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OVERVIEW OF AGRIBUSINESS IN AFRICA: TRENDS, NEW OPPORTUNITIES AND ALTERNATIVE INVESTMENT MODELS

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Executive Summary

Private sector investment in agriculture in developing countries, both domestic and foreign, has been on the rise since the mid-1990s, with significant implications for economies, communities and individuals. It is, however, difficult to determine the scale of this investment because the data are very patchy. The *reported* stock of foreign direct investment (FDI) in agriculture, for instance, may be of the order of $100 billion today, but this understates the scale; and the same applies to measurements of domestic investment in agriculture. In the case of FDI, for example:

- In many cases data are simply not collected because until recently (though not before the second world war) such investment was small (and "low profile"), so the resources and mechanisms were/are not in place.

- Moreover, much international investment enters through lease, as opposed to acquisition, of land and so has not been classified as direct investment – and thus not recorded. Recent decisions by the IMF, UNCTAD and others however will bring *long-term* leases of land and other assets under the framework of direct investment. So the data will improve.

- Having said this, an idea of the scale of investment can also be gleaned through investment trends in related industries, such as food and beverages – which has been soaring (though other factors are also at play).

- Also, it is possible to measure other indicators to give a clue. For example, "the tractor trail" indicates countries where there has been a significant increase in import of agricultural machinery over and above the trend line. Leaving aside purchases by countries which are suddenly cash rich because of, for example. a boom in their mining/oil industry (e.g. Mongolia and Angola), much of the biggest rise in agricultural machinery is in Africa. Looking at the investment data for specific countries also confirms this.

For poor countries and communities, it is essential to ensure that the impact of such investments are sustainable in the long-term, but are also beneficial in the short- to mid-term with minimal risks or negative effects. With this in mind, UNCTAD, the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and the World Bank jointly developed a set of Principles for Responsible Agricultural Investment that respects rights, livelihoods and resources. The seven Principles cover all types of investment in agriculture, including various types of investment or business models with close linkages between investors and small holders.

One of the projects, conducted by UNCTAD and the World Bank, was an intensive field survey of 40 mature agribusiness investments in sub-Saharan Africa (and South East Asia), which spoke to both investors and local communities. The study found that many of these investments have generated net positive outcomes for host countries and local communities, particularly in terms of areas such as employment creation and boosting local incomes. But the benefits were not automatic or guaranteed. There were significant negative impacts at some investments, particularly related to land rights. The majority of investments generated a combination of positive and negative outcomes.

The next stage of this work, as part of the G8/G7 New Alliance Framework for Africa will focus on building responsible routines and procedures into agribusiness operations from the outset. This will involve working closely with the investors themselves (a number are already on board), communities and governments. The outcomes will represent a demonstration of what is achievable – and how – for other investors and countries. The work kicks off in January 2015.