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The Flip Side of the Land Rush: The Race for Foreign Investments

Large-scale land grabbing has been widely discussed and studied. Considerable research has shed light on the impact of land grabs on populations, the environment and local economies, the motivations of new investors (food supply, speculation), these investors' origins, and the dubious arrangements they have been able to make with African political leaders. In this brief, we wish to place this phenomenon in perspective with a trend that extends far beyond the agricultural sector but to which the sector is generally subject: the race for foreign direct investment (FDI). Since the 1990s, modelling themselves after certain emerging countries, many political leaders and actors in Africa have seen and promoted FDI as one of the primary keys to development. Here, based on several recent publications, we attempt to describe the reasons behind this 'FDI rush', some of its concrete manifestations, and some of the doubts and worries about FDI, especially in the agricultural sector.

I/ The Debate on FDI's Role in Development

The idea that FDI has a positive effect on growth and development and can even be a means to fight poverty was not always obvious, but now it is seen as self-evident and strongly defended by certain international institutions such as the IMF and the OECD. 'To make a serious dent in poverty, Africa must attract more foreign capital.' (IMF, 2006) Yet, on the theoretical level, economists are debating the role and impacts of FDI on development, notably when it comes to catching up the least advanced economies, and they have yet to reach a consensus. It is interesting to examine the major currents in this debate in relation to the potential effects of FDI on the agricultural sector in sub-Saharan Africa.

What Is FDI and How Is it Measured?

Let us start with a standard definition of FDI, taken from the OECD: 'FDI is an activity in which an investor resident in one country obtains a lasting interest in, and a significant influence on the management of, an entity resident in another country. This may involve either creating an entirely new enterprise (so-called "greenfield" investment) or, more typically, changing the ownership of existing enterprises (via mergers and acquisitions). Other types of financial transactions between related enterprises, like reinvesting the earnings of the FDI enterprise or other capital transfers, are also defined as foreign direct investment.' (OECD, 2003) 'These data also include cash transfers between a parent company and its subsidiary [...], as well as purchases of real property by non-resident companies and households.' (AFII, 2009)

We should specify that in this broad definition, land acquisition is included under the heading of real property. Yet measurements of FDI flows are believed to under-estimate land acquisitions because (1) data are lacking in certain countries, and (2) investments by certain actors such as banks, pension funds, hedge funds and mutual funds are not included despite being new actors in agricultural FDI in sub-Saharan Africa.

An introductory warning is also necessary: data on stocks and FDI flows are extremely imperfect. They may not be collected properly, suffer from shortcuts, and contain many artefacts. To such an extent that some authors attribute the sharp increase in global FDI flows seen since the start of the 1990s in part to the development of instruments to measure these flows...

A. Expected Benefits for National Economies

FDI is reputed to bring jobs and know-how to the country; it is supposed to trigger economic vitality and roll out new markets. This reputation is so firmly entrenched that the competition between countries to attract investors is real and has consequences in many strategic areas such as taxation and laws. This competition is found between infra-national territories as well. In the proceedings of the GEMDEV symposium on Chinese investment in Africa, one can read an interesting account of how perception of the role of FDI on development has evolved since the post-war period. Here is an extract: 'How foreign investors are perceived has progressively turned around. Multinational firms carrying FDI were seen in the 1960s and 1970s as "witches in the economy" (Gendarme, 1981) because they took advantage not only of fiscal benefits, low pay and free movement of capital, but also of less acceptable advantages such as weak labour regulations and few employee organizations, a blind eye turned to environmental issues by governments, etc. For dependency theorists (Raul Prebisch, Arrighi Emmanuel, Samir Amin), they contribute to unfair trade favouring the "centre" over the "outskirts". Starting in the 1990s, FDI seemed to be not only a source of financing but also a vector for development because of its potential impacts on the economies of host countries: FDI could be the source of technology transfers, learning and imitation effects, linkage affects with local companies, etc. (UNCTAD, 1992, 2001, 2011) A growing number of African countries saw FDI as "*the* solution": the policy of liberalising capital flows then took the form of increasingly favourable investment codes, placing developing territories in competition with each other (Oman, 2004). The policies of opening to FDI allowed African countries to capture some of these flows.' (R1)

