

What can we learn from countries who have successfully attracted agricultural FDI?

Presented by:
Will Speller
IISD

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Outline

- Latest global data on trends in FDI in agriculture.
- How important is FDI to agricultural sectors?
- How to identify priority sectors?
- Common features of SUCCESSFUL and UNSUCCESSFUL FDI attraction strategies
- Global case studies
- PARTICIPANTS TO SHARE OBSERVATIONS



Recent data on FDI in agriculture

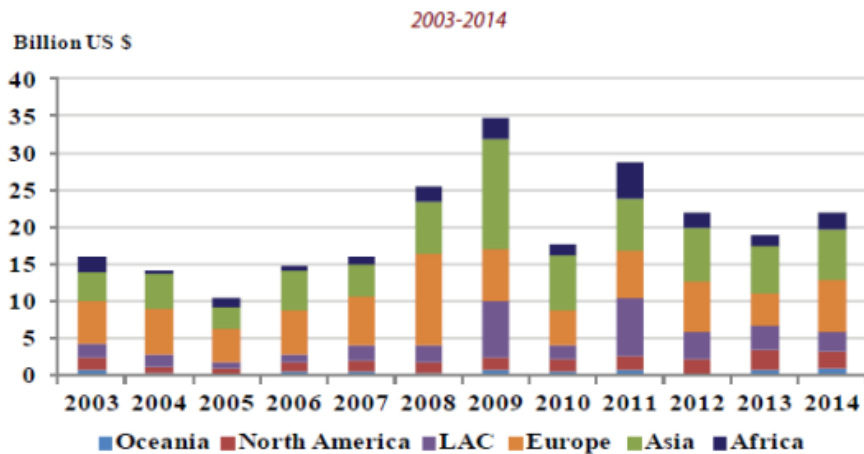
- High concentration of agricultural FDI recipients – 1/3 of global inflows to China, Russia, Mexico, Brazil, USA.
- 2009-2014 double FDI flows to developing countries compared to 2003-08... with uneven distribution – Africa received only 10% of flows.
- **But, according to Land Matrix, Africa accounts for 42% of concluded large-scale land deals and 37% of land acquired.**
- Nigeria, Ghana and Cote D'Ivoire major recipients by value in ECOWAS (FAO). Ghana, Sierre Leone and Liberia in top 20 target countries (Land Matrix).
- India, Saudi Arabia, Singapore increasingly active investors. China's role over-stated?



Recent data on FDI in agriculture

- There are BIG data uncertainty caveats to bear in mind...
- But the emergent picture is that Africa is leading the world in large-scale land deals, but lagging with regard to actual capital invested.

Figure 7: Global FDI inflows in food, beverages and tobacco by host regions



Source: FDI Markets (April 2015)

TARGET CONTINENT	TOTAL (NUMBER OF DEALS)
Africa	398
Americas	196
Asia	215
Eastern Europe	53
Oceania	41
Total	903

Source: FAO (2016) *Trends in Foreign Direct Investment in Food, Beverage and Tobacco and Land Matrix (2016)*.

