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OXFAM MEDIA BRIEFING
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Poor Governance, Good Business

How land investors target countries with weak governance

Investors are buying up vast tracks of land across the developing world in a modern day 'land rush'. This media brief explores where land is changing hands and why. It finds that investors are targeting countries with weak governance in order to secure land quickly and cheaply - putting the homes and livelihoods of some of the world's most marginalised communities at risk. Oxfam's GROW campaign is calling on the World Bank to lead the fight against land grabs.

Introduction

In recent years rising food prices have triggered a modern day 'land rush' in developing countries where vast tracks of land have been turned over to the production of food and biofuels for export. An area the size of Spain[i] has been sold off globally in the last ten years. In poor countries an area the size of a football pitch is sold to foreign investors every second.

But how do investors decide where to invest their money?

New analysis by Oxfam shows that land investors appear to be targeting countries with poor governance in order to maximise profit and minimise red tape. The analysis revealed that over three quarters of the 56 countries where land deals were agreed between 2000 and 2011 scored below average on four key governance indicators. The average score across the four governance indicators in countries with land deals was 30 per cent lower than those without deals

The marriage of large-scale land investments and weak national governance is bad news for poor communities. Too often it leads to land grabs where people's homes and their means of making a living are snatched away from them without consent and with little hope of compensation.

In addition, as many land deals replace smallholder farms, communal grazing grounds or community forests with export crops, there are serious implications for national and local food security. Two billion people, or one-third of humanity, are dependent on an estimated 500 million smallholder farms and a significant number rely on products gathered from forests or livestock they graze on common ground.

Case Study: Polochic Valley, Guatemala

Guatemala, which scores below average on all four World Bank governance indicators, has seen 87,000 hectares of land change hands between 2000 and 2011.

In March 2011, the government of President Colom violently evicted 14 Q'eqchi communities in the Polochic Valley in order to make way for sugar plantations. The communities who had lived and worked on the land for generations are now struggling to survive. The evicted families are living with relatives and neighbours or renting small and precarious patches of land.

A year ago, following a huge demonstration, the current President, Pérez Molina, promised to return the land to the communities and guarantee 769 affected families' security, access to food, healthcare, and housing. They are still waiting for this commitment to be fulfilled.

Concepción Tiul Sub, a 63-year-old resident of one of the expelled communities, says: *"Remembering March 2011 fills me with a great sadness and pain in my heart because ever since that eviction I, as a woman, feel disillusioned and traumatised. Since that day I live in fear that they will come back again, fear because we don't produce food, fear because I see my children getting sick."*

"For us, the Maya Q'eqchi, the land is the most important thing that exists because without it we can't do anything," said Concepción. *"It's on the land that we build our houses, our security, our crops, our daily sustenance and that of our children. That's why we're going to continue fighting until the government keeps its word and helps us to recover our lands in Polochic. The fight is about our security, our food and our future as a people."*

An international petition Oxfam calling for the President of Guatemala to deliver on his promise to provide land the communities was launched this month – for more information go to http://bit.ly/desalojos

Data and Analysis

In order to analyse the link between national governance and large scale land deals, Oxfam combined information from two important databases – the Land Matrix and the World Governance Indicator (WGI) Project[ii] - for the first time:

The 'Land Matrix' is managed by a consortium of five organisations[iii]. This global online database includes indicative information on land deals relating to agricultural production (for food or biofuels), timber extraction, carbon trading, mineral extraction, conservation, and tourism. The database includes land deals reported by the media which cover an area of 200 hectares or more; have been conducted between 2000-2009; entail the transfer of the rights to use, control or own land through sale, lease or concession; and which entail the conversion of land from local community use or important ecosystem service provision to commercial production; includes deals[iv]:

The Worldwide Governance Indicators (WGI) project is hosted by the World Bank[v]. This database presents governance indicators for 215 countries and territories. The WGI includes six indicators that measure how well authority in a country is exercised including: control of corruption, political stability and the absence of violence, the rule of law, voice and accountability (do citizens participate in selecting their government, is there freedom of expression and association, is there a free media), government effectiveness (the quality of public services and the quality and independence of the civil service) and regulatory quality (the ability of the government to deliver policies that permit and promote private sector development). The WGI awards a score between plus 2.5 and minus 2.5 on each indicator. A score above zero indicates relatively good performance on that indicator, a score below zero indicates relatively poor performance on that indicator. These scores are based on 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. Poor governance scores can be the result of a range of factors - including conflict, poverty and the performance of past and present administrations.