B. Theoretical Limits of the Benefits of FDI

Discouraging local investors. The effects of FDI on domestic investment are still debated among economists. Some insist on the effects of stimulated domestic demand and increased productivity through competition and technology transfers. Others, on the contrary, insist on the eviction effects on local companies through two main phenomena: dissuasive competition on local markets and 'Dutch disease'. Dutch disease refers to the mechanism by which the increase in exports such as mining exports drives up the exchange rate and thereby penalizes all others. According to the OCDE itself, the potential negative effects are not always well-documented in existing studies. However, observation data suggest that '[p]otential drawbacks include a deterioration of the balance of payments as profits are repatriated (albeit often offset by incoming FDI), a lack of positive linkages with local communities, the potentially harmful environmental impact of FDI, especially in the extractive and heavy industries, social disruptions of accelerated commercialisation in less developed countries, and the effects on competition in national markets. Moreover, some host country authorities perceive an increasing dependence on internationally operating enterprises as representing a loss of political sovereignty. Even some expected benefits may prove elusive if, for example, the host economy, in its current state of economic development, is not able to take advantage of the technologies or know-how transferred through FDI.' (OCDE, 2002)

Ambiguous effects on weak economies. Some FDI in poor countries generates enclaves of prosperity that provide few (or no) jobs, upset competition in local markets, and harm the environment. These effects may depend on investors' behaviours but also on the economies in which FDI takes place, technology differentials (when the gap is too wide, the transfer cannot take place as it should), and above all the capacity of states to supervise and contain them.

C. Key Deciding Factors in FDI Impact

Governance in host countries. The literature is unanimous on one point: 'The countries that have benefited the most [from FDI] are those [...] in which the conditions for harnessing inflows of foreign capital were in place and the opportunities and risks associated with current and future market developments were clearly understood by both investors and host country policy makers.' (FAO, 2012) History also tends to show us that FDI is a powerful but capricious steed able to stimulate the national economy provided the authorities can tame it.

The nature of the investment (the 'business model'). Overall, the impact of FDI varies according to the investor's motives and profile, the sustainability of his involvement in the host country, the conditions contained in the contracts, and the process by which the investment project is negotiated, elaborated and implemented. The benefits from FDI for the host country can vary enormously according to the investor's strategy and business culture, the nature of the project, and whether or not local populations are included. Beyond its impact on the national economy, foreign investment can be more or less socially efficient or responsible.

The Decisive Factors Behind the Impact of FDI on Agriculture in Developing Countries (R4)

- good governance in the host country: regulatory framework, state supervisory capacities
- local context: presence of infrastructures, education level, capacities of CSOs
- involvement of local stakeholders: inclusive business models
- formulation and negotiation process: transparency, participatory in nature
- contract content: expected benefits for the host country, etc.
- investor profile: experience, long-term approach, sensitivity to local populations
- presence of an impartial third party: independent support organisation
- types of crops concerned: cash crops, provision of inputs, etc.

II/ The Race for FDI in Sub-Saharan Africa

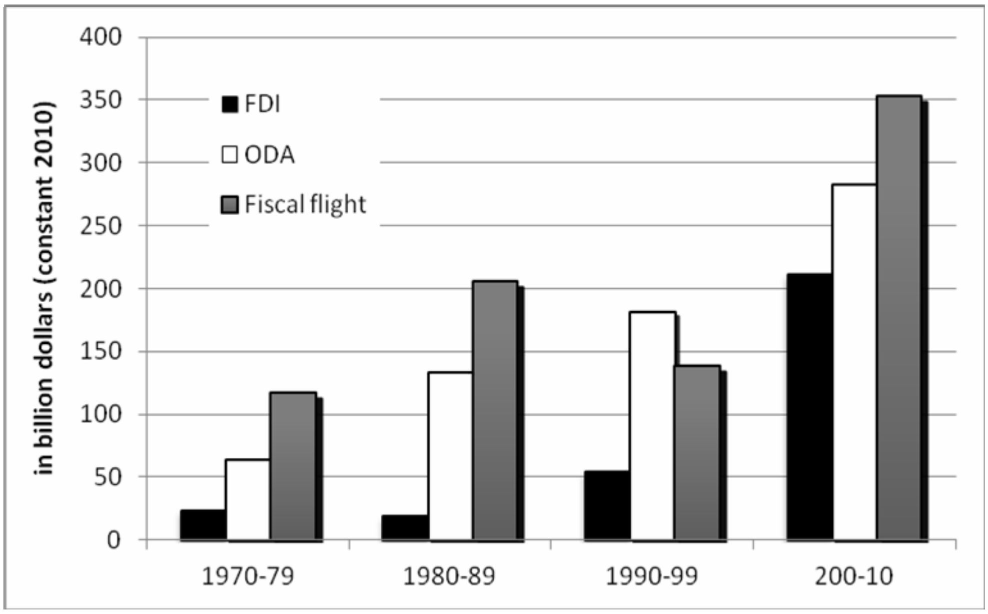
A. The High Hopes Pinned on FDI in Sub-Saharan Africa

