Tenure Risk in Agricultural Investments

Lessons from Global Analysis and Implications for Due Diligence

Responsible Land Based Investments in the Agricultural Sector

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No such thing as a “clean concession” or “idle land”.
Insecure tenure represents a material financial and reputational risk.

93 to 99% of concession areas inhabited; no such thing as a "clean concession."

Source: The Munden Project, 2014

The financial costs of failing to account for the rights of communities can be significant; up to 29x baseline operating costs to abandonment of operations.


In analysis of 12 EMEs, 31% of total concession hectares sampled overlapped with demarcated local territories.

Source: The Munden Project, 2013

Concession areas are extensive:
- 40% of Peru
- 35% of Liberia
- 30% of Indonesia

Source: The Munden Project, 2014

### Graph:

- **X-axis**: Year (1897-2013)
- **Y-axis 1**: Number of cases
- **Y-axis 2**: Number of mobile cellular subscriptions (per 100 people)

**Legend:**
- Frequency of conflict
- Mobile cellular subscriptions (per 100 people)
Case analysis reveals drivers of tenure-related conflict.
Primary cause of dispute in agricultural investment is rarely compensation.

What are the primary causes of dispute?

- Displacement: 46%
- Destruction of the environment: 26%
- Shortage of resources: 12%
- Cultural infringement: 7%
- Compensation: 7%
- Other: 2%
Disputes around agricultural investments tend to start early in project life.

When do disputes start?

- Identification/Feasibility: 36%
- Preparation/Licensing: 19%
- Establishment: 22%
- Operation: 18%
- Expansion: 4%
- Decommissioning: 1%
Implications for Shaping Effective Due Diligence.

- Emphasize social acceptance and constant engagement
  - Identify local stakeholders and understand history of the land
  - Engage early, often, and transparently

- Prioritize and maintain high environmental standards
  - Mitigation of environmental damage must be incorporated at each stage of project life-cycle, especially related to water

- Identify and understand local livelihoods and capacity
  - Models that integrate substantial participation from local peoples can help balance investment returns with local demands
IAN Diligence

- UK DFID funded, investor-oriented, sector-specific guidance on how to identify and manage tenure risk from beginning to end of the project lifecycle

- Toolkits for agriculture, mining, hydropower, forestry and transportation infrastructure based on analysis of 362 cases of dispute between project developers and local people

FAQ and Analysis: Rationale for new approach to tenure diligence

Key Questions: How to gather information and make good decisions

Data Guide: Timelines with help for acquiring the right data and skills

Case Study Database: Complete details of each of our cases
**The Tenure Facility**

**Primary Function:** Funding to implement tenure reforms (mapping, registry, etc), also, accelerate learning, capacity building

**What Makes it Different:**
1. Independent, strategic, responsive, mid-size ($0.2 – 2 M)
2. Direct funding to IPs and local CSOs, engages private actors
3. Multi-stakeholder governance: rights-holders, governments, civil society, and investors (public and private)

**Currently Underway:**
1. 6 pilot projects, 4 in pipeline
2. Interim Board established in January 2016
Links to Materials

- IAN Risk
- IAN Diligence
- Interlaken Group - Land and Forest Rights Guide
- Tenure Facility
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