Information on over 200 countries and territories was cross referenced from the two databases: from the Land Matrix we aggregated the total number of deals in each country and their average size; from the WGI, we used Voice and Accountability, Regulatory Quality, Rule of Law, and Control of Corruption[vi].

Once the two databases were merged, we analysed the link between the countries where large-scale land deals were - or were not - agreed and the four governance indicators for the period 2000 – 2011 (the timeframe covered by the Land Matrix).

The analysis revealed that of the 56 countries where land deals were agreed over the 12 year period, the majority (78 percent) scored below average on the four different World Bank governance indicators (see figure 1). It also found that the average score across the four governance indicators in countries with land deals was 30 percent lower than those without deals. On average, countries with land deals score amongst the bottom third of countries globally in terms of rule of law, voice and accountability, control of corruption and regulatory capacity.

As an example, 32 per cent of Sierra Leone's land has been sold off in the last ten years – this is larger than the island of Jamaica. Sierra Leone scored in the bottom 25 per cent of countries globally on rule of law and in the bottom 50 percent on voice and accountability, regulatory quality and control of corruption. Similarly, Mozambique, which scores below average on all four World Bank indicators, agreed 96 deals accounting for almost 5 per cent of the country's agricultural land area in the same period

A comparison between two countries show that, at least in a number of cases, the potential area of land available for investment does not appear to be a significant factor in investment decisions. For example, Guatemala, which scores below average on all four World Bank Governance indicators, has seen 87,000 hectares[vii] of land change hands between 2000 and 2011 despite high levels of hunger and malnutrition in rural areas. This is in stark contrast with Botswana which has a similar area of land available per person but which scored well above the average on World Bank governance indicators and did not record a single large-scale land deal in this period.

Figure 1: Average Governance Indicators 2000 – 2011

The World Bank Governance Indicator Project awards a score between plus 2.5 and minus 2.5 on each governance indicator. A score above zero indicates relatively good performance; a score below zero indicates relatively poor performance.