The (late) arrival of the 'manna' of globalisation? On the African scale, FDI has increased nearly tenfold over the past ten years (from approximately US$10 billion in 2000 to a record high of US$88 billion in 2008, and falling since), but has been concentrated massively in a few countries and in the oil and mining sectors. This is due to skyrocketing commodities prices. Since 2005, FDI has exceeded international aid. The proportion of intra-regional investment is rising, but still in the minority. (This indicates a turn about, according to Ernst & Young.) The countries at the origin of these investments are still mostly Western (4 countries dominate), but the proportion of emerging countries (China, India) is growing must more rapidly, not as a replacement but in addition. One originality should be noted in regard to LDCs: 60% of FDI in direction of LDCs does not come from so-called 'traditional' (i.e. Western) regions of origin. FDI in LDCs has also increased nearly tenfold in the space of a few years, following the same decisive factors (rising commodities prices). According to some observers, this new growth in FDI in sub-Saharan Africa seems to be a sign of the 'take-off' of the sub-continent.

Is FDI a palliative for the shortfall in national investments in Africa? What is more, FDI is seen by some African decision-makers and international donors as able to offset investment shortfalls and replace dwindling development aid. Since 2005, FDI flows have exceeded aid flows in SSA. In this way, FDI is now simply described as an indispensable contribution. For the FAO, we cannot reasonably think of doing without it: 'The question is not whether international investments should provide a supplement to other capital inflows, but how their impact can be optimized.' (FAO, 2009) The table below shows the proportion of FDI in overall ODA in sub-Saharan Africa over the past 40 years. It also shows the relative importance of these flows compared to estimated capital flight in these regions.

African states' efforts to improve the business climate. Why is Africa still so little attractive despite it all? Naturally, there are many answers to that question. The reason given most frequently is that the 'business climate' is not conducive: administrative hassles, various taxes, land tenure insecurity, corruption, weak state structures, etc. As a result, African states are making considerable efforts to make regulatory frameworks more flexible. In 2011, the number of countries in SSA that had undertaken legal and fiscal reforms to facilitate the business climate and attract more investors had reached a record high according to the World Bank. It encourages this process, betting notably on a reputational incentive for states. In its annual *Doing Business* report, it notes the attractiveness of countries and measures the progress of reforms 'affecting 11 areas of the life of a business [...]: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency (formerly closing a business) and employing workers.' (World Bank, 2012) The Doing Business indicator notably places a premium on countries that lower the amount of taxes paid by investors. 'To cite only one example, Burkina Faso is ranked 133rd out of 178 countries by the Doing Business Indicator, which evaluates the number of taxes to be paid by companies in the formal sector, with a total of 45 payments, whereas Mauritius and South Africa have only 7 and 11 respectively.' (OECD, 2012)

Figure 1: Capital Flight, FDI and ODA in Sub-Saharan Africa



Source: PERI, 2012. (Capital flight data are from the authors' computations; FDI and ODA are from World Development Indicators. Nominal values are deflated using the US GDP deflator [base 2010 = 100].)

B. Doubts as to Africa's Strategy to Attract FDI

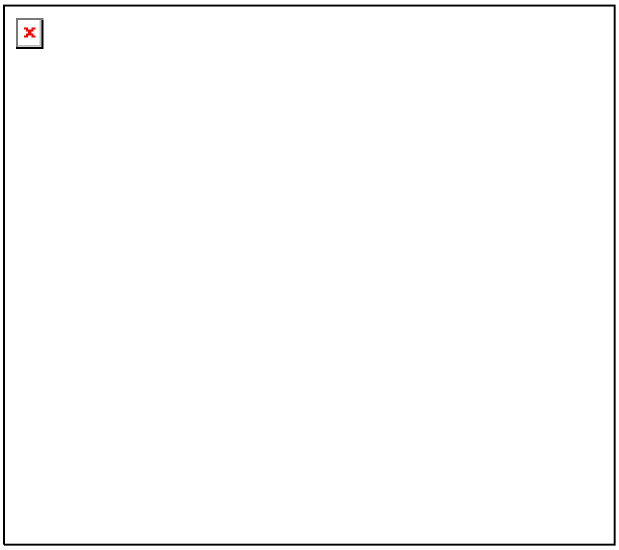
An increase in FDI to be placed in perspective. On global scale, while FDI flows have increased massively since the 1990s in most regions of the world, albeit unequally, sub-Saharan Africa seems to be on the sidelines. Indeed, if one looks at global FDI flows over a lengthy period of time and in large numbers, on can but note that sub-Saharan Africa is almost entirely absent. Flows of international capital are first concentrated heavily in wealthy countries, and then in emerging countries. Even if the profit ratio on investments in sub-Saharan Africa is reputed to be very high, FDI in LDCs remains relatively small in volume: it accounts for less than 2% of global flows (Fourth United Nations Conference on the LDCs, 2011). In addition, this growth in FDI in SSA is highly uneven, and only concerns a few African countries that have natural resources: 76% of FDI to LDCs is concentrated in 12 oil and ore exporting countries. The graph below illustrates this clear inequality between sub-Saharan African countries. In West Africa, a similar curve shows the difference between oil-producing countries such as Nigeria and Ghana and WAEMU countries, which are very little targeted by FDI.

