



# **GMS Investment Policy Forum**

*Advancing Investment Policy Reform*

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## **POLICY FRAMEWORK FOR INVESTMENT IN AGRICULTURE**

Host country measures to promote responsible investment

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# Investment in agriculture is increasing...

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- Driven by increased demand and high food prices;
- Foreign direct investment in agricultural production has tripled from USD 1 to 3 billion a year between 1990 and 2007;
- New wave of investments is characterised by:
  - Large scale investments in land;
  - A focus on staple food;
  - The involvement of new actors.
- ... creating opportunities but also posing risks;
- Attracting more investment necessary to address under-investment;
- ... but the policy framework must also ensure that these new investments generate **higher, fair and sustainable** growth.

# Structure of the Presentation

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- 1. Policy Framework for Investment in Agriculture**
  - 2. PFIA examples: Burkina Faso and Indonesia**
  - 3. Promoting responsible investment in agricultural supply chains**
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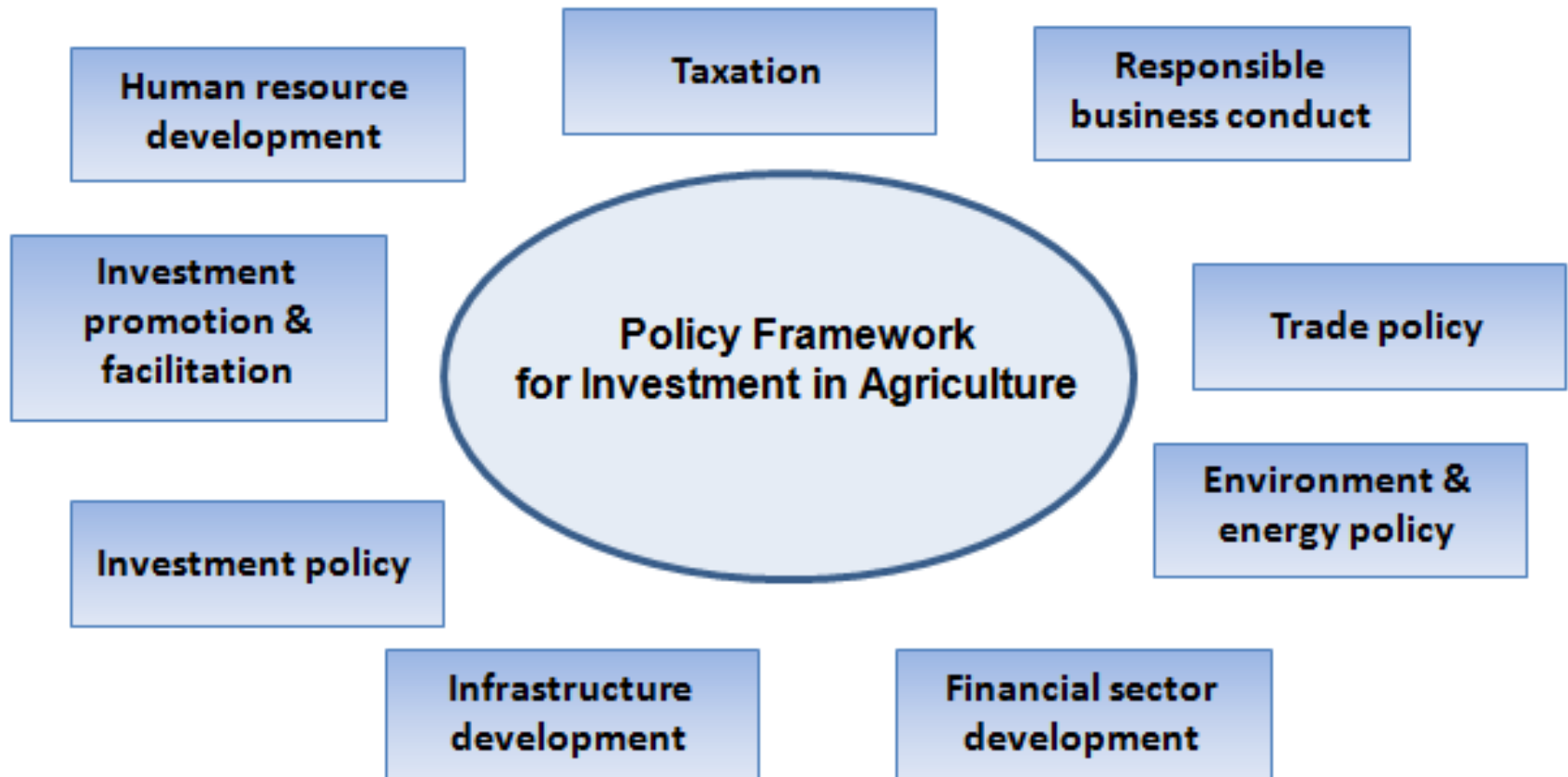
# The Policy Framework for Investment in Agriculture

