

FDI IN AGRICULTURE: CHALLENGES AND OPPORTUNITIES

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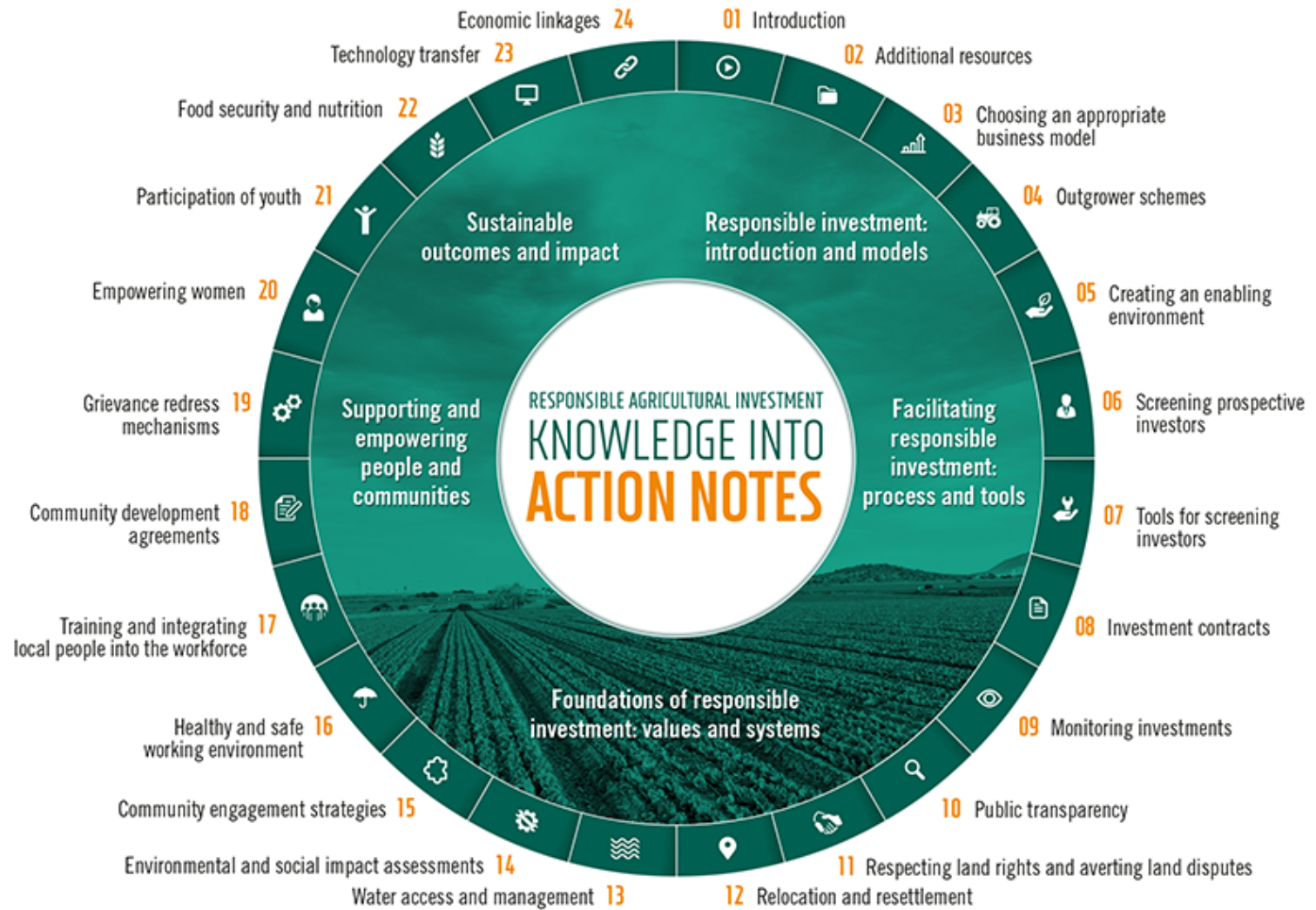
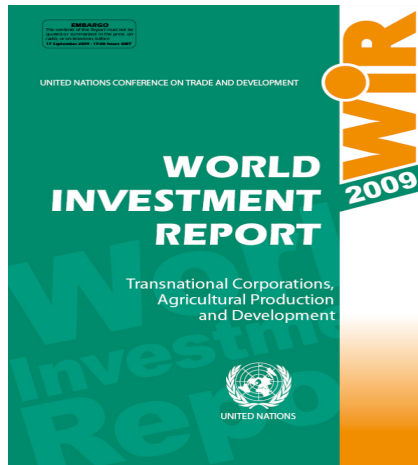
UNCTAD Division on Investment and Enterprise

