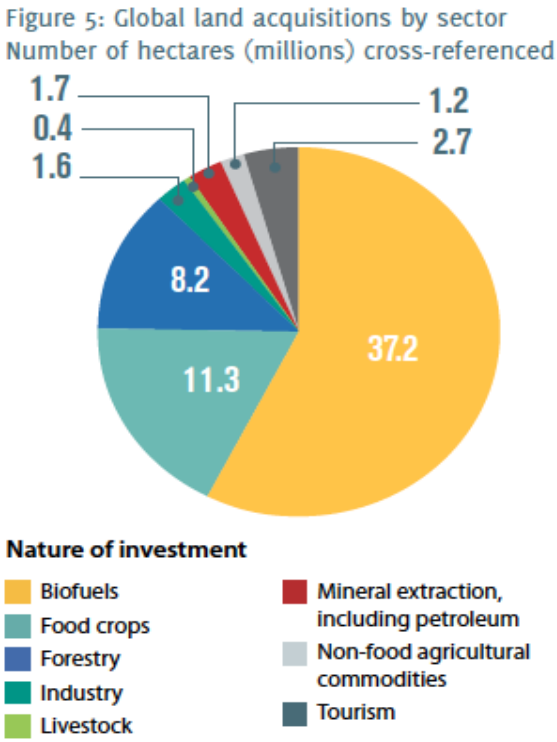
[24]J. Farchy and G. Meyer, 2012. Further articles regarding food riots can be found at: http://www.energybulletin.net/stories/2011-01-11/food-riots-jan-11.
[25]For more info on rice's market see: D. Montero, 2008.
[26]For detailed information on the negotiations of land, see the table provided by Grain: Grain, Land Grab Deals, January 2012. Available at: http://www.grain.org/article/entries/4479-grain-releases-data-set-with-over-400-global-land-grabs
[27]F.Roiatti, 2010, p.37.

problems that have a considerable impact on agriculture: a relentless urbanization, a persistent drought and a remarkable soil pollution, which makes it virtually impossible the development of the primary sector. Even for China, which possesses large amounts of money and lots of manpower export, the only solution seems to be to outsource the production abroad.

2.2.2 Biofuels

The second driving-force which lead the rush for the land is the increasing demand for biofuels. As a matter of fact this new type of resource has led some investors to target large amounts of land, especially in developing countries for biofuel production. The increased demand is largely a result of ambitious targets that certain oil-dependent countries have established for biofuel production and for increasing the proportion of biofuels used in land transport[28]. According to a report[29] by the International Land Coalition, biofuels is the main driving force in this rush, with over 37% of acquistions.

[28]See ¶1.7.
[29]Anseeuw, W., L. Alden Wily, L. Cotula, and M. Taylor, 2012.



Graph 4: Global land acquisitions by sector, Source ILC

As previously discussed, the demand for biofuels is driven by increasing fuel consumption and oil prices and by the pressing concerns about reversing the trend of the oil-dependent economies so that to reduce greenhouse gases emissions linked to fossil fuels. As a response to that the UE has introduced new goals to be reached within 2020. requiring that 10% of fuels used for transport are made of renewable resources[30]. That's the reason why European producers have started a series of new investments both within and outside Europe. Among the resources used to produce biofuels, palm oil is the one that has the largest yield per hectare, and since palm oil can't be produced in Europe, that's how its imports have increased from 28 to 32% since 2004. The palm oil is produced in Malaysia or Indonesia instead, and to meet the growing demand they must consume their peatland forests, which are not only an important green lung for the planet, but through the burning of peat, large quantities of carbon dioxide are released in the atmosphere, thus obtaining the exact opposite result compared to that for which

[30]Directive 2009/28/EC of the European Parliament and of The Council, April 23, 2009, on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

this type of fuels should be produced. The most affected country by this new phenomenon is obviously Africa, where land is really cheap, where it is easy to rip agreements with the local governments and where a special type of plant very profitable for this type of production can be cultivated: Jatropha, a non-edible plant whose oil-rich seeds can be processed into biodiesel. The most striking case for the purposes of our study is that of Tanzania, in recent years a primary destination for investors interested in producing crops for biofuels. The reasons for this interest are multiple: political stability, the presence of secure port facilities in Dar es Salaam, the ideal weather conditions and abundant cheap labor. In addition, local law requires the absence of duties on imports of machinery and a tax exemption period of five years[31]. Here, the British firm Sun Biofuels has purchased in 2008, about 8000 hectares of land in the district of Kisarawe[32] with the promise of financial compensation, 700 jobs, water wells, improved schools, health clinics and roads. But the company has gone bust, leaving villagers not just jobless but landless as well, since according to tanzanian law the land cannot be readdressed to the village.

2.2.3 Carbon Credit

Another driver which is strongly related with land investments is the expectation of subsidies for carbon sequestration through plantation and the avoidance of deforestation[33]. This trade in carbon credits introduced by Kyoto Protocol's mandatory reduction schemes and based on the voluntary market is recently proving to be a new and important source of revenue for many large-scale land investors. Lastly, many Western investors, including Wall Street banks and other financial institutions, have begun to view direct investments in land as a safe investment in a highly unstable financial panorama thanks to the recent crisis. Historically, investors have not viewed

[31]S. Liberti, 2011.
[32]D. Carrington, 2011
[33]This is a consequence of the "Clean Development Mechanism" (CDM), defined in Article 12 of the Kyoto Protocol. This mechanism allows a country with an emission-reduction or emission-limitation commitment under the protocol (Annex B Party) to implement an emission-reduction project in a developing country. Such projects gives right to salable certified emission reduction credits (CDR), each equivalent to one tonne of CO_2, which can be counted towards meeting the Kyoto targets. For more see: United Nations, Framework Convention On Climate Change. Available at http://unfccc.int/kyoto_protocol/mechanisms/clean_development_mechanism/items/2718.php

land as a particularly attractive or rentable investment, as it presents a number of unpredictable risks related to its access, its security, its use, and the consistency of its production. However, with the increasing demand for agricultural land and recent shocks in financial markets, land investments have become more attractive to private-sector financiers as a "hedge against inflation" and a way to diversify their portfolios. Besides this scheme of the United Nations, there is also another programme; it's the so called "Reducing Emissions from Deforestation and Forest Degradation (REDD)[34]", which is an agreement of cooperation between some of the world's leading agencies such as FAO, United Nations Environmental Programme (UNEP) and United Nations Development Programme (UNDP), and whose goal is to ensure that countries are funded to maintain rainforest intact. Through these programs, countries and major investors are enticed to buy up large chunks of land to be turned into vast monoculture plantations, and thereby to obtain the right to claim carbon credits and so to avoid the cuts on carbon emissions in their domestic countries. It is what happened in Uganda[35], where in Kalangala District over 30, 000 ha of public forest land has been grabbed for oil palm plantations by BIDCO (U) LtD – which is a edible oil and hygene production company, very active in Africa - with government, IFAD and World Bank Support. The firm is also trading 100,000 ha for oil palm, which is a grass but is promoted as a tree. Tree Farms and Norwegian Afforestation Group, through Busoga Forestry Co LtD, have grabbed 80,000 - 100,000 ha of Bukaleeba Forest and replaced it with monocultures of pine and eucalyptus, displacing 8000 people in 13 villages. FACE, in partnership with Uganda Wildlife Authority (UWA), planted 25,000 hectares of trees inside Mount Elgon National Park. In exchange for financing the planting of the trees, FACE received the rights to the carbon sequestered by those trees – estimated at 2.11 tons of CO2 over 100 years. In Kiboga District Luwunga Forest Reserve was leased to New Forests Company in 2008 and 20,000 hectares of forestland. 20,000 people were evicted from the forest to an uncertain future. It seems clear that while there may be a huge gain for the companies, the price to pay for the population in many of these situations is very high. Human rights violations, evictions, climate changes, green

[34]For more information see:
http://www.un-redd.org/AboutUNREDDProgramme/tabid/583/Default.aspx
[35]O. Afunaduula, 2011.

deserts, land grab corruption, food, water, energy and environmental insecurity are some of the consequences that burdens on local populations involved.

2.3 Not only Land

A recent stream of studies has shown that in some cases the land grab is a way to get to gain control of water resources[36] which are increasingly scarce and therefore profitable, so that to be considered an object of grabbing itself. Not only for agricultural purposes, but also for other activities such as mining or hydropower development. According to these premises we can define water grabbing as the situation in which powerful subjects are able to take control of water resources or watershelds for their own benefits, depriving local communities whose livelihoods often depend on these resources or ecosystems. The causes of this phenomenon are strictly connected to that originating land grabbing: investors are acquiring or leasing huge tracts of land with negative socio-economic and environmental consequences. Assuming that land control inevitably brings to the control of the connected water resources, therefore, from this point of view we can affirm that, in most cases, there can be no land grabbing without water grabbing. This aspect is underlined by the general pattern of land deals. As a matter of fact investors do not seek portions of land which do not have water for production in the first place. But even if water grabbing is strictly connected to land grabbing, we must enlighten the fact that water resources have their particular characteristics that have a marked influence on these dynamics. The most remarkable is that water is a fluid, and so it does not stay in one given place, it fluctuates in time and space, and this is a crucial aspect when assessing water distribution and allocation. Given its complex nature- characterized by water and groundwater and high variability- it is often hard to ascertain how reallocation takes place and what are the associated impacts on the environment and on the society. As it is for land deals, obviously Africa is the most affected region by this reallocation of water rights[37]. Historically the irrigation schemes across the country have always been controlled and managed by the local governments, but the arrive of foreign investors has changed this usual dynamics

[36]L. Mehta, G.J. Veldwisch and J. Franco, 2012.
[37]J. Skinner, L. Cotula, 2011.

because water has become a commercial asset: so it is not only a matter of assessing a little formality payment for the usage of water, but it is a matter of a whole package of investments in infrastructures. Besides, it is logistically much easier to allocate rights to a single investor for a hundred thousand hectares in a single block than it is to allocate water rights to a hundred thousand small-scale farmers each occupying one hectare. And finally, the irrigation systems managed by the states tend to be very inefficient. These factors mixed together are driving the water grabbing in these areas. If the impacts of land deals are affecting only the existing users of that land; allocating water, on the other hand, affects a much broader range of users. Usually, through the re-allocation of water for irrigation, the decision makers do not consider how water rights can be given for any other use, such as riverside gardening or dry season grazing, or for riverine fisheries, all activities on which thousands of Africans depend. This new and complex interaction between traditional users and new investors introduces a number of issues, by so far largely ignored, but that must be analyzed an considered on the international political panorama, in order to protect even those who are before anyone else those entitled to the benefits of those water rights.