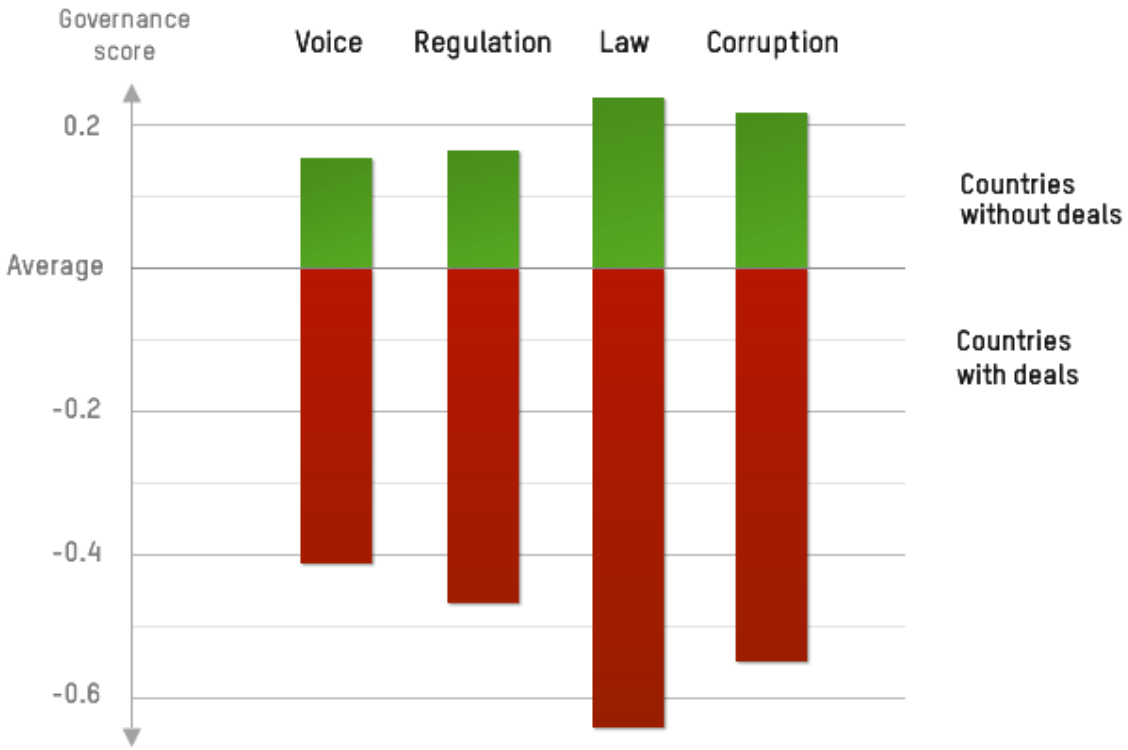

Table 1: Countries where foreign land deals make up the largest percentage of total agricultural land (2000 – 2011)

Country	Size of land deals as percentage of agricultural land	Number of land deals	Average size of land deals in hectares	World Bank Governance Indicators			
				Voice + Accountability	Regulatory Quality	Rule of Law	Corruption
Malaysia	61	20	240,974	-0.4	-0.4	-0.5	0.2
Benin	34	9	129,512	0.2	-0.3	-0.6	-0.6
Sierra Leone	32	21	51,702	-0.4	-0.6	-1.1	-0.9

What's going on?

Oxfam believes that investors actively target countries with weak governance in order to maximise profits and minimise red tape. Weak governance might enable this because it helps investors to sidestep costly and time-consuming rules and regulations, which, for example, might require them to consult with affected communities. Furthermore in countries where people are denied a voice, where business regulations are weak or non-existent, or where corruption is out of control it might be easier for investors to design the rules of the game to suit themselves.

Other studies have reported findings that support those reached by the Oxfam analysis. A recent survey of large scale land deals by Arezki et al (2012) finds that it is through weak governance that investors can access land deals…" many national legal systems centralise control over land and undermine/fail to legally recognise the land rights of local landholders, thereby pacing the way for lawful, if unjust, large-scale allocations of land." [viii]

Research by the World Bank found that deals were often formulated for the benefit of investors rather than the countries involved. They report that "in many cases the nature and location of lands transferred and the ways such transfers are implemented are rather ad hoc - based more on investor demands than on strategic considerations." [ix]

Another study[x] by researchers at the World Bank and International Monetary Fund found that although "secure property rights, transparent processes to ensure ventures' legitimacy, and a legal framework to enforce rights are generally considered a precondition for Foreign Direct Investment ... countries with weak land sector governance are the ones most attractive to investors - at least as gauged by the number of land-related investments."

These authors put forward one possible explanation for the results suggesting, "it is easier to obtain land quickly and at low cost where the existing protection of land rights is weak, given that public protection may not matter to investors who can muster their own resources to defend their property rights."

In summary, where people are unable to assert their rights land deals can be agreed quickly and cheaply and there is little danger of investors ever being held to account. In light of this governance gap in countries being targeted by investors, it is all the more important that tougher international controls are put in place by those institutions, like the World Bank, which finance some investments, and that the World Bank reviews its advice to client governments attracting foreign investment through the marketing of land rights.

Conclusions

In countries where national governments are more accountable to their citizens and where rule of law and control of corruption is strong, local people and communities will have a better chance to have their voices and interests represented in land deals.

In countries where governments are not accountable to their people, where rules and regulations are weak or where corruption is not effectively controlled land deals can spell disaster for communities whose homes and means of feeding their families and making a living are snatched away from them without compensation.