Ambivalent impacts: 'Paradoxically, the summary reports produced by international organizations specialized in studying FDI (such as the UNCTAD report, 2005) are marked by disillusion: FDI is said to have strengthened operating in enclaves, evicted many local firms, had few spillover effects and benefited state budgets relatively little. The negative effects on the economic, social and environmental levels are claimed to have affected notably extractive industries, the sector of predilection for FDI in sub-Saharan Africa.' (R1)

Doubts as to the effectiveness of the strategy: A recent report produced for the European Union contests the idea that liberalizing investment regimes leads to a larger inflow of FDI. It states that: 'Some countries with relatively restrictive investment regimes, such as China and Malaysia, have been among the largest recipients of FDI. Africa is in many respects highly liberalised when it comes to investment, having established more export processing zones than any other region except Asia—yet it still accounts for only around 5 per cent of world investment flows. Other factors, such as well-developed infrastructure, a sizable domestic market or strong growth in domestic industries can be more important in attracting investment than offering TNCs fiscal or other incentives. The key to ensuring that FDI promotes development is not openness per se but strategy—having a plan as to how FDI can fit into the development agenda to bring faster and more sustained growth and technological change.' (R2)

Doubts as to the relevance of the strategy: The same report evokes the risks that FDI brings to bear on fledgling local economies and notes the restrictive policy taken by many countries during their development. 'Most successful developed and developing countries have restricted foreign investment to promote industrialisation. Policies have included selective capital controls, differential taxation, performance requirements linked to exports and local purchases (local content requirements), ownership ceilings, employment requirements and limits on foreign ownership.' (R2)

Figure 2:: FDI Flows to Sub-Saharan Africa: Oil



Exporting/Importing Countries (in billion USD) (R3)

III/ FDI in Agriculture in SSA: A Textbook Case

We have seen how, encouraged by certain international institutions, African authorities struggled more or less successfully to attract foreign investors. We have also seen some of the theoretical risks tied to FDI, and the extent to which the impact of FDI on development is determined by certain factors such as governance in the host country or the type of investment. And what of FDI in the agricultural field? The situation in this sector may seem to be a textbook case. Without effective governance and without firm and coherent investment policy, the least virtuous FDI seems to be encouraged.

A. African Agriculture Targets Little-Inclusive FDI

A taboo is broken. FDI in agriculture is especially poorly documented. Until recently, agriculture was not seen as a favoured destination for FDI. The ADB reminds us that FDI in agriculture as we now know it in sub-Saharan Africa would probably not have emerged without the food crisis of 2008. 'Historically, the investment community has actually avoided agriculture, owing to its fears about the passions and emotions whipped up by outsiders' involvement in land. Only in the last few years, when the commercial rationale became so compelling (thanks in large part to the realization that agricultural investments can serve as a portfolio diversifier and hedge against inflation) has this situation changed.' (ADB, 2011)

The concentration of FDI in the land sector. There are many forms of foreign investment in agriculture. Traditionally, the forms of FDI in agriculture sought access to inexpensive products and labour. Lately, we have seen the development of FDI seeking access to natural resources, especially land and water, primarily through land purchases or long-term leases. Similarly, on the global scale, foreign investments have traditionally been concentrated more heavily on upstream and downstream segments of agricultural value chains. However, since the 2008 food crisis, we have seen the development of investments in direct food and biofuel production for export to the investors' countries of origin (a phenomenon sometimes referred to as the 'delocalization' of agriculture). In this way, a large proportion of agricultural FDI that we have seen since 2008 involves large-scale land acquisitions.

The paradox of contemporary FDI in agriculture: small financial volumes and (very) large surface areas. The magnitude of the large-scale land acquisition phenomenon has been described extensively. In 2010, the estimated surface area at play, while it varies considerably depending on the source, is said to be the equivalent of France's useful farmland. What is more, this FDI has risen with surprising speed: +17% per year between 2003 and 2008 (WB, 2011). Nevertheless, the latest estimates (see the Land Matrix online database) indicate a decline. Less often remarked upon, perhaps, is the small amount of capital at work compared to FDI flows. According to an FAO study, investments in agriculture account for less than 5% of FDI flows into Africa. This figure illustrates the small amount of capital really invested (land acquisitions can be inexpensive, and not cause massive investments). NGOs such as AGTER therefore contest the use of the word 'investments' to designate the process underway.