2.4 Land Deals

After presenting the driving factors of this race to hoard agricultural land, we must now analyze in detail how these negotiations are perpetrated. We will try to present which are the subjects involved, what are the areas of the world most affected by this phenomenon and how these negotiations are handled by the agents. A dutiful premise is to highlight how, in practice, most of these deals are carried out in the dark and without a clear publication of the terms and negotiations. Much of the data that we report regard only the negotiations actually documented and as you can imagine, the phenomenon is actually much broader than is actually documented.

2.4.1 Involved Subjects

In their basic form, the commercial transactions on land involve at least two

contractors. The buyer is usually an individual or a "joint equity company ", but can also be a foreign government to buy land directly, as in the Special Agricultural Investment Agreement of 2002 between Syria and Sudan[38]. In these negotiations there is a supplier of land, a government, or in some rare cases an owner of private land. This apparent simplicity hides a rather remarkable degree of complexity. Each operation may consist of several commercial contracts and legal instruments from a framework agreement, which defines the main characteristics of the entire operation and whereby the host government is committed to make the land available to the investor.

2.4.2 Investors

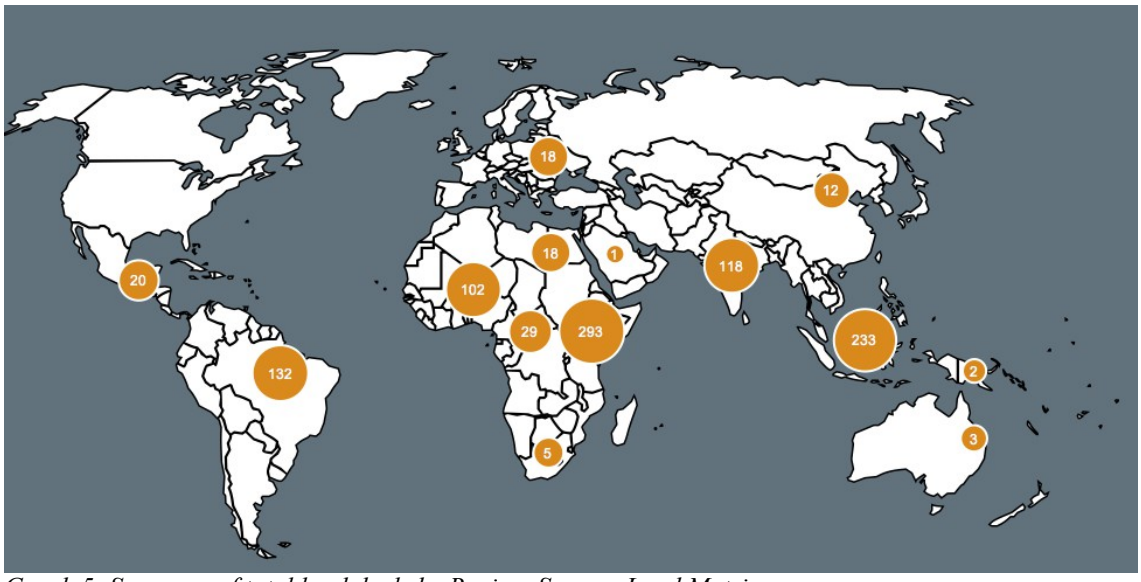
It can be useful to provide a first geographical representation of which countries are perpetrating these investments. In detail, we can identify three main groups of countries: emerging countries such as Brazil, South Africa, China, India, Malaysia and Korea; Gulf States; and countries in the "Global North" such as European Countries and USA. The relevant data is that the investing countries have an average GDP per capita which is four times higher than the target countries. However, as regards the type of the investors, we can identify three broad groups of actors with different purposes. The first group consists of governments of those countries which are interested in initiating investments in order to avoid their concerns about their inability to provide food from domestic resources. This group especially manifested in the wake of the food crises between 2007 and 2008. The second group of relevant actors in this bargains are the financial entities, which in the current state of the economy, find particularly interesting land-based investments. First of all land price is expected to rise as its availability is decreasing year after year, giving the projection of secure returns in the far future; than it can be used as a quite safe inflation hedge as it represents a low-risk option for money and it is not subject to the volatility of the stock market; but the third aspect is the most surprising: a recent study[39] carried on by GRAIN association has revealed that

[38]For more information see the unofficial translation of the *Special Agricultural Consultancy between the Government of the Syrian Arab Republic and the Government of the Republic of Sudan*, available at: http://farmlandgrab.org/wp-content/uploads/2009/06/syria-sudan-mou-2002-e.pdf
[39]Grain, 2011.

some of the biggest investors in farmland in developing countries are European and US pension funds. The third group of agents involved in these operations is represented by traditional agriculture or agro-industrial operators or traders who may be interested in expand their scale of operations or integrate forward or backward and acquire new land.

2.4.3 Targeted Countries

From the supply side - if so can we call it - of land, the current picture is shocking. To get an idea of how the phenomenon is extended, it can be useful to observe this map taken from the Land-Matrix[40] portal, which is a website an online public database of large-scale land deals. It provides a visualization of records documenting land deals since 2000. According to this database, since year 2000, 986 deals were accomplished (and these are only the documented ones) amounting to 57,341,608 *ha* of land which equals the size of half of Western Europe. The 41% of the land acquired pertains to Africa.



Graph 5: Summary of total land deals by Region. Source: Land Matrix

Even if it is really difficult to have a precise picture of the true scale of this phenomenon because of the lack of transparency that surrounds most of the deals, we can try to give a perception of what is going on. According to the data available on the Land Portal, there

[40]http://landportal.info/landmatrix

is a huge number of countries - more than 80 – which are targeted by those deals, but the relevant data is that the 70% of the deals is concentrated in just 11 of them. Obviously the most affected region is Africa, with more than 754 deals, covering 56.2 ha of land, which is nearly the 4% of the entire Africa's surface, a portion of land which is comparable to the whole state of Kenya. Regarding the socio-economic profile of countries involved, revealed by the data is the fact that investors have a tendency to choose those countries that have the highest poverty rate, which possess an economy poorly integrated with the rest of the world - especially regarding trade in food - which have a high incidence of hunger and that have a weak institutional structure to protect the land. As regards the criteria according to which the portions of land has been chosen by investors, we can enlighten a trend to sign deals that involve forested areas - about 24% of the total - and areas where the possibility of greater yields, or else those areas where there is availability of additional resources such as water, fertilizers, infrastructure, know-how.

2.5 How Deals are signed.

As we were saying previously, the acquisitions of land are usually carried out by the governments or by private investors through negotiations with the governments of the host countries. Generally governments of receiving countries create agencies[41] with the specific task of attracting investments and assisting foreign subjects in the processes of negotiation and implementation. There are different types of agencies whose task is not only promote the countries and attract investors, but also to plan and manage the lands of the state property. Even local governments may be involved in the acquisition of land, and given the high number of participants in the negotiations, the agreements can be long and unclear. Despite being the most directly touched, the local populations are the least involved in the process of trading. Because their interests are not treated by anyone, it is possible that they oppose themselves openly to investors and that the failure of the negotiations lead to disputes and even conflicts. To face this imbalance of power between populations, central government and investors, civil society

[41]Oxfam, 2011.

organizations aligned with the local communities to assist them in their dispute over the land. Given the fact that negotiations are not usually carried out openly, it is not easy to access to these agreements, even with a specific request. This lack of transparency is the main reason of the lack of reliable data, and increases the risks of corruption. The Global Corruption Barometer[42] created by the coalition *Transparency International* has reported that 15% of people who undertake negotiations with the land administration services have paid bribes. The primary form through which these purchases are carried out are the Foreign Direct Investment (FDI). Unlike any other form of investment, FDI shows the willingness of the investor to obtain a long-term control of a specific asset abroad. So the control is what characterizes and makes the FDI different from the investment portfolio or any other type of investment. The FDI represents an important source of external financing in developing countries as well as a useful source of access and integration into the global market. Africa has been left out of the streams of investment for long and for various reasons, due to the small size of its markets, poor infrastructure, weak regulatory schemes, debt problems and, in some cases, political instability[43]. However, during the last decade, FDI to Africa grew rapidly and a part of this growth could be attributed to land acquisitions by foreign investors, private companies or state governments. The modality of access to land may be different from state to state, for there are many forms of ownership. The factors which determine the forms of ownership in the various national legal systems are different: history, politics, religion, economic development are just some of the features affecting the modality of access to land and the meaning that the land plays in the uses and customs of the countries subject to takeovers. For example, many countries victims of colonization combine written laws with customary laws and traditional practices that rule daily life and the local management of land in rural areas. This gap between written and factual law creates a legal vacuum whereby the most powerful actors are able to assert their interests and their land claims against the rights of the inhabitants[44]. The occupants of the nearly totality of traditional lands subject to acquisition does not have formal written

[42]For more information on the Global Corruption Barometer see the report by Transparency International, the global coalition against corruption, available at:
http://archive.transparency.org/policy_research/surveys_indices/gcb/2010_11
[43]United Nations, 2007.
[44]HLPE, 2011.

documents that allow them to enforce their rights against the new pretenders. Given that the domestic law of many countries would not permit foreign investors to own land, they are able to access not only turning to their governments and agencies, but also establishing partnerships with local companies and wealthy individuals. Given the impossibility of being able to own land, it is transferred through leases or short term, which vary in duration. There are contracts ranging from a duration of 10 to a maximum of 99 years[45]. Although not formally a property, it is certainly a means of control of the land which can be very powerful. The use of FDI, which as we saw earlier is the will of the investor to control a specific resource, combined with the lease for a term of 99 years, reveal a dangerous trend. The fact that a government or a foreign company have the capability to control and decide on the use of portions of the African territories for almost a century, immediately calls to mind a model already known in colonial times. Although in the past colonized territories were defined as such because they were unable to control and decide their domestic policy, foreign and economic, it seems necessary to point out that if a formally sovereign state loses the ability to decide how to use his land (even if by the express will of its leaders), it is in danger of losing its independence. As the economy in modern times is the most influential pillar of the global system, these risks and consequences in the processes of decision making in host countries must be carefully considered . A foreign government with food security issues at the basis of its national interests, will think about feeding his people or will also take care of the local population? Will foreign companies and firms - which are by their nature oriented to the pursuit of profit - produce using sustainability criteria or through intensive techniques to increase production and obtain more yields and profits? How will the African soil become after 99 years of intensive cultivation? Such intensive cultivation will probably contribute to an impoverishment of the soil and, therefore, also to the phenomenon of desertification. All these questions raise just some of the actual risks for survival and food security for populations affected by this phenomenon.