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UNCTAD-World Bank field work over a decade...



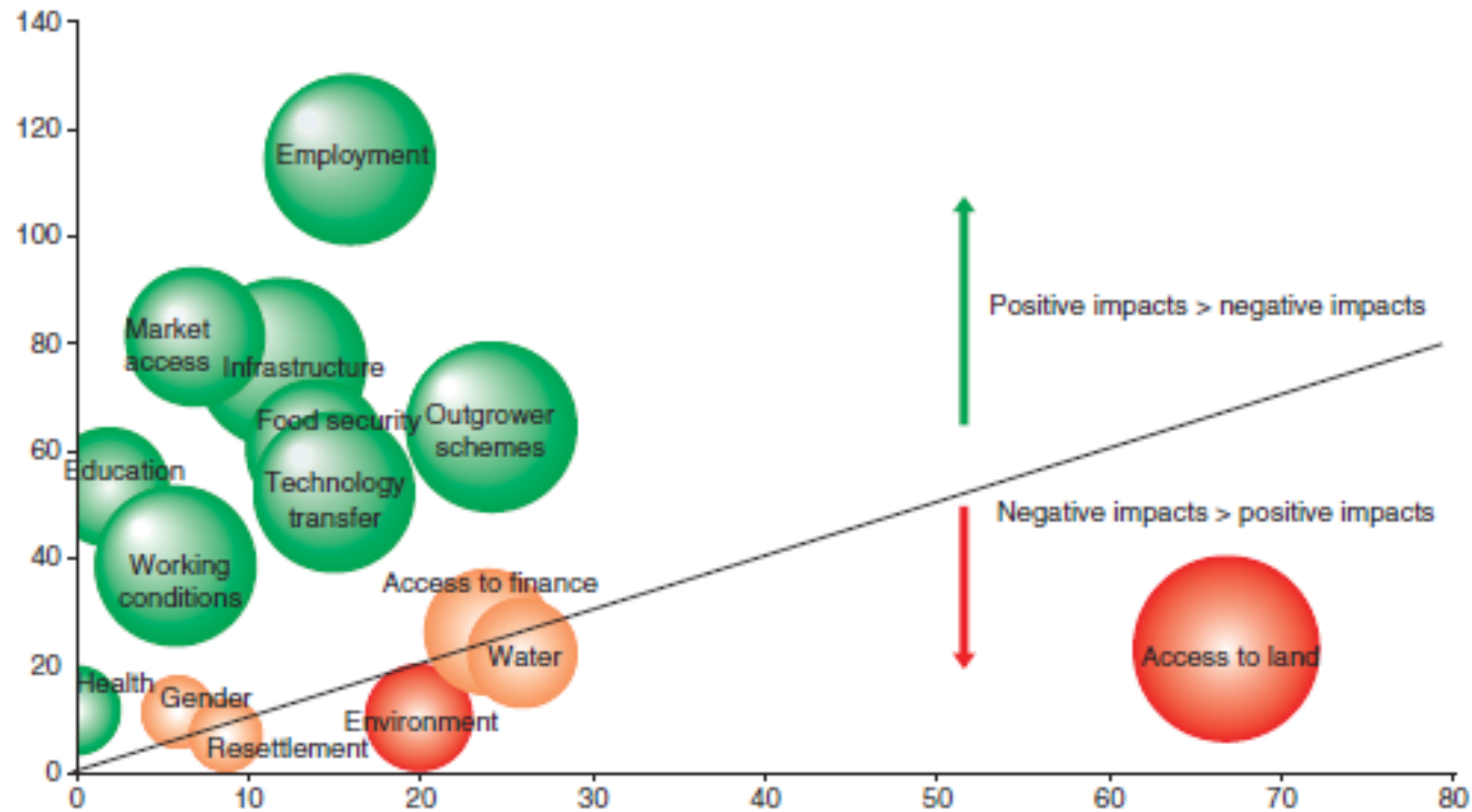
<http://responsibleagroinvestment.org>

Key findings

- Agricultural investments have a broad range of impacts, positive and negative
- Pre-investment decisions and processes dictate outcomes; mistakes made are subsequently extremely difficult to rectify
- Investors who seek only financial returns are unlikely to reap them
- Governments who focus on quantity rather than quality of FDI are unlikely to get the development outcomes
- Economic linkages, technology transfer are not automatic but require management and dedicated policy and initiatives
- Job creation is a key benefit but variety in terms of who is employed
- Business models and the financial viability of the investment are critical

What went well?

FIGURE E.8: Stakeholder Perceptions of Positive and Negative Impacts of Investments, Classified by Issue^(a)



What went wrong?

- Pace of FDI attraction exceeds local government capacity to screen/monitor
- New crops or business models at scale
- Overly generous corporate tax incentives
- Financial failure of investors; lack of contingency plans
- Exposing smallholders to risk early in production phases
- Mega land deals / resettlement issues
- Inadequate attention to social and environmental risks.

Role of FDI in agriculture

- Even countries with very successful agricultural export sectors attract a small proportion of FDI into their agricultural sectors.
- FDI can play a critical role in raising farmers' income by bringing new technology, market knowledge, infrastructure and/or investing in agriculture-related manufacturing.
- FDI can have a pioneering impact, developing or rejuvenating entire industries.