With the rush for land showing no sign of abating Oxfam's GROW campaign is calling on the World Bank to help bring the situation under control. Action from the World Bank is all the more important in light of the research laid out in this briefing which suggests that land investors are cherry picking countries with weak governance.

The World Bank is in a unique position as both an investor in land and an adviser to developing countries. Indeed the Bank's investments in agriculture have increased by 200 per cent in the last 10 years, while its private sector arm, the International Finance Corporation, sets standards followed by many investors.

Oxfam is calling for the Bank to announce a temporary freeze on its agricultural investments which involve large scale land acquisition so it can review its advice to developing countries, help set standards for investors and introduce more robust policies to stop land-grabs.

Oxfam wants the World Bank's freeze to send a strong signal to global investors to stop land-grabbing and to improve standards for:

- Transparency – ensuring that information about land deals is publicly accessible for both affected communities and governments.
- Consultation and consent – ensuring communities are informed in advance, and can agree or refuse projects.
- Land rights and governance – strengthening poor people's rights to land and natural resources, especially women, through better land tenure governance as set out by the Committee for Food Security, in its Voluntary Guidelines on the Responsible Governance of Tenure.
- Food security – ensuring that land investments do not undermine local and national food security.

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Oxfam's GROW campaign is calling on for action to fix the broken food system so that everyone can always have enough to eat. www.oxfam.org/grow

Oxfam is an international confederation of seveteen organizations working together in 92 countries: Oxfam America (www.oxfamamerica.org), Oxfam Australia (www.oxfam.org.au), Oxfam-in-Belgium (www.oxfamsol.be), Oxfam Canada (www.oxfam.ca), Oxfam France (www.oxfamfrance.org), Oxfam German (www.oxfam.de), Oxfam GB (www.oxfam.org.uk), Oxfam Hong Kong (www.oxfam.org.hk), Oxfam India (www.oxfamindia.org), Intermon Oxfam (www.intermonoxfam.org), Oxfam Ireland (www.oxfamireland.org), Oxfam Italy (www.oxfamitalia.org), Oxfam Japan (www.oxfam.jp), Oxfam Mexico (www.oxfammexico.org) Oxfam New Zealand (www.oxfam.org.nz) Oxfam Novib (www.oxfamnovib.nl), Oxfam Quebec (www.oxfam.qc.ca)

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[i] Calculated based on data publicly available in the Land Matrix portal

[ii] Oxfam recognises the limitations of each of both databases. The World Governance Indicators are one of the best known indicators and heavily used in the development literature. A lack of transparency in the market makes it difficult to collate information on land deals. The Land Matrix is currently the the best publically available database. It has been criticised for relying on information reported in the media but Oxfam is confident the Matrix offers a good indication of the number and size of land deals taking place during the study period.

[iii] International Land Coalition, CIRAD (Centre de Coopération Internationale en Recherche Agronomique pour le Développement), CDE University of Bern, GIGA (German Institute for Global and Area Studies), and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) (http://landportal.info/landmatrix/get-the-idea#pages-partners)

iv http://landportal.info/landmatrix/get-the-detail#pages-methodology

v http://info.worldbank.org/governance/wgi/index.asp

[vi] Two of the Worldwide Governance Indicators - political stability and the absence of violence and government effectiveness were excluded from the analysis since there is no evident mechanism that would lead these aspects of governance to improve prospects for investors.

[vii] The area of land sold in Guatemala is calculated based on information in the Land Matrix: http://landportal.info/landmatrix. The land matrix reports 10 deals in Guatemala for the period 2000-2011. The Matrix provides information on the area of land in 9 of the 10 deals recorded – the average size of these land deals is 8,723 hectares. Based on this the total estimated area of land sold in Guatemala in this period is just over 87,000 ha.

[viii] Land rights and the rush for land: Anseeuw, Wily, Cotula and Taylor (2012)
[ix] World Bank Paper - Rising Global Interest in Farmland: Deininger, Byerlee, Lindsay, Norton, Selod and Stickler (2011)
[x] What drives the global land rush?: Arezki, Deininger and Selod (2011); Global Land Rush: Arezki, Deininger and Selod (2012)