[45]S. Liberti, 2011.

CHAPTER THREE:
IMPACTS

After a detailed analysis of what revolves around the Land Grabbing phenomenon: its causes, the involved subjects and how deals are articulated, it is useful to quickly analyze the impacts it produces. The hoarding and the expropriation of agricultural land has in fact not only economic benefits for the investors, but also negative effects on rural communities from an environmental, economic and social point of view, and this matter deserves to be better considered by policy makers

3.1 Gains for investors or local owners?

As repeatedly shown in previous chapters, the phenomenon of land deals is involving a variety of agents ranging from sovereign wealth funds and transnational corporations through large national companies up to small-medium size local firms. However, the term "investor" is misused in many cases, because some of these actors do not pay for the rights they acquire, nor invest funds in any productive enterprise. In some cases, such as agricultural projects implying the establishment of large plantations of untested crops, or projects carried out by companies which do not have the right experience or background in tropical agriculture, there can be some high risks[46]. These kind of deals are usually accompanied by great expectations of easy returns, but the chances of success of these projects in such difficult areas and environments are mostly overestimated. For these reasons these challenges may in some cases lead to unexpected delays or lower incomes: for example the abandoned projects of biofuels productions in Mozambique and Tanzania because of the changes in global economic circumstances, including oil prices and difficulties in accessing finance due to the global financial crisis[47]. However the acquisitions of land may represent a safe way to capture economic rents associated with imperfect markets or with control over natural resources, and they represent also great means to generate incomes from a productive activity. In some other cases, rising land prices have allowed financial speculators to earn profits from capital

[46] Anseeuw, W., L. Alden Wily, L. Cotula, and M. Taylor, 2012.
[47] L. Cotula, 2012.

appreciation. In summary, actual and expected rises in commodity prices across the world are pushing up the value of land. This is expected to trigger significant natural resource rents, especially in that areas where land prices are currently lower than elsewhere. The evidence that gains may be significantly determined by the capital appreciation of land and the use of market power suggest that those who will gain the most in the long term will be the ones able to maintain lawful possession of the land. In this way, local land owners will surely encounter losses if they lose their property, even if they gain something else such as employment or job offers. The series of gains arising from the acquisition of land raises an important moral question about which subjects should actually take advantage from these profits.

3.2 What do Governments gain?

According to common sense and usual political administration, rents deriving from a natural resource should be subject to taxation in order to prevent unproductive speculation over it and to strengthen incentives for productive activities. This is what should happen also with fees applied to land acquisitions for the use of public lands. Nevertheless there is evidence that many governments have been prepared to allocate land for little or no rent, as part of efforts to attract capital that they think to be necessary in order to create new job offers and to develop infrastructures. In most cases, lease fees over land deals are avoidable, and the acquirer offers instead to develop infrastructures such as irrigation systems, roads and social facilities for local communities[48]. But this practice exposes host countries to some risks. As a matter of fact, such commitments are in most cases too specific to be legally enforceable, and monitoring and sanctioning compliance may imply high costs for host countries. So low or absent fees on land deals may create incentives for speculative acquisitions.

[48]L. Cotula, 2011.

3.3 Access to land

There is a widespread belief that much of the land on the planet is unused, available, untouched. But this is not entirely accurate. Virtually all the available land is used in some way or at least claimed by rural communities. The land that is at first the object of the deals is in most cases not always cultivated, but is made up of forests, grasslands, swamps held unused as common goods by local populations. Often these lands also have a collective value in the tradition and sense of belonging. Every subject and every household linked to land has a gain that is derived from it: the richer ones earn profits from its use, while the poorest with small farms deduct from it the essential for their survival. Although in most cases the local governments prefer not to grant any legal recognition or protection to property rights of customary nature, they may prefer not to assign permanent farmland and residential land to investors and speculators, thus reducing conflicts and any compensation or relocation costs resulting from loss of crops or houses that may occur regardless the land's ownership status[49]. However it is unlikely that the land reallocated is also the least used. Even if many investors say they are only interested in marginal lands, the evidence shows that buyers are more interested in lands that are located in fertile areas, well-irrigated or with abundant rain, easily accessible by roads or railroads, with electricity transmission, markets, houses – which means employment- and export centers in the nearby. But all these features are typical of areas that may already be used intensively by local people, and not only for agriculture. The loss of access to all these lands and the services connected to them has severe negative impacts on rural communities, in some cases severe enough to impair their survival. The International Land Coalition (ILC) has provided a huge number of cases[50] where local rural communities have been dispossessed of land and its resources. It is important to notice that the dispossession does not always coincide with physical eviction. The local landowners in some cases may continue to live on such lands until further developments, which in most cases occur very slowly. Often the rural communities can keep their homes and permanent agricultural land, but they lose their common heritage, or may even lose some of their landholdings, mashed up to become residuals.

[49] L. Alden Wily, 2011.
[50] Anseeuw, W., L. Alden Wily, L. Cotula, and M. Taylor, 2012.

3.4 Access to water

Access to water is one of the key factors related to the purchase of land portions worldwide. Water is an increasingly scarce resource and this has inevitable impacts on the agricultural sector. The immediate consequence is a new global rush to the acquisition of water resources and water rights. This is particularly true for the Gulf States where water resources are increasingly low and have led to acquire agricultural lands overseas. This is the reason why Saudi-Arabia abandoned its food self-sufficiency in 2007 and will entirely phase out wheat production within 2016[51].

3.5 Compensatory mechanism

The compensatory mechanism usually refers to the payment systems dished out following the loss of land, houses and other property. In a broader sense it can also be considered to include incomes in the negotiated transfer of land, and a series of infrastructures, services, and other in-kind contributions of land that buyers can promise or deliver to the local community as part of the transaction . There are many cases in which there is no compensation paid to individuals, families and communities whose land is purchased. The reason is that usually the ownership of customary land occupants is not legally recognized[52]. Where compensation is dispensed, the amounts are not entirely adequate to replenish the local livelihoods. In Africa for example, when the unregistered farms and houses are lost, national laws generally require payment for the loss of crops and houses, but this is not sufficient to cover the cost of real losses and does not include the loss of value of the land. Moreover, most African constitutions and land laws still allow occupants to be evicted before they received the payment[53], which means that those affected can also wait decades before receiving the reward, which is often inadequate.

[51]L. Cotula, 2011.
[52]L. Alden Wily, 2011.
[53]L. Alden Wily, 2011.

3.6 Opportunities for local producers rather than new jobs

Normally we think that large-scale agricultural schemes are liable to create new jobs in agriculture and in the productive system, whether directly or across the supply chain. However, empirical studies show that this increase is not necessarily called for concrete. Partly because these schemes are often capital intensive, and partly because local communities are not very well integrated with them. Furthermore, working conditions and wages are perceived to be particularly scarce. It is so that the benefits in terms of jobs for the local population are likely to be limited since companies can hire imported qualified labour, so that locals can only get precarious, seasonal, or low paid jobs. Rather, a real opportunity through which local communities can reap real benefits from the large scale acquisitions of land is represented by the association of small business owners and local businesses. Sharecropping, outgrower or contract farming schemes are just some examples of possible forms of cooperation, and this happened in Rwanda for the production of sugar cane[54]. However as it is for rents or wages, benefits for the local communities depend on the terms established during the negotiation, and thus the bargaining power of stakeholders, which in turn depends on the degree of control over resources and supply chains.

3.7 Environmental Impacts

In literature there are also some references to the environmental consequences of land deals, and these are often related to adverse effects resulting from a change in farming systems, as well as negative environmental consequences resulting from the settlement and cultivation of forests and other non-agricultural habitats. A transformation from an agricultural system based on small plots and low-intensity farming to a large-scale, intensive and industrialized one, may involve a number of environmental consequences. These include: land degradation, water pollution, excessive use of fresh water, high dependence on fossil fuels to operate machinery, use of fertilizers, pesticides, storage and exploitation of means of transport[55]. The land

[54]M. Veldman, M. Lankhorst, 2011.
[55]For further readings on environmental impacts of land grabbing see the article by Slow Food

acquisitions may also indirectly lead to negative environmental impacts elsewhere, particularly if with the land transfer also occurs a reallocation of water rights. Meanwhile, the conversion of forests and uncultivated land is associated with the loss of biodiversity, land degradation, loss of ecosystem services such as maintenance of soil and water quality, carbon sequestration and deforestation.

Organisation, available at: http://www.slowfood.com/international/137/impacts?-session=query_session:42F948B60f23c23A0Ayo29960985

CHAPTER FOUR:
MINIMUM CRITERIA

At this point of our study, the intent is to provide a useful instrument for those approaching this subject, which can help to verify in some way the sustainability of these land-deals. Starting from the positions of the main institutions involved and the non-governmental organizations that are fighting to stop the wild and unbalanced hoarding of lands, we will try to make a list of "minimum" criteria that should be respected in order to ensure that these deals are beneficial for those who decide to invest, but also that they are not disadvantageous to the local communities, and to help providing them a real opportunity of growth rather than a forced expropriation of lands to which they are bound by natural law, by tradition or by culture.

4.1 Responsible Investments in Agriculture.

The theme of responsible investment in agriculture has been set for the first time at international level by Japan during the G8 in L'Aquila in 2009[56]. The debate, introduced during that forum, took shape in the drafting of an official document published by FAO, the International Fund for Agricultural Development (IFAD), the Conference on Trade and Development (UNCTAD) and the World Bank on January 25th 2010 entitled: "Principles for Responsible Agricultural Investment That Respects Rights, Livelihoods and Resource"[57]. Within this document it is recognized that any type of investment - both public and private - in particular those taking place in low-income and rural areas, is certainly capable of promoting growth and reducing poverty. However - we can read in the document - even if such investments seem to make concrete promises of increasing welfare and productivity, it is important to ensure that they respect the rights of existing users of land, water and other resources involved, that they possibly improve their living conditions and that do not bring any harm to the environment. The document thus contains the next planned steps, pointing to the creation of a tool to delineate "good practice" by establishing guidelines, a framework

[56]P.De Castro, 2009.
[57]FAO, IFAD, UNCTAD, World Bank Group, 2010.

program, governance instruments to be used, and illustrates what are the codes of conduct to be followed by the major groups of private actors. This code of conduct is divided into seven articles that must be voluntarily subscribed by investors during the negotiation phase.