## *Attracting more and better investment*

- Developed by the OECD and international partners, the PFIA proposes guidance in different policy areas;
- Like the PFI, it is flexible and non-binding;
- **Complements other international initiatives**, including the *Principles for Responsible Investment in Agriculture*;
- Attracting more and better investment in agriculture calls for **well coordinated policies that go beyond strict agricultural policies**;
- The PFIA aims to contribute to **host governments' capacity** to attract and manage the development contribution of investments in the sector, and improve **policy coherence** and strengthen **institutional co-ordination** for policy making.

# The nine policy areas of the PFIA

*...an integrated approach*



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1. Policy Framework for Investment in Agriculture
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  3. Responsible Investment in Agricultural Supply Chains
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# Example of PFIA process: Burkina Faso



A self-assessment with 17 institutions involved.

# Excerpts from PFIA Reviews: Burkina Faso

## Burkina Faso

- Landlocked country in West Africa
- The agricultural sector represents 40% of the GDP and 96% of employment;

### **Challenges linked to agricultural investment:**

- Lack of a clear and consensus-based definition of agricultural enterprise;
- Absence of land titles for most farmers;
- Poor knowledge of laws, in particular farmers and local organisations;
- Difficult access to credit.

### **Some recommendations:**

- Adopt an agricultural investment code;
- Clearly define the concept of an agricultural enterprise;
- Continue efforts to improve access to land;
- Continue to simplify laws and procedures.





# Excerpts from PFIA Reviews: Indonesia

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- Agriculture provides employment for 40% of active population and contribute 15% of GDP;
- The farm structure is mostly based on small family farms.

## **Challenges:**

- The land tenure system is still complex and incoherent;
- Inadequate infrastructure is a major bottleneck discouraging investment in agriculture;
- Extension services have suffered from decentralisation, and research and development funding could be better used;
- Access to credit is a binding constraint for SMEs.

## **Recommendations:**

- Clarify the land tenure system and protect customary land rights;
- Simplify business licensing procedures further;
- Increase public spending in irrigation and set incentives for operations and maintenance;
- Expand the scope of the Credit Bureau;
- Support business partnerships with MSMEs.

# Structure of the Presentation

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1. **Policy Framework for Investment in Agriculture**
  2. **PFIA examples: Burkina Faso, Indonesia, Tanzania**
  3. **Responsible investment in agricultural value chains**
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# Responsible Investment – A Practical Guidance

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- International organisations have been promoting responsible investment for several decades (OECD has developed *Guidelines for Multinational Enterprises*; FAO, UNCTAD, the World Bank, and IFAD have developed '*Principles for responsible agricultural investment that respect rights, livelihoods and resources*' (PRAI);
- OECD and FAO practical guidance for responsible investment in agricultural value chains;
- **The guidance will help companies investing in agricultural value chains contribute to sustainable development;**
- **A risk-based due diligence framework** to identify and prevent risks arising along the whole value chain.

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# Thank you!

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