Foreign land acquisitions in the Developing World: Investor perspectives

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Situating investors

• ‘Global land grab’: cross-border land acquisitions have become a hot issue
• Inventories and research – focus on:
  • Size and scope of foreign land acquisitions
  • Reasons, drivers
  • Impact on existing users, local development
• Relatively little on investors perspectives
  • Who they are: emerging data
  • Similar: where they invest
  • Motivation, views, concerns, opportunities and limitations
• Investors are elusive yet important actors. Hence, attention warranted
  • What is their view on rights and responsibilities?
Twofold aim of this contribution

- Regulatory framework guiding investor’s behaviour
- Focus on the investors, get to know their perspectives on the issue:
  - What types of investor, how these affect impact on resources, development, ...
  - Views, concerns, options and constraints
- With a view of developing better governance tools for inclusive and sustainable development
1. Regulatory framework, cross-border land acquisition

- *Foreignization* of land is a logical component of globalization: resulting from 2-3 decades of liberalization and deregulation of land markets; successful *structural adjustment*

- *International governance*: considerably changed since early 1990s, esp. within WTO framework
  - Liberalization of FDI flows,
  - non-discrimination principle promoting 'level playing field'
  - Reduced scope for host country conditionality
Regulatory framework (2)

Less well documented: proposed focus of paper on:

- *Domestic reforms*: more flexible and transparent rules in order to attract FDI – varies by country
- Bilateral investment agreements (now some 2500); stabilization clauses applicable to foreign land acquisition
  - important tool for investor rights, foreign investment often better protected than domestic assets,
  - option to invoke other legislation in case of conflict
Actors in transnational land acquisition: stereotypes and beyond

- Companies interested in using land for production purposes
  - May contribute in terms of technology, market access, productivity
  - May also lead to dislocation and exclusion of locals
- Investors acquiring land as investment vehicle or for obtaining legal benefits
  - Less direct impact? – unless transfer interferes with use; speculative reserves
- Indirect investors: funds holding equity in companies acquiring land in Developing Countries (investment funds, pension funds, etc.)
  - Disembedded stakeholders, but potentially powerful sources of standards, rules, codes of conduct
Investor views: preliminary observations

• A shift away from popular perceptions
• Investor concerns (interviews):
  • Lack of security: weak institutions, incomplete legal frameworks and enforcement problems, variable authorities
  • Conditionality imposed by authorities, sometimes difficult to accommodate in business approach
  • Transaction costs and time frames - investors need returns on schedule, often an issue
  • Key role of local partners or middlemen to ‘make things happen’
    – much foreign land acquisition depends on the presence of effective local intermediaries
Local community expectations: a match?

- Jobs, income: preferential access?
- Contributions to tax base, infrastructure
- Access to technology, markets
- Blending into national/local culture, lifestyles
- Direct management by foreign investors or local management, outsourcing management contracts: does it matter?
Some policy dimensions to be explored?

• Does productive investment in land depend on a considerable ‘embeddedness’ in host society?
  *Without satisfactory involvement of local actors, sorting out of rights and responsibility vis a vis community/state, good relations with local community, foreign investments are not likely to succeed beyond the short term*

• What institutionalization is needed?
  *Good governance and institutions offer security to investors as well as the host community; Regulations on desirable types of investment/use*

• What is the role (potential, limitations) of guidelines, codes of conduct, CSR?
Data sources

• Review and analysis of legal/regulatory documentation on cross-border investment in land (Irma Mosquera)
• Review of existing sources on investors involved in land acquisitions in Global South
• Survey among Dutch investors with land in Sub-Saharan Africa, from PSI programme (Min. Foreign Affairs) (Teun van Vlerken)
• Follow-up interviews