4.1.1 Respecting Land Resource Rights.

This standard requires compliance with any existing subject that is configured as a user of the land or having rights over it, no matter what the origin of his right: whether customary or statutory, primary or secondary, formal or informal, is it a single subject or part of a community. For this to happen it is necessary to address 4 key questions:

i) to identify all the rights-holders involved in the operation.
ii) to provide appropriate legal recognition to all rights and uses, together with options for their demarcation and registration.
iii) to start a negotiation with landowners or users, based on informed and free choice, in order to identify the types of rights that must be transferred and how to do it.
iv) to introduce a fair and timely payment system for all the rights negotiated and create independent avenues to resolve disputes or complaints.

Many investors usually call "marginal" or "empty" those areas where large scale investments are mainly realized[58]. Though it is important to highlight that today are actually very few areas defined as "unused" or "pristine", and in most cases these lands are subject to ancient rights of use, access and management based on custom. Not recognizing these rights would be a deprivation for the local communities of the basic resources on which their wealth is based and the means of subsistence on which they depend.

[58]The Gaia Foundation, Biofuelwatch, the African Biodiversity Network, Salva La Selva, Watch Indonesia and EcoNexus, 2008.

4.1.2 Ensuring Food Security.

The second principle states that where there are potential implications with regard to any aspect of food security, be it the access to food or its availability, policy makers have an obligation to take measures to protect local communities or those directly involved in order to preserve their food rights. In other words, they should take action by:

i) ensuring the local population an equivalent access to food resources.
ii) developing the involvement of outgrower and off-farm employment so to protect and expand livelihoods and to raise incomes.
iii) taking into account that the dietary preferences may change with the mix of products grown.
iv) adopting strategies to avoid instability of supply.

4.1.3 Ensuring Transparency, Good Governance and a proper Enabling Environment.

What brings these areas at the outbreak of conflicts and riots, is in most cases the lack of transparency characterizing the negotiations[59] and preventing all the agents involved from the possibility to resolve beforehand all the differences that there may be. Greater transparency would on the other hand reduce the transaction costs for all the parties involved, thus creating a real advantage both for the host countries and the investors, creating a competitive system which is much more efficient. Furthermore, very clear regulations are needed, governing the incentives to invest and establishing how these incentives are applied, making it even more likely to attract new investors. By doing so, host countries can take concrete contributions to the development in the long term. In order to create this desirable scenario it is necessary that policies, laws and regulations that now affect the mechanism of the investment is compared and aligned with internationally accepted best practices, and it is also necessary that the institutions responsible for their implementation are strengthened. The steps to be taken to promote

[59]Lok Niti, 2012.

the reaching of this goal may be:

i) ensure that all relevant information are made available to the public. Including the potential of the land, its availability, the fundamental elements of any future investment, tax revenues and resource flows.
ii) assist those institutions that manage the selection of investments, the transfers of land and the incentives to follow the principles of good governance to develop their ability to operate efficiently and transparently, and ensure that they are regularly inspected.
iii) ensure that an independent system to monitor any kind of progress towards a better climate for investment is put in place.

4.1.4 Consultation and Participation.

The fourth principle requires that the investments are designed in a participatory manner, in agreement with the local population and in harmony with their idea of development, and that their sustainability is measured by its ability to integrate the allocation of natural resources to major projects with the provision of complementary public goods by the investors[60]. Even in those countries that already require a local consultation as a prerequisite for the approval of the projects, the impact of these requirements is often limited by a lack of transparency on the process, on the nature and the recording of results, and on the ways to respect the agreements reached during the consultations. To make these consultation processes more effective it is necessary that:

i) the definition and procedural requirements in terms of who represents the landowners and what is a quorum for local participation are clarified.
ii) the contents of the agreements reached during the consultation phase are publicly documented and signed by all parties.
iii) sanctions and methods for applying them in case of non compliance are specified .

The incentives to adopt such processes can be greatly enhanced if the taxes that

[60]Future Agricultures, 2011.

investors must pay are clearly specified and independently monitored.

4.1.5 Responsible Agro-Enterprise Investing.

As principal agents in this type of operations, investors have the particular responsibility to apply high standards in the design and implementation of their projects. Economic sustainability, which in turn is based on technical feasibility, is a prerequisite for the generation of benefits that can then be distributed among the shareholders and stakeholders involved. Accurately assess the profitability, is in the interest of all parties, not only of the private investors. Government agencies also have an obligation to carry out a feasibility study both if the resources involved are publicly or privately owned, and if tax exemptions or other public goods such as infrastructures are offered as incentives. By doing so they will ensure that all parties involved will take benefits: host countries, affected communities and local stakeholders. Where there are state agencies, provincial or municipal that are not able to carry out major projects planned within their jurisdiction, they must be helped by institutional structures of higher grade: regional or national. The investors involved, in addition to conducting adequate analysis and to respect the rules should:

i) comply with all laws, regulations and policies applicable in the host country and possibly with all treaties and international conventions.
ii) implement global best practices of transparency, accountability and corporate responsibility.
iii) act not only with the goal of increasing shareholder value, but also to generate significant and tangible benefits for the project area, the communities affected, and the host country.

4.1.6 Social Sustainability.

It is always a real risk that, even in the face of economically viable and sustainable projects, there are unintended and unexpected consequences on a social level such as the seizure of all benefits by the local elites and the asymmetric

redistribution. In order to reduce such risks and maximize the positive effects and the equilibrium resulting from the project, it is convenient to implement a study that can lead to detailed knowledge of the socio-cultural context within which the investors operate. In this way all the potential points of conflict and sources of vulnerability of the project will be know, and a social sustainability can also be implemented through:

i) the identification and resolution during the negotiation, by the government and the investors, of all the socially relevant issues and the possible risks, as well as the strategies for mitigating them, and to improve the social benefit.
ii) the weighting and the study of all the interests of "sensitive groups" and women.
iii) the inclusion within the project of: creation of local jobs, direct and indirect transfer of technology and provision of public goods.

4.1.7 Environmental Sustainability.

One of the weaknesses in this area is that investors have little incentive to consider the negative impacts on the availability or quality of important natural resources that their projects may generate, regardless of their duration or their size. Therefore it would be necessary and desirable that the regulation on the level where these externalities arise - whether local, national or international - make sure that these goods and services are not undermined. Should not be excluded from this consideration the impacts on natural resources that may occur far from the project area, for example in the case of water basins or waterways or in the case of social dislocation which can cause deforestation in the surrounding areas. The ability to monitor will be particularly important due to the fact that these effects occur only during project implementation. Investors and governments must therefore work together to ensure that:

i) prior to the approval of the project, environmental impact analysis are carried out independently in order to identify potential loss of public goods such as biodiversity or forests.
ii) the recovery or the increase of productivity of areas already in use is

preferred rather than the use of new land.

iii) the most appropriate and efficient production system is identified, in order to implement a sustainable use of natural resources.

iv) good practices are followed in agriculture as well as in industry and manufacturing.

v) the provision of adequate ecosystem services is encouraged.

vi) the ongoing monitoring of adverse impacts through appropriate environmental management plans and the establishment of compensatory mechanisms are carried out.

4.2 Criticisms.

Despite these principles certainly represent an effort made by the institutions towards the creation of a framework of reference when dealing in agricultural land, not all the experts in this sector have welcomed them. In particular, these principles have received some criticism from two major fronts[61]. On the one hand, a substantial number of governments involved, both buyers and sellers of agricultural land, have complained that these principles have been drawn up following a non-inclusive process, and they have openly opposed to them during the 36th session of the Committee of World Food Security, held in Rome from October 12-16, 210[62]; on the other hand, many non-governmental organizations protecting small farmers have strongly argued that these principles even allow some agreements that should be considered unacceptable from the beginning[63], bemoaning the fact that these principles are nothing but a simple instrument of control, absolutely not able by itself to slow down a phenomenon that is creating more poverty in the southern hemisphere. However, the most relevant criticism comes

[61] O. De Schutter, 2011.

[62] See Comm. on World Food Sec., Policy Roundtable Land Tenure and International Investment in Agriculture, Thirty-Sixth Sess. at pp. 55–57, Doc. CFS:2010/7 (Oct. 11–14, 16, 2010), available at *http://www.fao.org/docrep/meeting/019/k8929e.pdf*.
For the result of the discussions, see Comm. on World Food Sec., Final Report, Thirty-Sixth Session, Doc. CFS:2010/ FINAL REPORT (Oct. 2010), available at *http://www.fao.org/docrep/meeting/020/k9551e.pdf*.

[63] See, e.g., The Global Campaign for Agrarian Reform, Why We Oppose the Principles for Responsible Agricultural Investment (2010), available at *http://www.landaction.org/spip/IMG/pdf/FINAL_Engl_Why_we_oppose_RAI.pdf.*

from the special UN Rapporteur on the Right to Food: Olivier De Schutter[64], according to which these principles would be more effective if they were included in a global process with the Commission, because taken individually, they are weak and do not talk about human rights. Moreover, the principles give the impression that investment in agriculture relate only to the plantations on a large scale, but should, instead, support small farmers. Just the Special Rapporteur presented by his own initiative a document containing a list of other minimum principles to be respected during the negotiations of agricultural land and more oriented to the promotion and protection of human rights, civil, political, economic and social rights, and to the protection of an orderly development.

4.3 UN Report.

The focus of this report is that any type of negotiation involving the exchange of agricultural land can not be separated from the respect for human rights related to that land, appealing to Article 11 of the International Covenant on Economic, Social and Cultural Rights, under which each state has an obligation to provide to any person under its jurisdiction the access to an essential minimum amount of food necessary for their nutrition and sufficiently adequate to protect them against the risk of hunger[65]. The author's view is that the general framework of the right to food provides the basic instructions in dealing with the exchange of agricultural land: the arrival of new investors in the poorest countries creates concrete opportunities for development, but at the same time opens up challenges in terms of human rights. More specifically if the people who depend on natural resources of a particular piece of land, were suddenly cut off from it without being offered an effective alternative, this would constitute a clear violation of the right to food. Or, if the profits of small local farmers were to collapse due to the irruption into their market of food products sold at lower prices because they're produced in extensive plantations by new investors, this would constitute a violation of their rights too. So governments and institutions can not fail to protect these

[64]O. De Schutter, 2010.
[65]See Committee on Economic, Social and Cultural Rights, general comment No. 12 (1999) on the right to adequate food (art. 11), para. 14.

rights, and to ensure that the development of local communities is protected. The principles proposed by De Schutter are based on three considerations: the first is that the current situation regarding the seizure of farmland is the result of past failure of the civil society in starting appropriate agricultural investment plans in poorer countries and in promoting sustainable agricultural practices in terms of environmental , and of today's failure in creating international markets for agricultural goods that are functional and reliable; the second is that the agricultural system must necessarily and primarily promote the production of food oriented to the domestic demand; the third consideration is that the principles proposed are a minimum set, and an agreement that respects all of them is not necessarily justified. It is rather appropriate for governments to undertake a thorough analysis of the opportunity costs associated with the transfer of agricultural land, to assess carefully the alternatives and above all to perform an impact analysis with the free participation of stakeholders prior to the conclusion of the agreements.

