UN News Centre
with breaking news from the UN News Service

# Foreign investment in developing countries must involve local farmers to succeed – UN

New FAO report focuses on investments in developing countries, urging caution on large-scale land acquisitions. Photo: FAO

13 November 2012 – International investments must give local farmers and active role and leave them in control of their land if they are to have a positive effect on the host country's economy and advance development, according to a report released today by the United Nations food agency.

Produced by the UN Food and Agriculture Organization (FAO), the report – *Trends and Impacts of Foreign Investment in Developing Country Agriculture* – emphasizes that investment projects that combine investors' capital, technology and management with the knowledge, land and labour of local farmers are the most successful, while those that simply acquire land are less likely to have any benefits for the host country.

"While a number of studies document the negative impacts of large-scale land acquisition in developing countries, there is much less evidence of its benefits to the host country, especially in the short-term and at local level," the report states. "For investments involving large-scale land acquisition in countries where land rights are unclear and insecure, the disadvantages often outweigh the few benefits to the local community."

Although foreign direct investment has risen significantly over the past decade, especially in Asia and Latin America, only a small share goes to agriculture. According to FAO, this presents an opportunity for growth in developing regions in light of high international food prices.

The report recommends that the large-scale acquisition of land – also known as land-grabbing – "should be avoided and other forms of investment should be considered."

"It is important that any international investment should bring development benefits to the receiving country… if those investments are to be 'win-win' rather than 'neo-colonialism,'" FAO's Director of Trade and Markets Division, David Hallam, notes in the report's foreword.

While one of the perceived advantages of large-scale land investments is the creation of jobs, the report looks at several case studies in Africa and Asia, where actual employment was lower than initially projected, and in many instances, was given to non-locals.

In addition, the report notes that the land purchased is often used to produce biofuels or crops for an export market, posing a threat to food security in the host country – particularly if the new projects are replacing food crops that were destined for local consumption.

Some of the adverse effects of land-grabbing without involvement from the local population include displacement of smallholders, a decrease in the incomes of rural people and the degradation of natural resources, the report states.

Instead, it recommends that foreign investments give farmers a share of the capital, establishing joint ventures between investment companies and farmer cooperatives, and ensuring that marginalized groups such as women, youth and migrant workers are included in the business model.

"The challenge for policymakers, development agencies and local communities is to maximize the benefits of foreign agricultural investment while minimizing its risks," the report states.

**News Tracker: past stories on this issue**

[Agricultural cooperatives can help end global hunger, says UN food agency]