The potential negative effects on populations and investors. They have largely been revealed, in particular when they influence land ownership rights. Indeed, the purchase or rental of large tracts of fertile land deprives populations of jobs and livelihoods, as they generally turn out to be little labour intensive, can cause irreversible damage to fragile ecosystems, etc. 'If they are poorly prepared and poorly implemented, or if they obey a simple logic of short-term financial profit, these investments can cause serious social and environmental damage, the pauperization of a segment of the rural population, and a drop in the food security of the host country. In this case, they can lead to strong social tension and be a source of non-negligible reputation risks for the investor.' (R9)

B. FDI Governance at Issue

Political leaders' responsibility. In the vast majority of cases, African governments were and are signatories of the contracts with investors, showing real volontarism in regard to these operations. Beyond more or less respectable and opaque arrangements between African political leaders and foreign investors on the subject of large tracts of land, the manifest adhesion of the authorities involved to a large-scale industrial agricultural development model imported from abroad can raise questions in certain countries insomuch as it goes against many official declarations openly in favour of family farming (see the ECOWAS common agricultural policy, ECOWAP).

The concentration of FDI in countries with weak land tenure regulation. According to the FAO's latest SOFA 2012 report, 'weak land governance and poor protection of existing land rights in the host country may be a determinant of land acquisitions, either because investors favour countries with weak protection of land rights or because those are indeed the countries where such deals have been possible.' Another report submitted to the French government in 2010 made a similar claim: 'Investment host countries show contrasting land tenure situations: currently, in a certain number of cases, land tenure policies and governance modalities are not conducive to the effective and lasting land tenure security for either occupants without titles or investors.' (R9)

Regulation initiatives by the international community. The CFS's 2011 unanimous validation of the voluntary guidelines on land tenure regimes shows a global awakening to the risks associated with 'land grabs' and the need to set rules on agricultural FDI and apply these rules. On the African continent, and in certain regions, land tenure regularisation frameworks are also being established, showing a degree of unease with these forms of investment. In 2011, the G20 mandated four international organisations (UNCTAD, FAO, World Bank and IFAD) to define 'Principles for Responsible Agricultural Investment' (PRIAs). These non-binding principles should serve as a code of good conduct for investors. The method to elaborate these principles and the report released in June 2011 were sharply contested by civil society, which succeeded in having the FAO-based Committee on World Food Security (CFS) be entrusted with organising more open discussions in the next two years. While such initiatives are saluted by civil society, many commentators, including official ones (see R9), doubt the international community's ability to influence practices in the field.

The NEPAD/OECD initiative for investment in Africa. On the continental level, NEPAD and the OECD launched an initiative for investment in Africa. The aim is to examine investment policies in certain African countries and propose reforms moving toward the OECD's Policy Framework for Investment (PFI). This multilateral framework is a set of guidelines for states wishing to facilitate foreign and domestic private investment. A framework devoted specifically to agriculture was also elaborated. For example, a 'review of agricultural investment policies' was conducted in 2010-2011 in Burkina Faso, and resulted in a set of recommendations: 'As do many of its African counterparts, Burkina Faso suffers from under-investment in [the agricultural] sector. In fact, this sector receives few investments compared to the mining sector, and agricultural investments are mainly concentrated in the cotton commodity chain. Burkina Faso is therefore confronted with two types of challenges: the first deals with its capacity to make agriculture into a lever for socioeconomic development, and the second concerns its aptitude to attract enough investments to meet the first challenge.' (NEPAD, OECD, 2011)

Three Sources of Laws Govern Agricultural FDI in Africa (R10)

A 2011 paper by the Pan African Parliament summarizes the legal environment of agricultural FDI in Africa very well: it lists investment codes in countries, contracts between states and investors (which are often not transparent), and numerous bilateral treaties that provide security to investors. These treaties are binding. There is a tribunal, the ICSID, responsible for punishing failure to fulfil such treaty obligations. Investors who have complaints against states for having failed to guarantee the safety of their investments can submit claims to this body and win. On the contrary, the FAO's voluntary guidelines (VGs) and the principles for responsible agricultural investment (PRAI) are based on voluntary compliance by states and investors, which means that they are not binding in any way.