4.3.1 The Eleven Principles.

Here are the contents of the eleven principles proposed by the United Nations special rapporteur Olivier De Schutter[66], which constitute a list of minimum criteria to be applied to large-scale operations for the purchase or lease of agricultural land.

i) The first principle calls on the parties involved to conduct the negotiations in the most transparent way possible, by providing access to local communities whose access to land may be limited by the investment plan. It also urges local governments to always evaluate the opportunity costs associated with the signing of these agreements, especially when the same portions of land may be otherwise employed, in order to be more appropriate to meet the needs of the local population and to respect the human rights.

ii) The second principle proposed establish that each shift of land should only take place with the prior consent of the local population so to avoid the process of marginalization and discrimination that have historically

[66]O. De Schutter, 2009.

characterized the indigenous peoples. The forced expropriation should be accepted only under special conditions: they must be allowed by international law, in accordance with local laws and only to ensure greater welfare, and must always be accompanied by adequate compensation - monetary or new access to land - which entirely compensate the loss. All this must always be done after feasibility studies have been carried out and after all the alternative routes have been analyzed together with all the parties involved.

iii) The third principle calls on States to take legislative measures that allow to protect the rights of local communities and that clearly define the conditions under which trade or expropriation of land can take place and what steps need to be taken in order to perform them. To do this, States should also provide individuals and local communities titles or collective records with legal value, indicating the land they use, so that all their rights can enjoy legal protection.

iv) The fourth principle states that local communities must be able to enjoy all the revenues from investments made on agricultural land. The investment contracts must therefore prioritize the interests of local communities, and must seek a balance between the interests of all parties involved.

v) The fifth principle states that, in those areas particularly affected by poverty and lack of jobs in other sectors, host States and investors should promote the adoption of an agriculture system sufficiently labor-intensive, thus creating real opportunities of employment for the local population. In this way the investment will go to strengthen the welfare and survival of the rural communities, respecting their rights through the opportunity to make a salary that grants access to food.

vi) According to the sixth principle investors and host States must cooperate to ensure that the agricultural systems resulting from the agreements are always environmentally friendly and not conducive to erosion, climate change, deforestation and other environmental issues.

vii) The seventh principle states that, regardless of the content of the agreements, commitments and obligations of investors must be clearly defined and verifiable, so you can rely on predetermined sanctions to be enforceable in case of non compliance. For this mechanism to work it is necessary that proper ex-post impact assessments are carried out periodically and with a participatory system.

viii) The eighth principle states that where there are agreements regarding net food-importing countries, a small percentage of these food resources must be ensured at the local market. And this percentage may vary depending on the prices achieved on the international markets. In addition, local producers must be adequately supported so that they do not suffer loss of incomes resulting from the arrival of new low cost productive systems on the local markets.

ix) The ninth principle suggests that, in order to accurately assess the effects of investment on the rights of rural communities, accurate impact assessments should be carried out before the close of negotiations. These impact assessments should include:

- local employment and income, divided by gender and possibly by ethnicity.
- access to food and productive resources by local communities.
- the arrival of new and technologies investments in infrastructure.
- environment, soil erosion, the use of water resources, and the loss of biodiversity.
- the accessibility, availability and adequacy of food.

Through these impact assessments, which should include a participatory dimension, it is ensured that the contracts for the lease or sale of agricultural land, will distribute the benefits equitably among local communities, the host State and the investor.

x) Since international law has granted to the indigenous peoples specific forms of protection of their rights to land[67], according to the tenth

[67] Committee on Economic, Social and Cultural Rights on the right to adequate housing (article 11 (1) of

principle States should consult and cooperate in good faith with the indigenous peoples involved in order to obtain their free and informed consent before approving any project affecting their lands or territories and other resources, particularly in connection with the use, the development or the exploitation of minerals, water and other resources.

xi) The final principle urges local laws to protect waged farmers' right to work and all other rights attributable to them. Only through greater protection they may improve their ability and that of their families to provide access to sufficient and adequate food.

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the Covenant).

CHAPTER FIVE:
ETHIOPIA, A CASE OF STUDY.

One of the most striking cases of land grabbing is taking place in Ethiopia. The international newspapers report more frequently surveys and articles denouncing the abuses and deprivations suffered by the African population of this state[68], increasingly aspired destination for the foreign investors just because the local government seems to be particularly willing to be open to new direct investments in domestic boundaries, even at the expense of the rights of local population. This chapter will provide an overview of the current situation in Ethiopia, with all the implications that until now have been discussed, and with the intent to give substance to the work done so far, giving the reader a concrete example of the phenomenon of land and its consequences, to help understand how this issue requires immediate and effective solutions.

5.1 Geo-Political and Social background

Ethiopia is a Federal Democratic Republic located in East Africa, in the geographic area known as the Horn of Africa. Administratively, Ethiopia is divided into nine regions and two cities with special status (Addis Ababa and Dire Dawa), the central government has the characteristics of a federal government.

Image 1: Ethiopia's Regions. Source: Re-elaboration of the Student.

[68]For examples on abuses and deprivations suffered by the African populations see *http://www.independent.co.uk/news/world/africa/ethiopia-forcing-out-thousands-in-land-grab-6291029.html;* or *http://www.guardian.co.uk/world/2011/mar/21/ethiopia-centre-global-farmland-rush?CMP=twt_gu*

45% of the total area of Ethiopia is made up of arable land, approximately 52 million hectares (15 current total). The land, as in most African countries, are state owned and can be assigned concession for long periods and very low cost. With an altitude ranging between 148 and 4,620 meters, the country has 18 major areas and 49 sub-agro-ecological zones, making the country one of the world's major centers of biodiversity with a huge potential in the production of organic food. The low cost of raw materials and labor, as well as the extraordinary richness of culture and climate - that allows collected throughout the year - represent significant competitive advantages.

Area	1.14 million square kilometers.
Arable land	513,000 square kilometers (45%)
Irrigated land	34,200 square kilometers (3%)

Tab. 4: Land Statistics. Source FAO

Historically, the Ethiopian economy was based on agriculture, including farming, a sector which currently represents about 43% of GDP, about 85% of exports and employs about 80% of the population. Coffee is the main cash crop, although its share of revenues from export has been declining in recent years, both because of the depressed international prices and for the robust growth experienced by the exports of other categories. Other important agricultural exports are made up of cereals, pulses, oilseeds (such as palm oil). Ethiopia is Africa's leading country for the production of beeswax and honey. Although since 2007 the country has experienced a robust economic growth that allowed it to become one of the best performing economies in Sub-Saharan Africa, however it remains one of the poorest countries in the world: approximately 39% of the total population lives below the threshold of poverty.

Poverty indicators	
Number of rural poor (million, approximate) (2010)	**26,861,715.8**
Poverty headcount ratio at rural poverty line (% of rural population) (2005)	**39.3**
Poverty headcount ratio at national poverty line (% of population) (2005)	**38.9**
Income share held by lowest 20% (2005)	**9.3**

Tab. 5: Poverty Indicators of Ethiopia. Source: IFAD

Ethiopia has a huge potential for its agricultural development. Just think that only 25% of the country's arable land is actually used, and that subsistence agriculture is particularly negligible, characterized by few inputs and low productivity. The vast majority of local farmers are small farmers. The approximately 12.7 million smallholders constitute the 95% of the agricultural GDP[69]. And small farmers are those more exposed to external shocks, increasingly frequent nowadays: price volatility on global markets and climate change such as droughts erosion, deforestation or desertification. In addition to their vulnerability to climate changes and market fluctuations, the rural poor are afflicted by the lack of basic social and economic infrastructure such as health and educational facilities, veterinary services and access to safe drinking water. Among the specific causes of rural poverty in Ethiopia identified by IFAD are:

- An ineffective and inefficient agricultural marketing system.
- Underdeveloped transport and communications networks.
- Underdeveloped production technologies.
- Limited access of rural households to support services.
- Environmental degradation.
- Lack of participation by rural poor people in decisions that affect their livelihoods.

Regarding the land system, according to the constitution, the possession of the land does not confer ownership rights. The soils are exclusive property of the state and are leased for long periods, with high enough fees in the capital but particularly low in the rest of

[69]Source IFAD.

the territory. The respective regional authorities ensure the allocation of land.

5.2 Openness to foreign investments

As explained above, since the financial crisis of 2008 and the resulting food price crisis, major investors have begun to turn their attention to the world's poorest countries, where there is a huge availability of agricultural land but a very low amounts of resources to make them bear fruit. Among those countries that have margins and opportunities for profitable investment in agriculture, Ethiopia is probably the "El Dorado" for those who want to practice this type of investment. As a matter of fact, the government of Addis Ababa has started since 2008 a political project aimed at facilitating and encouraging foreign direct investment: it expected to lease up to 99 years lots of land for 10-12 dollars an acre, providing an exemption from property taxes and profits from 5 to 7 years. Furthermore, the Ethiopian Development Bank and other local banks have offered to intervene by funding projects for up to 70% of capital invested[70]. It is estimated that, from that time, approximately 3,619,509 acres of land have been exchanged[71], although the number may be even higher. The government justified this type of intervention, explaining that the entry of foreign currencies into the local economy will have important beneficial effects in the long run, allowing access to food and food security as well as the transfer of new technologies to small local farmers.

5.3 Regulatory Framework

5.3.1 Investment from abroad

Investment in Ethiopia are governed by Law no.280 of 2002[72], and subsequent amendments (Investment-Amendment-Proclamation no.373/2003) and Regulation no. 84 of 2003. Under the terms of these regulations there is a minimum level of capital

[70]F. Roiatti, 2010.
[71]The Oakland Institute, 2011.
[72]For further information on the Ethiopian legal system you are advised to consult the website of the Ethiopian Investment Agency: *http://www.ethioinvest.org/Legal_Framework.php*

requirements for foreign investment that is divided as follows:

- $ 100.000 for investment without a local partner
- $ 60.000 for a *joint venture* with a local partner
- $ 50.000 and $ 25.000, respectively for autonomous investment or investment with a local partner, and in certain specified areas of expertise (engineering, architecture, accounting and audit, project studies or consultancy services for business and management or publishing)
- no minimum capital is still required for activity business whose profits or dividends are reinvested in the project or whose production is at least 75% for export.