% of FDI stock in agriculture: top 10 net exporters of agricultural products

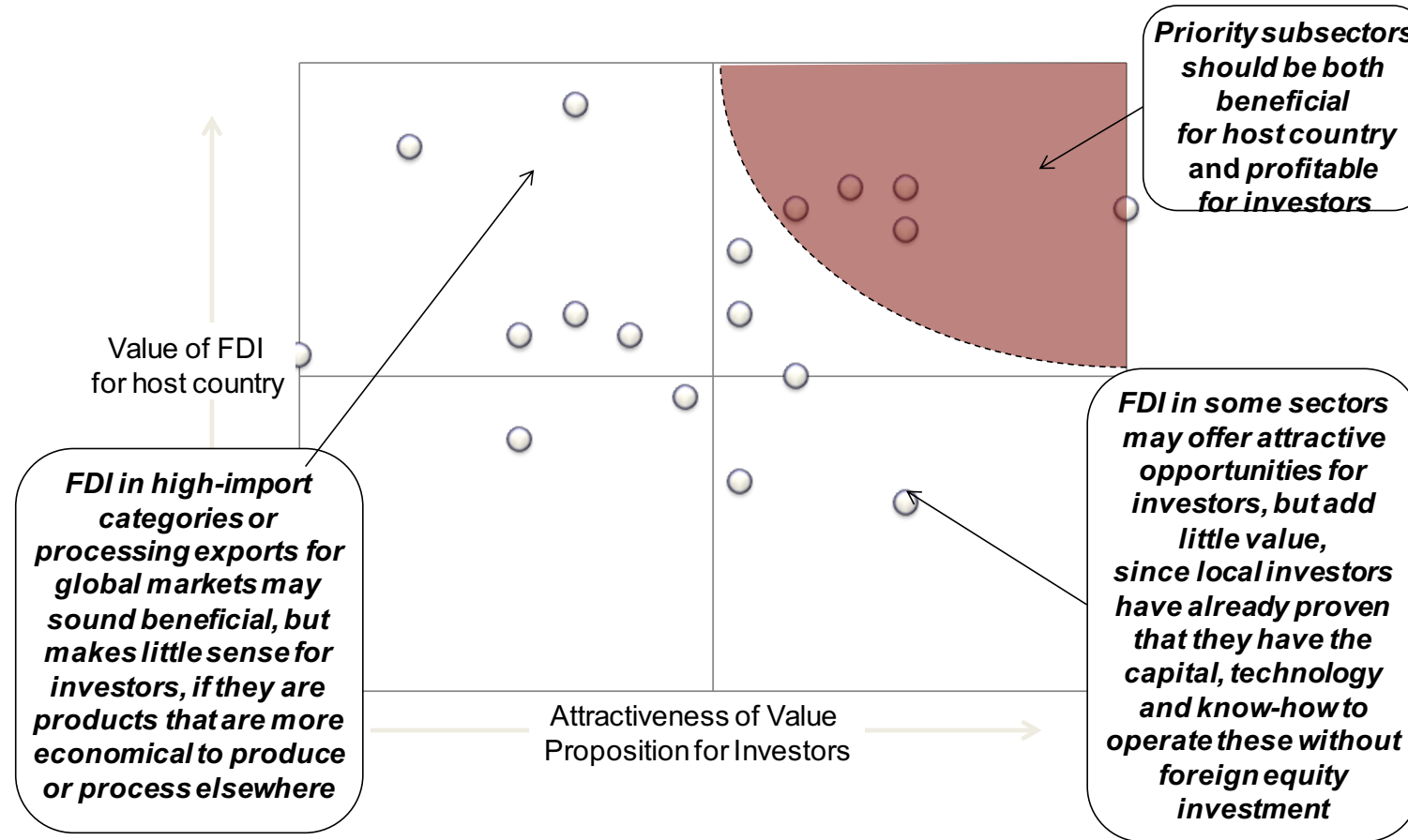
| Top Agriculture Net Exporters | % of Total Inward FDI Stock in Agriculture, Forestry & Fishery |
|-------------------------------|----------------------------------------------------------------|
| Brazil | 0.97% |
| Netherlands | 0.06% |
| Argentina | 5.99% |
| China | 2.05% |
| India | 0.26% |
| Thailand | 0.06% |
| Australia | 0.21% |
| New Zealand | 3.69% |
| US | 0.15% |
| Weighted Average | 0.97% |

- Significant investment needs (private and public) in agro-infrastructure, natural resource development, research and food safety nets.
- The role of investment in contributing to SDG2 is limited neither to land-based investments nor to agricultural projects.

Policy Approaches to Maximise Impact of International Investments

- Align investments with the national development strategy
- Screening and monitoring
- Investment promotion and facilitation, including agro-poles
- Infrastructure development is needed; digitalization is transforming the sector and should be supported
- Implementation and wider engagement with responsible agricultural investment principles
- Inclusive business models which empower women, youth and vulnerable groups.

Key lessons for the role of MNEs in developing country agricultural sectors



Source: Simon Bell, World Bank.

Policy Approaches to Maximise Impact of International Investments

- Target industries where market fundamentals are in place i.e. demand for output and suitable environmental conditions
- Joint industry funds for R&D and marketing
- Investment in other parts of the value chain / linking smallholders to foreign investors
- Expansion / restoration projects preferable to greenfield
- PPPs between research institutes and MNEs
- Good governance – transparency, consultations, contracts
- Government support for agriculture-related infrastructure.

Thank You!

For more information please visit:

<http://responsibleagroinvestment.org>

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RESPONSIBLE AGRICULTURAL INVESTMENT

International Investment and Food Security

FIGURE 1 International investment in agriculture and impact on food security