C. Other Types of Agricultural FDI Are Possible

Investments in upstream or downstream segments of value chains. In an issue of *Grain de Sel* devoted to land issues, United Nations Special Rapporteur on the Right to Food Olivier de Schutter called for steering investors to links in the value chain likely to have spillover effects on the local economy: 'But we should not confuse "foreign investments in agriculture" with land investments: investments can serve to develop irrigation systems and storage or communication infrastructures, provide technical advice, in short, increase productivity by acting upstream and downstream from production without changing land rights. Investors need to be steered toward these "smart" investments in agriculture that improve farmers' capacities to produce.' (GDS, 2012) In this, he parallels the UNCTAD's observation in 2009: 'As in the past, African host governments failed to attract or induce much investment in the activities that are crucial for development [...]. In general, downstream activities and diversification efforts related to inflows in the primary sector remain marginal. A major policy challenge for these countries is to reverse this trend.' (UNCTAD, 2009)

Contract farming and outgrower schemes. Indeed, there are many forms of FDI in agriculture other than investments in land. One can invest in agriculture without buying land. Two alternatives appear most often in writings on the subject: contract farming and outgrower schemes. These forms of investment currently seem to be in the minority. They can, however, be advantageous for investors: 'It is also not clear that land acquisition is necessary or desirable even for investors. Acquisition of land does not necessarily provide immunity to sovereign risk and can provoke political, social and economic conflicts. Other forms of investment such as contract farming and outgrower schemes can offer just as much security of supply. It is interesting to note that in other contexts, vertical coordination tends to be based much more on such nonequity arrangements than on the traditional acquisition of upstream or downstream stages. The development of East African horticultural production for export by European supermarket chains is a case in point.' (FAO, 2009) Contract farming is often cited as an up-and-coming approach able to result in 'win-win FDI.' Here is one definition: 'Contract farming has been defined as an agreement between farmers and processing and/or marketing firms for the production and supply of agricultural products under forward agreements, frequently at predetermined prices.' (R7)

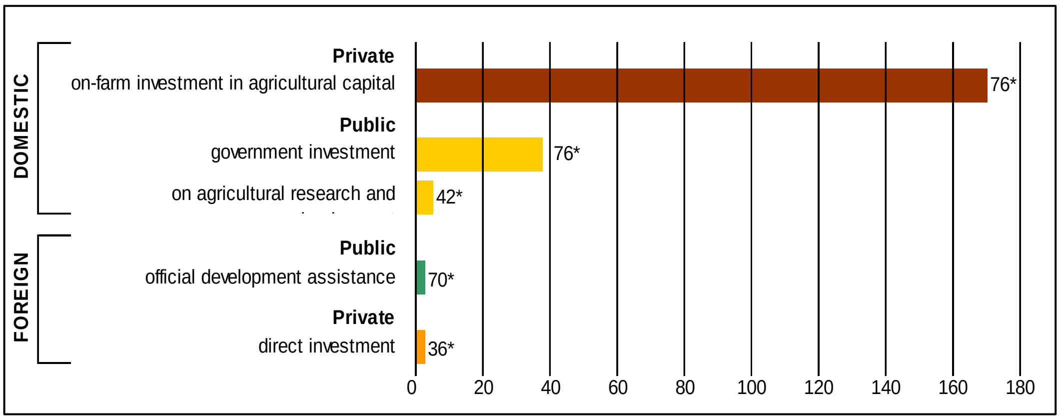
The risks involved in contract farming and the importance of regulation. These alternative forms are not without risk themselves, and can be abused. Here, we return to the notion of 'business model': depending on the approach taken in regard to local producers and the prices that are negotiated, foreign investments can have opposite consequences. Thus, some forms of contract farming are more or less virtuous for local populations, and here too, the authorities' role in supervising and regulating contracts is decisive. According to Olivier de Schutter, 'Contract farming often leads the producer to shift from food crops to cash crops. When farmers change all of their crop production to non-food crops covered by contractual arrangements, however, they relinquish the ability to produce food for their families, thus losing a valuable safety net.' 'More generally, contract farming can lead to a loss of control over production, including which crops to produce and how to produce them. Contract farming can thus cause farmers to become essentially wage-earning agricultural labourers on their own land [...].' 'The bargaining position of farmers is often weak before they enter into contracts. They typically have less information and negotiating skills than their business partners and a lower degree of legal literacy. The way prices are determined, the deductions for the provision of inputs, the conditions under which the contract can be terminated and the way in which the quality grading of the produce is assessed are all areas in which contractual clauses may be heavily biased in favour of the buyer.' (R7)