Some key economic sectors are exclusive jurisdiction of the state: electricity (supply and transmission), postal service (with the exception of courier), air service with aircraft having seats for more than twenty passengers and banking sector; for some other areas it is possible to plan joint investment with the government: specifically the war sector and telecommunications. Some specific areas are reserved for the so-called "Domestic investors", which are Ethiopian or foreign citizens permanently resident in the country. The list, contained in Regulation no. 84/2003, includes 18 sectors of activity including wholesale and retail, import, export of coffee and other kinds of agriculture, construction, the hosting activities (excluding a high category hotel) and tourism (travel agency, rental car). During the planning phase of investment it is necessary to obtain an investment permit[73], such permit is released by the Ethiopian Investment Agency (EIA - South African Investment Agency), the responsible body for the promotion, coordination and facilitation of foreign investment in Ethiopia, in particular by providing the following services:

- assistance to traders and investors
- release of the investment permit and work permits, licenses and registration certificates for the business activities
- promotion of FDI, including the registration of agreements for the transfer of technology and export-oriented joint ventures
- monitoring of the executive process of approved investment projects
- negotiation and, upon approval of the Government, sign of agreements on the promotion and protection of investments with other countries

[73]The functionality of the investment permit is amply illustrated in the website of the Ethiopian Investment Agency: *http://www.ethioinvest.org/foreign_investor.php*

- advise for the Government on policy measures needed to create a favorable climate for investment
- any facilities for the purchase of land by investors

5.3.2 Taxation

Even in the fiscal system there are some special benefits that stimulate and encourage the inflow of foreign investments. In particular we are interested in the income tax exemption, which is obtained in the following cases:

- an investor engaged in industrial activities will have full exemption for 5 years if it exports at least 50% of its production or if it is re-investing in its activities the 75% of its production. The Council of Ministers may, in the presence of special circumstances, grant an exemption for a total period of 7 years
- an investor, engaged in activities above listed, will have full exemption for a period of 2 years which can be extended by the Ethiopian authorities up to 5 years, in the presence of special circumstances, if it exports a share that exceeds the 50% of its production
- an additional year may be granted by the Ethiopian authorities if the foreign trader invests in underdeveloped regions such as Gambella, Benshangul-Gumuz, South Omo and Afar. Two additional years are granted when an investor who operates in manufacturing and agri-food exports to more than 50%, increases the value of its production by 25%.

It is immediately clear how this fiscal system is particularly advantageous. Two are the main reasons: the foreign investors mostly involved in Ethiopia are countries such as the Emirates, India and China, which use the land of Ethiopia to produce food to be imported within the domestic boundaries (thus shares well above the 50%), and besides the Gambella region, which enjoys advantages, is the most affected region of the country[74].

Thus, the regulatory and fiscal framework that we presented is particularly convenient

[74] A.Tundo, 2011.

and attractive to wealthy foreign investors seeking for extensive grounds, where their investments can produce the food supplies needed to ensure food security in the domestic boundaries. For the Government and the investor it appears to be a win-win situation, but the negative impacts of these agreements affect all the rural communities, helpless victims of the economic system.

5.4 Land Deals in Ethiopia

Below there is a table showing the agreements for the sale or rent of agricultural land in Ethiopia, recorded from three databases: Grain, Land Matrix and the IFPRI. The table is a personal elaboration of data coming from these sources.

Investor	**Inv. Country**	**Inv. Sector**	**Crop**	**Hectares**
Petropalm Corp. Ethiopia	USA	Agriculture	Castor Oil Plant, Jatropha, Oil Seeds	50.000
Acazis AG	Germany	Agriculture	Castor Oil Plant	56.000
Unkown Investor	Djibouti	Agriculture	Wheat	7.000
BDFC	Brazil	Agriculture	Sugar Cane	18.000
National Bank of Egypt	Egypt	Agriculture	Cereals Wheat	20.000
I.D.C. Investment	Denmark	Agriculture	Jatropha	15.000
Amabasel Trading Organization	Ethiopia	Agriculture	Jatropha	20.000
Jathropa Biofuels Agro-Industry	Ethiopia	Agriculture	Jatropha	100.000

Sunbiofuels National Biodiesel Corporation	UK of Great Britain and Northern Ireland	Agriculture	Jatropha	80.000
Sunbiofuels	UK of Great Britain and Northern Ireland	Agriculture	Jatropha	5.000
Hunan Dafengyuan	China	Agriculture	Sugar Cane	25.000
Djibouti	Djibouti	Government	Wheat	5.000
Africa Juice	Dutch	Agriculture	Fruit	1.200
Almidha	India		Sugar Cane	28.000
ARS Agrofoods	India	Agriculture	Cotton, Groundnut, Sesame, Soybean	3.000
BHO Agro	India	Agriculture	Cereal, Oilseeds, Pulses	27.000
Chadha Agro Plc	India	Industry	Sugar Cane	100.000
Confederation of Potato Seeds Farmers	India	Agriculture	Maize,Oilseeds, Pulses, Sugar Cane	50.000
Karuturi	India	Agriculture	Maize,Palm oil Sugar, Rice	311.000
Neha International	India	Agriculture	Oil seeds, Pulses, Wheat, Rice	4.000

Rashtriya Kissan Sangathan	India	Agriculture	Cotton, Oil seeds, Rice	5.000
Romton Agri PLC	India	Agriculture	Tomato farming	10.000
Ruchi Group	India	Agriculture	Soybeans	50.000
Sannati Agro Farm Enterprise	India	Agriculture	Cereals, Pulses. Rice	10.000
Shapoorji Pallonji and Co.	India	Construction	Food Crops, pongamia pinnata	50.000
Jalandhar Potato Growers' Association	India	Agriculture	Cotton, Maize, Paddy, Potatoes, Pulses, Wheat	100.000
FRI-EL Green	Italy	Energy	Oil Palm	30.000
Al Amoudi	Saudi Arabia	Finance	Livestock, Maize, Oilseeds, Rice, Sugar Cane, Teff	140.000

Tab. 6: Land Deals in Ethiopia. Elaboration of the Student.

1.320.200 hectares. This is extension of the land sold to foreign investors so far. But we must emphasize that this finding is limited to recorded agreements: it is estimated that the surface actually exceeds 3 million hectares sold[75], an area comparable to that of an entire European country like the Netherlands.

[75]Human Rights Watch, 2012.

5.5 Content of the deals

In order to understand and study in deep the content of these agreements it is useful to employ the survey carried out by The Oakland Institute, which took place in late 2010[76]. The research team conducted a thorough analysis of the actual agreements, the extent and distribution of land offered. They performed their research by integrating extensive documentation and attaching interviews with local informants. They also included many aspects of business investments on agricultural land: social, economic, political and legal ones. According to the report, most of the terms contained in these agreements are fixed, what is discretionary is simply the duration of the agreement and the rates for the use of the land. The fixed terms include instead: the transfer procedures in the event of death, the work commitments of the investor - which must begin work within one year and must work each year, unless objective reasons - the responsibilities of the investor - which include : preparing the soil, creating an administrative office, a fuel station, the creation of healthcare facilities and schools for employees and the creation of infrastructure- and other reporting requirements to the investment office. The authors show in fact that, despite the apparent standardization of the agreements, the only interest for the government is that the fees for the use of land are paid, and that the farmers, who almost never coincide with the landlords of the contract, are totally unaware of the contents of such agreements and the associated responsibilities.

5.5.1 Lack of Transparency and lack of monitoring.

As reported by the OI, in none of the agreements analyzed phases of consultation with local people were introduced. The justification used by all governmental bodies and agencies who have been asked the reason why this was omitted was that the consultation was a responsibility of other agencies and other governmental bodies. Others have said that traces of the consultation can be found in the Environmental Impact Analysis, but apparently no government department is able to provide copies of these documents that remain unaccounted till today. Moreover, the

[76]The Oakland Institute, 2011.

research team found out that there isn't any kind of monitoring following the closing of the deals. No monitoring of benefits, production, use of resources or compliance. The only thing that is monitored is the operation of the land, or at least of a part of it, and the payment of the fees. Similarly, there is no trace of any reporting requirements for investors and no periodic reports which could help understanding the level of development in lease areas.

5.5.2 Lack of Compensation

The Ethiopian law states clearly what are the requirements to enjoy the compensatory mechanisms. The reference standard is the Proclamation 455/2005[77] laying down the procedures for expropriation, including the anticipated payment of a sum equivalent to the replacement cost of ownership on land and any improvements made on it – including both capital and labor -. In addition to this payment, the displaced should also receive a payment that equals 10 times the average of their annual income calculated on the five previous years. Unfortunately, the loophole that prevents that this rule is applied is the clause which states that these payments apply only to land for which the farmer has a legal title. The law does not provide any compensation payment to those who do not hold title, something that occurs regularly, especially in those areas where investments are concentrated. In none of the cases analyzed by the Oakland Institute, compensatory payments to dispossessed farmers were awarded , and only in very few cases to those who lost land were offered an employment by the investor. In addition, wether the farmer owns a title or not, the compensation payment – as fair as can be - can never replace the land and the role it has for his life, and therefore will never be sufficient to restore the conditions prior to the expropriation.

[77]For further information on property and land law in the Ethiopian state, please refer to the web page: *http://www.ethiopian-law.com/federal-laws/substantive-law-legislations/property-and-land-laws/land-laws/150-expropriation-of-land-for-public-purposes-proc-no-455-2005.html*

5.5.3 Benefits vs. Costs

The imbalance that these agreements generate in the division of costs and benefits is also evident: while enjoying the benefits are multiple stakeholders -investors and institutions-, the entire burden of the costs is on local communities. On the side of benefits there will without any doubt an advantage for the Federal Government, that can take advantage of subsequent improvements in infrastructure, the likely transfer of technology and new revenues derived from taxes, as well as a new image in the eyes of the investing countries; also Regional Governments can enjoy more support from the federal government, increased employment and spending in their region, and the arrival of new technologies; obviously the investors will gain from their production, as well as other business agents connected to the sector, particularly those related to the processing of agricultural products, the supply of raw materials and transport. In contrast, on the cost side, investments in agricultural land generates a heavy flow of outsiders with potential negative impacts from a social point of view, resulting in loss of self sufficiency and the loss of land with historical and cultural ties with the population, as well as the loss of resources, including water resource and consequent environmental degradation -deforestation and erosion-.

