

Governance challenges related to outsourcing of African land for energy and food – implications for smallholders, human rights and the environment

Summary of a workshop at the Nordic Africa Institute on 17 September 2009

By Atakilte Beyene

The seminar organized by the Swedish research network on livelihoods and natural resource governance (funded by Sida/Sarec) and NAI had invited researchers, graduate students, consultants and a representative from the private sector to present their analyses and experiences.

The global food and energy crisis observed over the past few years has propelled food and energy security to a top political priority in many countries. States and companies from Asia, the Middle East and Western countries, including the Nordic ones, are investing overseas in agriculture to secure their food and energy needs. Many African countries have become major hosts of such investments or interventions. There is accordingly a tendency for the continent to being perceived as having 'abundant' land resources.

The NAI workshop covered current issues and trends related to governance of African land in the face of rising demands for food and energy, and implications of these processes for smallholders. Critical issues related to governance, human rights in development, the role of the private sector and methods of environmental assessments were discussed.

African governments have become active in setting up incentive structures for large scale food and energy investments. These, however, appear to be very much land-related and to a large extent overlooking issues of finance, human resources, technologies and infrastructure. The question can be raised whether this incentive strategy is beneficial for Africa and African smallholders.

The livelihood of the vast rural population in Africa is basically land based: small-scale farming, hunting, collection of various forest and non-forest products, livestock and nomadic livelihoods, etc. Land tenure systems are complex and most of the land is under communal or indigenous tenure systems. This reality has made land a key to governance, transparency and distribution of benefits.

The current large scale land allocations for food and biofuel production in the hands of external companies also needs to be assessed in relation to fundamental human rights, in particular the right to food. The UN special rapporteur on the right to food, many research

institutions and development agencies have shown a growing concern over the impact of such large scale investments and proposed recommendations to guide the future process..

Although investments in agriculture is crucial, the question was raised in the seminar as to what type of investments that would benefit rural people, national development and at the same time address sustainability issues related to the environment and climate. The analyses of the effects of food and energy projects should also be contextualised in relation to farming systems, including seasonality of agricultural production, fertility and availability of unused lands. As well local livelihoods conditions and corporate social responsibility issues should be included.

Main points of the discussion of the workshop

- **Uncertainties and risks:** The ongoing processes of acquisitions of land for food and energy need to be seen in relation to the broader risks that may unfold. Historically, African governments have favored export-based and often large scale agriculture as compared to smallholders. Despite this, African agricultural products have, however, been losing grounds on international markets leaving many regional and local African economies in disarray. African actors need to strategically outline potential risks such as shifts in future demands for their products due to technological changes, e.g. the implications for biofuel production from the emergence of second generation technologies.
- **Broadening domestic base:** Current investments need to be balanced with domestic and local demands and consumption of the products. This may help reduce risks and secure future demand for the agricultural products.
- **Re-consider land as an investment incentive:** Using land as a major investment incentive, including large size, low land rents and very long lease terms, will threaten to lock African lands into the hands of external large scale biofuel and food producing companies. This will increase risks and uncertainties related to domestic food supply and consumption, a major challenge for African governments. It is highly questionable that the strategies pursued by African governments capture the full value of the land. Are African governance structures sufficiently transparent and legitimate to offer incentives and contracts? On the other hand, external investors argue that Africa needs investments in agriculture in order to develop.
- **Impacts of biofuels on rural social and economic systems:** Impacts of the extensive food and energy investments on employment and wage structures of rural labour (across age, gender and interest groups), households and communities need to be considered in a broad livelihood context.

- **Power relationships and negotiating capacity of the local people:** Rural people are generally aware of power relationships in development investments and interventions, due to their experiences with such ventures. However, they are forced to make choices with limited information and lack of power to pursue alternative development paths. This may follow from poor rural entrepreneurship, lack of appropriate institutions and market systems, limited financial support, etc.
- **Scale of investment:** From the points of view of the investors, large-scale plantations along coastlines are often preferred due to natural and logistical conditions. This impact on the geographical aspects of investments. However, there are also differences among host countries as to the size and number of investments and to the extent domestic and external investors operate together. Comparative studies of these trends are important for revealing whether this is a purposeful policy choice or the outcome of other factors.
- **Impacts of biofuels on human rights:** Impacts of biofuel and food investments on land speculation and evictions, food production and prices, rural women and water demand need to be addressed case by case. Often negative developments in these areas also undermine human rights.
- **Limitations of taxation structures in host countries to ensure sustainability:** Many investors engaged in biofuel and food production are operating within the standard Environmental and Social Impact Assessments (ESIA) and taxation system of host countries. There is currently only limited reference to and evaluation of governance aspects of investments decisions. In order to ensure justice and sustainability related to large scale biofuel and food investments, businesses need to manage economic, social and environmental impacts of their operations. Approaches such as Corporate Social Responsibility (CSR) may be relevant in this regard, although there are limited possibilities of enforcement of such arrangements.
- **Methods of environmental assessment and definition:** Environmental and social impact assessments (ESIA) are useful as they make the impact of various choices clearer by predicting the costs and benefits of change. However, assessment methods must be independent and rigorous in order to be considered legitimate by most stakeholders, including the rural people being affected by the investments. The most difficult challenges occur when costs are local and direct and benefits are global and indirect. The processes of land categorization, designation and eventually its allocation for food and energy production also contain political elements which are difficult to capture by the type of ESIA conducted today. As well there are examples of lack of transparency in ESIA processes, e.g. overlooking important baseline findings that allow investments decisions to be made on the wrong grounds.