D. Doubts as to Africa's Strategies for Attracting FDI in Agriculture

Civil society's doubts as to the agricultural development strategies of African states. African states are implementing legal and fiscal measures to facilitate the implantation of FDI, but civil society's perception is very different. FDI is seen as a new instrument of domination. According to civil society, Africa will lose its food sovereignty and political independence by favouring FDI. In anticipation of the G8 Summit of 18 and 19 May 2012 in Washington, DC, African civil society organizations (ROPPA, POSCAO-AC, REPAOC, WASCOF, COASAD, etc.) co-signed a declaration penned by Mamadou Cissokho, a prominent figure in the West African farmers' movement, addressed to the attending Heads of State and criticizing, among other things, the forms of foreign investment currently taking place in African agriculture. In this declaration, we notably read: 'Today we are faced with two contrasting aspirations in Sub-Saharan Africa: the desire to regain control of our development and, on the other hand, the temptation of an excessive reliance on external resources. [...] The paradox between an African consensus regarding the need to increase investments in agriculture and the lack of clarity concerning the destination of these investments (which products, which markets ?) constitutes in my view a cause for serious preoccupation: how to conceive of the implementation of such unclear policies? In my view the ECOWAP should accord the major advantages to the principle investors in agriculture, those who take the risks within the family enterprises, that is the peasants, and not to urban or foreign sources of capital. [...] I would simply like to recall that food security and sovereignty are the basis of our general development, as all of the African governments underline. It is a strategic challenge. This is why we must build our food policy on our own resources as is done in the other regions of the world.' (Mr Cissokho, 2012)

The main investors are family farmers. We have seen that one of the main risks of FDI is discouraging local investment. Farmers' organizations remind their governments that the largest investors in agriculture are farmers themselves: 'There is increasing recognition that role of FDI and ODA in agricultural investment is marginal. What counts is in-country government investment and above all investment by family farmers themselves, which accounts for the bulk of investments in agriculture. According to statistics, in 2007 out of a total of $189 billion investment in agriculture, of which $139 billion were from domestic sources (public and on-farm). Only $3 billion were attributed to FDI. It follows that what can make the most difference in terms of food security is to design an enabling policy and regulatory environment and ensure public investments in key public goods to encourage and enhance the effectiveness of family farmers' on-farm investment.' (R6) The table below, taken from the FAO's SOFA 2012 report (p. 14), confirms this. Orders of magnitude are clearly visible: the largest investors in agriculture are by far local private investors. African public investments far exceed ODA and FDI. ODA and FDI currently account for roughly equivalent and ultimately small quantities.

Figure 3: Investment in Agriculture in Selected Low- and Middle-Income Countries, by Source (In billion dollars, constant 2005)



Source: The State of Food and Agriculture: Investing in Agriculture for a Better Future, *FAO 2012.*
(*): Number of countries.

A priority challenge: access to financing in agricultural areas. This primordial local investment challenge calls into play another weighty issue: farmers' and agricultural entrepreneurs' access to financing in African countries. Access to financing would seem to be the root of investment. It is one of the main causes of under-investment, according to a World Bank survey of entrepreneurs. This survey revealed that the three main constraints on investment are, in order: (1) access to financing, (2) electricity, and (3) taxation rates (WB, 2010). This echoes the observation by OECD and NEPAD in their review of agricultural investment in Burkina Faso: 'Burkina Faso has considerable agrifood production and processing potential that is little exploited, and many investors encounter financing difficulties. This agricultural production potential should in particular stimulate private investment, which could potentially be very profitable if the fiscal environment, financing system in the agricultural sector, and other measures relating to the investment code were favourable. The shortage of infrastructures and lack of policy coherence were, however, put forth in the World Bank's 2007 *Doing Business* report as major obstacles explaining the poor performance of the agricultural sector in Burkina Faso.' (R8)

Conclusion

It seems that we have moved from a period of excessive mistrust of FDI to one of excessive trust. Post-2008 events in the agricultural sector invite African governments to exercise their discretion and authority in regard to foreign investors. There are different types of FDI, and their virtuous influence on national economies depends on many conditions. In agriculture, two challenges emerge as priorities for investment policies: (1) not compromise but rather encourage local investment, notably by improving access to financing; and (2) steer foreign investors not to production/land acquisition but upstream and downstream of production, taking care to ensure that farmers are not short-changed and that spillover effects on the economy are real. It is up to African political leaders to implement the necessary framework and regulations. Will they be able to do so since the weakness of African states seems to be becoming a structuring element when it comes to development? Vigilance is required now as tripartite agreements are being negotiated under the auspices of the G8 in several sub-Saharan African countries between states, donors and the private sector (including foreign investors) to fight food insecurity with large financial envelopes (see the 'New Alliance').