5.6 Impacts

It is undeniable that the flow of foreign capital within the borders of Ethiopia and foreign direct investment, lead a number of benefits to the domestic economy which include: increasing stock of foreign currency, transfer of new technologies, infrastructure development, increased employment and other macroeconomic benefits. It is no coincidence that the Ethiopian government, after launching the five years Growth And Transformation Plan (GTP)[78], which covers the period 2010/2015, is expected to achieve the objective of food security and the MDGs[79], as well as to ensure

[78]MoFED, 2010.

[79]Millennium Development Goals are eight goals that all 191 UN member states pledged to achieve by the year 2015. The United Nations Millennium Declaration, signed in September 2000, commits the

the country a growth rate between 11% and 14.9%. But what's interesting here is to highlight the negative impacts of this approach, which most often are overlooked or even ignored by the government and investors.

5.6.1 Impacts on Food Security

As explained above, the Gambella region is the most affected area of the country, probably because of the dense presence of water resources and the excellent soil fertility. However this is just one of the areas most exposed to the risk of hunger, dealing with severe food security issues. According to the World Food Programme over 4 million the people in Ethiopia are in need of food assistance[80], and in the same region of Gambella, over 100.000 people received food aid last year. The chronic food insecurity that characterizes Ethiopia is due to a complex combination of demographic, climatic, political and technologic factors including: rapid population growth and environmental degradation, inadequate policies adopted by the government - both in terms of ownership of land and access to markets - scarce employment opportunities, inadequate response to current needs that lead to more poverty, misery and depletion of resources, conflicts - particularly those involving agro-pastoral areas - , lack of infrastructure - education, access to water, transportation – and gender inequality still very strong in those areas. The sale of land and dispossession of resources to the detriment of the inhabitants of those areas can only exasperate the situation and expose the population to an even greater risk of hunger and poverty. There is no clause, in any of the lease contracts that are currently available, that requires investors to improve conditions of local food security or which renders the production or part of it available for the local population. In fact, the federal government has made quite the opposite: it has done everything possible to provide incentives to allocate crops to foreign markets.

states to: 1. Eradicate extreme poverty and hunger 2. Making universal primary education 3. Promote gender equality and empower women 4. Reduce child mortality 5. Improve maternal health 6. Combat HIV / AIDS, malaria and other diseases 7. Ensure environmental sustainability 8. Develop a global partnership for development. For further information see:
http://www.undp.org/content/undp/en/home/mdgoverview.html

[80]For a deeper look into the levels of hunger and poverty in Ethiopia, check the overview drawn by the World Food Programme: http://www.wfp.org/countries/Ethiopia/Overview.

5.6.2 Social Impacts

Social and cultural impacts of foreign investment plans could be easily foreseen and in some cases even avoided if the EIA were made prior to the closing of the agreements. Unfortunately, as already explained and as documented by the Oakland Institute, this type of analysis are very weak, or in many cases not even included in the investment plans. The most immediate consequence of the closure of these agreements is the increase of the need for cheap labor within the affected area. As a result, often occur massive influxes of labor - for most men - in those areas, thus creating dangerous consequences on local communities. Just consider the possibility that these workers are established in that area, maybe joined by their families, thus further exacerbating the pressures on resources and on land already set on extremely high levels in those areas. All this will inevitably lead to increased deforestation, decline in fishery, wildlife, and other resources in the immediate area, conflict with local people, greater pressure on infrastructure, and greater stresses on ecological systems including water resources. Add to this the fact that for most rural communities, the land has not only value in economic and survival terms, but it is also part of their culture, tradition and spirituality, and its deprivation can represent a serious loss of identity and tradition for the local population, and therefore a loss of social values.

5.6.3 The issue of Villagization

One of the most worrying phenomena that are taking place in Ethiopia, largely dealt with by the international press and debated at the tables of international policy makers is that of villagization. This phenomena consists in the (usually compulsory) resettlement of people into designated villages by government or military authorities. According to a governmental resettlement program, by the year 2013 1.5 million people in four regions - Gambella, Afar, Somali, and Benishangul-Gumuz- must be relocated. The association Human Rights Watch is one of the most active independent organizations on the international scene regarding the protection of human rights, it has worked very closely the theme of villagization, publishing in January 2012 a report

titled "Waiting Here for Death "[81], which clearly illustrates all the folds of the phenomenon that the federal government tends to pass off as an initiative aimed at enhancing the development opportunities for the transferred people.This process is actually most advanced in Gambella region. Relocations begun in 2010 and, according to the report, approximately 70.000 people were forced to move by the end of 2011. The goals of such plan, as stated into it, are to provide relocated populations “access to basic socio-economic infrastructures and to bring socio-economic and cultural transformation of the people”. The plan also provides to supply the new villages with infrastructure and to give any kind of assistance to those being relocated, so that to ensure an appropriate transition to secure livelihoods. According to the plan such movements should be voluntary. What is really happening is that these population transfers are being carried out with no meaningful consultation or compensation. Despite all the promises included in by the government within the plan, providing basic resources and infrastructures, the new villages have precarious situations: inadequate food, no agricultural support, no health and education facilities. Moreover relocations are not voluntary at all, in fact they have been marked by threats and assaults and arbitrary arrests for those who resist the move. According to reports, 20 were the cases of rape that occurred last year during the transfers, helping to create a climate of fear and tension in the whole population. The most worrying element is the role and involvement of international donors which include the United States, European Union, World Bank, United Kingdom and others. They say they are not directly involved in the “villagization programs” under whose banners the Ethiopian government proceeds to the evacuation of its citizens, right from the areas ceded to foreigners, with the false promise of placing people in new areas provided of essential services. Indeed, they claim to have ascertained that the transfers of populations would occur with the consent of the latter. This figure contrasts with the field surveys carried out by Human Rights Watch. The hope is therefore that the donor countries assume their responsibilities in line with their respective obligations undertaken in international conventions, and intimidate the Ethiopian government to respect the rights of indigenous peoples, human beings, women and families. The paradox is that international aid can actually be used indirectly to finance the

[81]Human Rights Watch, 2012.

deportations that go under the cover of the above mentioned “villagization programs”. So says Jan Egeland, director of HRW's Europe: «*It seems that the donor money is being used, at least indirectly, to fund the villagization program. Donors have a responsibility to ensure that their assistance does not facilitate forced displacement and associated violations*»[82]. Such crime is disgraceful, but the indifference of the institutions cannot be accepted and would constitute an equal abomination.

5.6.4 Environmental Impacts

Ethiopia suffers from a complex variety of issues from the environmental point of view. These include soil erosion, environmental vulnerability due to the high variability of its climate, biodiversity loss, introduction of invasive alien species, air pollution in urban centers and waste management. The most worrying issue is that of deforestation, with a registered rate of 80.000-200.000 ha each year[83]. The direct consequence to this situation is soil erosion and degradation which leads to the loss of arable and productive agricultural land. The last available data shows a loss rate of 30.000 ha each year, with almost 2.000.000 ha already irreversibly damaged. Other sever environmental impacts are not yet registrable but must be considered. For example the use of pesticides and fertilizers. As a matter of fact there is no current legislation in Ethiopia regulating the use of chemicals in agriculture, and it is easy to imagine that foreign investors interested in maximizing their production are planning to make extensive use of similar products, exposing the groundwater and soils of those areas to a high risk of contamination which can have devastating effects on the environment and population. Just water and water resources deserve special attention.

[82]Human Rights Watch, 2012.
[83]Z. Gebreegziabher, J. Stage, A. Mekonnen and A. Alemu, 2011.

5.6.4.1 Water Resources

The Ethiopian Water Resources Management Proclamation[84] of the year 2005 is an official document in which it is intended that all the country's water resources are common property of the Ethiopian people and the State. The domestic use of these resources must take priority over any other use. To build aqueducts and to extract water it is necessary to gain a specific permission and such permission is granted only if the proposed use of water isn't harming in any way the legitimate interests of any person involved with such resources. Therefore, according to this document, regulatory principles that should ensure the protection and sustainable use of water and avoid the "water grabbing" are in place, to avert the negative effects generated by FDI on water resources and on associated rights, whether formal, informal or customary. In fact the implementation of these laws is very weak[85], and indirectly the leases allow the development and use of surface water and groundwater without preliminary limitations. So land rights are implicitly water rights.

5.7 RAI in Ethiopia

From the investigation carried out on the field by the Oakland Institute it is possible to do a matching comparison between the deals concluded in Ethiopia and the voluntary principles (RAI) proposed by the World Bank and introduced in paragraph 4.1. Principles that should be applied by investors so as to balance the costs and benefits with local people, respecting their rights and their freedom.

Principle 1: *Respecting Land Resource Rights.*
As reported by the research team the existing rights to land, whether formal or informal, are not respected, nor even recognized. In very few cases of formal rights to land

[84]Federal Negarit Gazeta of the Federal Democratic Republic of Ethiopia, 6th Year No.25, Addis Abbaba, 9th March 200.
[85]The Oakland Institute, 2011.

owners are fairly compensated, with hardly a monetary sum, most probably with offers of employment. This principle is hardly applied in Ethiopia because of the widespread lack of formal recognition of land rights, which are mainly customary. From this point of view the local regulatory system is very weak and must be reinforced.

Principle 1→ NOT RESPECTED

Principle 2: *Ensuring Food Security*

As explained above, Ethiopia is a country that lives under conditions of chronic food insecurity[86], and the survival of its inhabitants depends heavily on food aid received, as well as the crops of small farmers. In a situation like this is highly likely that investment in agriculture - the destination of which are in most cases the foreign markets - further worsen the food security rather than enhance it.

Principle 2→ NOT RESPECTED

Principle 3: *Ensuring transparency, good governance and a proper enabling environment.*

As extensively explained the transparency levels are extremely low[87]. The investment monitoring tools are very weak or even absent and there are no mechanisms to ensure accountability of investments. Despite attempts to create a business environment which is robust, regulated and transparent, the reality proves the opposite.

Principle 3→ NOT RESPECTED

Principle 4: *Consultation and Participation.*

Despite consultation with the rural communities involved constitute a regulatory requirement, we have already explained that this is entirely lacking in the affected areas.