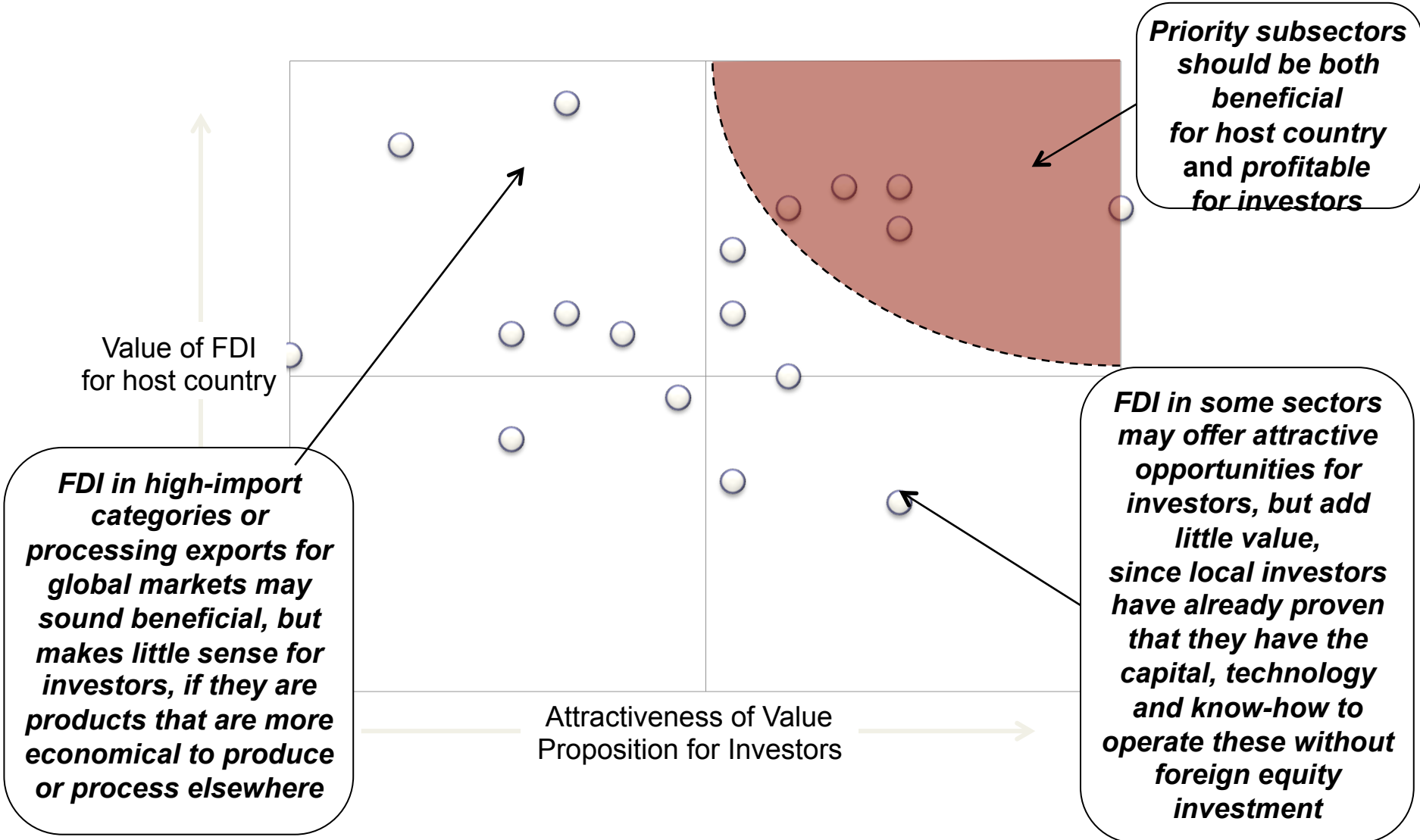


Is FDI important?

- 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.

Top Agriculture Net Exporters, 2012	% of Total Inward FDI Stock in Agriculture, Forestry & Fishery in 2012
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%

The priority sectors for promoting FDI must be those that offer the most value to the host country *and* the most value to investors





Key features of successful strategies

- Target industries where market fundamentals are in place i.e. demand for output and suitable environmental conditions.
- Effective investment promotion agencies.
- Limited, targeted incentives.
- Stable regulatory environment.
- Joint industry funds for R&D and marketing.
- Investment in other parts of the value chain / linking smallholders to foreign investors.



Key features of successful strategies

- Expansion / restoration projects preferred to greenfield.
- PPPs between research institutes and TNCs.
- Good governance – transparency, consultations.
- Quality contracts!
- FDI bringing high-value added seeds and new technology.
- Government support for agriculture-related infrastructure.



Less successful strategies

- Pace of FDI attraction exceeds capacity to screen and monitor.
- New crops or business models at scale.
- Corporate tax incentives.
- Exposing smallholders to risk early in production phases.
- Mega land deals / resettlement issues.

Successful examples from around the world



- Salmon farming in Chile
 - Assimilation of foreign technology and development of local capabilities

- Tea in Kenya
 - Shift from plantation to smallholder business model

- Coffee in Viet Nam
 - Connecting smallholders with global value chains



West Africa

- Participants' examples of what policies or cases have been successful / unsuccessful in attracting quality FDI.



Thank You!

Questions and
Discussion



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