RÉFÉRENCES RÉFÉRENCES RÉFÉRENCES RÉFÉRENCES RÉFÉRENCES RÉFÉRENCES

R1 *GEMDEV international conference report: De la connaissance des IDE chinois et de leurs effets en Afrique subsaharienne, 1-3 February 2012, UNESCO, Paris*
A 21-page paper that provides an overview of FDI in Africa, notably from a historical perspective, and then a more specific description of the evolution of Chinese FDI. The recent enthusiasm for FDI in Africa is clearly discussed.
http://www.gemdev.org/publications/com_mesure_dev/MAINGUY, RUGRAFF, atelier 8.pdf (French only)

R2 *Report submitted to the European Union: The New Resource Grab: How EU Trade Policy on Raw Materials is Undermining Development, January 2011*
A 60-page report submitted to the European Union and produced by a group of organizations: Traidcraft Exchange, Oxfam-Germany, WEED, AITEC, and Comhlámh. It notably contains a clear presentation of the debate on the impact of FDI in developing countries, taking a critical view.
http://www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/policy_raw_materials_report_final.pdf

R3 *African Economic Outlook online dossier: Foreign Direct Investment, 2012*
A recent online dossier that provides an overview of the FDI dynamic at work in Africa. The publications on this website are supported by several international organizations (OECD, ADB, UNDP, etc.).
http://www.africaneconomicoutlook.org/en/outlook/financial_flows/investment-flows/

R4 *FAO Report: Trends and Impacts of Foreign Direct Investment in Developing Country Agriculture: Evidence from Cases Studies, 2012*
A detailed report (382 pages) by the FAO devoted specifically to the issue of the impacts of FDI on agriculture in developing countries, an issue that had not previously been well documented. After the first 20 pages, devoted to generalities on the subject, the entire report is devoted to country case studies.
http://www.fao.org/fileadmin/user_upload/newsroom/docs/Trends%20publication%2012%20November%202012.pdf

R5 *BOKU Report: Trends in Foreign Direct Investment in the Agricultural Sector of Developing and Transition Countries: A Review, 2012*
A 44-page report offering a review of the literature on FDI trends in agriculture in developing countries. It is produced by an Austrian university.
http://www.gffa-berlin.de/images/stories/GFFA2013/studie%20der%20universitt%20wien.pdf

R6 *ROPPA Report: Agricultural Investment for Strengthening Family Farming and Sustainable Food Systems in Africa, 2011*
A report by the Réseau des Organisations Paysannes et de Producteurs d'Afrique de l'Ouest (ROPPA), drawn from a reflection workshop on the issue of agricultural investments. It notes that the main investors in agriculture are farmers themselves.
http://www.ukfg.org.uk/pics/Yaounde_Agricultural_Investment_Farmers_Workshop_Synthesis_Report-EN_1.pdf.
See also the letter addressed to the President of the AU by African civil society in 2012:
http://www.pambazuka.org/fr/category/features/82513 (French only)

R7 *Report by the UN Special Rapporteur on the Right to Food: Contract Farming, 2011*
A report submitted by Olivier de Schutter, Special Rapporteur on the Right to Food, to the United Nations on the subject of contract farming. This report clarifies the concepts and describes the clauses that must be included in contracts for local populations' right to food to be respected. It notes that contract farming is not the only model able to benefit local producers.
http://www.ohchr.org/Documents/Issues/Food/A.66.262_en.pdf

R8 *NEPAD/OECD Paper: Revue des politiques de l'investissement agricole du Burkina Faso, 2011*
A 14-page paper summarizing the examination of agricultural investment policies produced by NEPAD/OECD in Burkina Faso in 2011.
http://www.oecd.org/fr/developpement/investissementpourledeveloppement/47675583.pdf (French only)

R9 *CAS Report: Les cessions d'actifs agricoles dans les pays en développement, 2010*
A report produced by the Centre d'Analyse Stratégique (CAS) and submitted to the Prime Minister of France in 2010. It provides an up-to-date look at the issue of large-scale land grabbing.
Presentation of the report on its submission to the French government:
http://www.strategie.gouv.fr/en/content/report-sales-agricultural-assets-foreign-investors-developing-countries
Full report: www.strategie.gouv.fr/system/files/rapport29_actifs_agricoles_df.pdf (French only)

R10 *AU Report: Making Investment Work for Africa: A Parliamentarian Response to 'Land Grabs', 2011*
A 26-page report on foreign investment in agricultural land and water resources, drawn from a workshop organized in 2011 by the Pan African Parliament in collaboration with the International Institute for Sustainable Development (IISD) and the Institute for Poverty, Land and Agrarian Studies (PLAAS). See in particular the summary description of regulator frameworks for FDI in Africa.
http://www.iisd.org/pdf/2012/land_grabs_africa_en.pdf

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