Principle 4→ NOT RESPECTED

[86]See ¶ 5.6.1
[87]See ¶ 5.5.1

Principle 5: *Responsible Agro-Enterprise Investing.*

Concrete analysis in this area require a longer time because the actual results of investment plans are recorded in the long run. What is certain is that the initial data are not conducive to trust. The feasibility analysis of investment plans are certainly not made in the best way possible, the same investments hardly reflect the best possible industry practices and surrounding regulatory framework does not seem to be respected.

Principle 5→ TOWARDS ANOTHER FAILURE

Principle 6: *Social Sustainability.*

There is no doubt about the distribution and maximization of benefits. We have already explained how they are distributed and how the vulnerability of affected populations is likely to increase as a result of investment in agricultural land[88].

Principle 6→ NOT RESPECTED

Principle 7: *Environmental Sustainability.*

Again we have already shown how EIAs are rarely taken before the completion of investment projects[89]. Moreover, there is no application of mechanisms for the management of environmental sustainability and risk management. What is certain is that, in a country already highly exposed to all the primary environmental risks, agricultural investments are likely to increase the risk of deforestation and erosion and thus reduce the environmental elasticity of an already extensively compromised area. Moreover all the risks inherent in managing the water resources outlined above must be added.

Principle 7→ NOT RESPECTED

If this is verified with respect to the principles introduced by the World Bank, the

[88]See ¶ 5.5.3
[89]See ¶ 5.6.2

comparison with the principles proposed by Olivier De Schutter - introduced in section 4.3.1 - is equally disheartening. Without going into details it is sufficient to mention the deportation taking place in the Gambella region, already denounced by the association HRW. This already constitutes a blatant violation of human rights institutions and international politics have an obligation to prevent. The emerging picture shows a situation so that one side sees local governments deeply fascinated by the possibility of involving foreign investors within national boundaries, with all the economic benefits that follow. On the other hand there are local communities, who have customary rights and therefore are not recognized on those same lands, and that in the presence of investment projects, are deprived of their only source of livelihood, and in some cases even deported and forced to live in extreme poverty. In the middle are institutions, which until now have taken weak measures and certainly not coercive, but that are obliged to intervene by establishing clear and impassable lines. To make agricultural investments abroad a real opportunity for development, not only for investors from rich emerging countries, but also for local people who have been struggling against hunger and poverty for centuries, and could enjoy the benefits of such investments, if these were able to converge to a win-win solution.

CHAPTER SIX:
DEVELOPING OPPORTUNITY

According to what has been reported so far, it would seem that the land grabbing phenomenon is only a despicable tool in the hands of the most powerful economies of the Earth and of the multinational companies, capable of contributing to exacerbate the suffering and hunger of the less developed countries. Indeed, the current macroeconomic scenario makes the exploitation of the agricultural commodities a market sector which offers huge opportunities for those who want to invest, but at the same time it has devastating consequences for the rural communities of the countries in which these investments take place: expropriation, increasing food insecurity, loss of traditions and in extreme cases deportation. This is due to many causes which we have already shown: the inefficiency of local regulatory systems, unable to deal effectively with clear property rights, lack of transparency and compensation, and weak institutions, which have not yet found an effective system through which ensure a "win-win" solution. But, what we want to highlight here is that this practice presents at the same time undeniable opportunities[90] for development in the host countries: from creating new jobs to implementing new technologies and infrastructure, resulting in an enhancement of agricultural productivity and in the ability to fight hunger. The real question that policy makers have to face is how to balance these two aspects: promoting Foreign Direct Investment and at the same time providing real development opportunities for local communities. All of this hardly happens despite the efforts - albeit weak – made so far.

6.1 How to deal the matter.

It is undeniable that the fight against food insecurity and all the negative consequences arising from the land grabbing phenomenon, require a multidisciplinary long-term approach. Policies, strategies and projects in this area should consider both the agricultural and the industrial sector, the business and the social sectors, not to

[90]F. Alfano, A. Giuliodori, 2010.

mention the political and institutional ones. The main problem to deal with situations like these is the one of the rules. Often, such phenomena occur where there is a legal vacuum, where there is little transparency, where there's a lack of clarity so that a precise definition of what is allowed and what is not is missing, as well as where there are governments that are more prone to corruption. Then the solution of this problem - or at least its containment - can arise only from the introduction of clear rules to which all must refer, of universal value and as much coercive as possible. It is widely believed that the answers must be entered on a political level, and must have strong economic, social and environmental implications.

6.2 Steps to tackle.

The global market calls for more agricultural raw materials, and this can lead to benefits for the local communities at a time when the interest of the investors is increasing. Yet today, there are more risks than opportunities for the communities. There is a strong need to shift the balance of power towards the poorest and those most threatened by the agreements for the acquisition of the earth[91]. Communities have the right to know and to decide, and this rule must be respected by all parties involved. Work is required at all different levels so to ensure that things really change and to solve the conflicts that arise as a result of the land deals. To address this change two essential basic steps, so far little considered by the institutions which should focus their efforts to ensure that they are guaranteed, are needed:

1. *Ensure greater transparency and participation.*

- The rights of the communities adversely affected by land grabbing must be respected. These communities must be heard and their problems need to be addressed in an impartial way, according to national and international laws.
- The investors, the lenders and those who buy from land-acquisition

[91]Oxfam, 2011.

projects, both national and international, must use their influence to ensure that rural communities are heard. The same is true for all the companies throughout the supply chain.

To achieve this goal the regulatory system of the host countries, especially with regard to property rights on land, too little recognized and protected, should be strengthen first, for example considering a moratorium on the transfer of land rights until a national management system of land resources which ensure the protection of human rights has been defined[92]; then a period of consultation and participation of the communities themselves must be allowed, it could be inserted within the preliminary Impact Assessment - which should be mandatory for every project - and a system of sanctions and rewards must be created , sufficiently adequate to deter the investor to acquire land and launch investment projects without obtaining the consent of the communities first .

2. *The power must be in the hands of the local communities.*

- Implement agricultural reforms that include a redistribution of cultivable land given to the poorest.
- Prohibit or discourage the transfer of the rights of small producers, and support and finance their activities.
- Ensure and implement mechanisms for resolving disputes related to the use of the land.
- Prohibit the production of biofuel plantations in those countries where there is no food self-sufficiency.
- Where possible, integrate into business the members of those communities that agree to the sale of agricultural land by insertion contracts sufficiently fair with particular attention to women.
- In the case of agricultural production, introduce the obligation to

[92]For further information on land property rights in poorest countries please refer to: FAO (2010), *Land and Property Rights*.

allocate a part of this production to the local market. This quote must be the majority in those countries still fighting against hunger.

- ensure that the investment projects meet the standards of ethical, social and environmental issues so to promote sustainable and integrated development.

6.2.1 Sanctions and Rewards

Despite the real problem are the interests at stake, involving large multinational corporations and governments, which are often corrupt or otherwise not interested in protecting the interests of small farmers, some of the mechanisms of rewards and penalties that could affect on agricultural commodities generated by land grabbing practices, thus creating a deterrent to theft of food supplies, and an incentive to win-win cooperation and development, are still present. For example, on the rewards level, an institutional structure capable of certifying the production process of the agricultural commodities by providing a kind of eco-labels that can reflect that throughout the supply chain a set of principles, in accordance with the guidelines about responsible investment have been guaranteed, and make the food products more visible in the market compared to the ones produced with less ethical practices, could be set up. In order to try to reward those investors who produce agricultural commodities assigning a significant portion of them to the internal market rather than those who export the entire production in their domestic market, it could be sufficient to abolish taxes on the portion allocated to the host market, thus providing an incentive to cooperate and fight against hunger. On the other side, it should be introduced a strong system of tariffs that effectively discourages those investors who devote their entire production to the domestic market. Unfortunately, the impression is that the powers and institutions which should be responsible for the application of these mechanisms, have no interest in applying them, and that even in this case the lobbying and corruption prevail on liability and ethics. A good and recent tool that would allow local producers to protect themselves, for example by purchasing their own agricultural land or by enhancing the production system, is that of microcredit. This mechanism could in fact counteract the

transfer of agricultural land to the first bidder, enabling local communities to gain the right of ownership on the land they live on, and allowing them to start a more efficient production system, capable of supporting the local needs.

6.3 Conclusions.

What has been proposed above represents what separates the wild hoarding of agricultural land - without the involvement of local communities and therefore identifiable as a form of neocolonialism – from responsible investment and integrated development. Efforts to support the transition from one situation to the other are extremely high but must be undertaken urgently. What has been developed so far by various institutions, which is voluntary principles and guidelines for investors, is not sufficient to ensure the smooth transition between these two different situations. To make this transformation happen a joint effort is necessary, involving:

- Hosting and foreign governments: by introducing more forcefully measures aimed at protecting the rights of the communities and forms of sanction so to discourage improper investment practices.

- Investors in agricultural projects: who must adapt more and more to the principles of environmental and economic sustainability and adhere to ethical and social principles that ensure the respect of the rights of host communities.

- The lenders: who must require that their customers and suppliers adhere to the principles listed above.

- The general public, civil society, the media and academia: who have the duty of calling investors to account of their practices, to act against land grabbing denouncing its severity, to expose to the public the unfair practices and to enhance the positive ones, to help increase transparency by providing more information to those who monitor the phenomenon.

Only with the real and effective collaboration of all these agents the occurring of this transformation can be guaranteed, and so the phenomenon of agricultural investment abroad can turn into a real development opportunity for all those countries that for too long have remained on the sidelines and still do not enjoy the same rights that civil society recognizes as fundamental human rights.

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WEBSITES:

Since the subject is topical and constantly evolving, we recommend to consult some websites to stay current. These websites were also used during the writing of this paper.

http://www.grain.org: website of the NGO which since years has brought the world's attention on the phenomenon of land grabbing.

http://farmlandgrab.org: accurate press coverage of everything that is posted on land grabbing, is edited by the NGO Grain.

http://www.landcoalition.org: site of the consortium of international organizations, based in Rome and working for a fair access to land.

http://www.fao.org: website of the UN agency for food and agriculture.

http://www.oaklandinstitute.org: Research center, based in California, which has done several studies on food sovereignty and investment in agriculture.

http://viacampesina.org: website of the association which groups together various

associations of small farmers from all over the world.

http://www.ifpri.org: website of the research center based in Washington whose mission is to find sustainable solutions for ending hunger and poverty.

http://www.iied.org: website of the research center based in London which has done several studies on land grabbing.

http://landportal.info: the global gateway for land related information, aggregating information on land from multiple sources and building a specialized community of land experts from civil society organisations, governmental and intergovernmental institutions and academia. It is the result of a partnership of many organizations. It also contains the database "Land Matrix", the most comprehensive and up to date on the subject.