

Lessons and Best Practices

OECD-FAO Guidance for Responsible Agricultural Supply Chains





**LESSONS LEARNT AND BEST PRACTICES FOR
RESPONSIBLE AGRICULTURAL SUPPLY CHAINS**

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CHAINS

This document complements the OECD-FAO Guidance for Responsible Agricultural Supply Chains, hereafter ‘the Guidance’. It provides lessons learnt and best practices as well as complaints documented in agricultural supply chains. It is structured around the same sub-sections as the Model Enterprise Policy of the Guidance, i.e. Section 2 of the Guidance. While lessons learnt are increasingly documented, there are certain risks for which little experience has yet been reported. This document will be regularly updated based on new examples provided by the multi-stakeholder Advisory Group that led the consultation process for developing the Guidance.

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ABBREVIATIONS

CAO	Compliance Advisor Ombudsman of IFC and MIGA
ESIA	Environmental and Social Impact Assessment
ESHRIA	Environmental, Social and Human Rights Impact Assessment
FAO	Food and Agriculture Organization of the United Nations
IFC	International Finance Corporation
ILO	International Labour Organization
MIGA	Multilateral Investment Guarantee Agency
MNE	Multinational Enterprise
NCP	National Contact Point
NGO	Non-governmental Organisation
OECD	Organisation for Economic Co-operation and Development
OECD Guidelines	OECD Guidelines for Multinational Enterprises
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USD	United States Dollar
WB	World Bank

LESSONS LEARNT AND BEST PRACTICES

1. Cross-cutting elements

1.1 Information sharing

As indicated by the study of the World Bank (WB) the United Nations Conference on Trade and Development (UNCTAD) that analysed 39 large-scale agri-business investments in 2014, transparency and disclosure of information about investments is generally lacking. While the study shows some positive examples, this seems to be an area in which better practice is needed. In many cases, there was almost no information available to the public at large, other than a name listed on a government land registry website (WB and UNCTAD, 2014).

Information was particularly lacking with regard to the terms and process of land acquisition. There was typically insufficient information on who held rights to use the land and other natural resources, how those rights were obtained, and what the contractual rights and obligations of different parties were. While some governments sought to rectify this via the publication of information on concession/land registry websites, such information was often incomplete and inaccurate. Another key information gap was in the results of Environmental, Social and Human Rights Impact Assessment (ESHRIAs) and subsequent environmental management plans. Similarly, the conduct and outcomes of consultations with communities were rarely made public. Financial and operational information on the enterprises was scarce, in particular regarding taxes paid (WB and UNCTAD, 2014).

One relevant case brought to National Contact Points (NCPs)¹ can be mentioned. The French NCP considered a specific instance concerning foreign enterprises from France, Belgium and Luxembourg associated with a palm oil producer in Cameroun that allegedly contributed to negative impacts related to environment, labour and human right and sustainable development. The specific instance also alleged that the multinational enterprises failed to disclose company information.

In its public report, the NCP noted that the four companies targeted by the referral did not sufficiently adhere to the OECD Guidelines for Multinational Enterprises (OECD Guidelines) for disclosure, particularly non-financial information reporting. It noted that the activities of producers had led to several violations of the OECD Guidelines although there was some improvement (French NCP, 2013). The NCP took note that an agreement was reached to remedy the situation as the French parties (the multinational enterprise and the non-governmental organisation) accepted to enter into a mediation which resulted in an Action Plan to remedy and improve the conditions of workers and local populations (French NCP, 2014). In 2015, the NCP called all stakeholders to act responsibly for the success of the Action Plan and asked the Belgian and Luxembourg NCPs to offer dialogue to the other multinational enterprises concerned (French NCP, 2015). The Belgian NCP announced that the Belgian multinational enterprise had accepted to participate in a dialogue (Belgian NCP, 2015 and 2016). The French and Belgian NCPs continue to follow the case through regular and deep consultations.

¹ As of November 2015, 46 countries have adhered to the OECD Declaration on International Investment and Multinational Enterprises, including the OECD Guidelines for Multinational Enterprises that provide the most comprehensive set of government-backed recommendations on what constitutes responsible business conduct. Each Adherent must set up a NCP to further the effectiveness of the OECD Guidelines by undertaking promotional activities, handling inquiries, and contributing to the resolution of issues that arise relating to the implementation of the OECD Guidelines in specific instances.

1.2 Consultations

The WB and UNCTAD study offers valuable lessons and best practices on consultation processes. Although initial consultations were time consuming (in some cases 1-2 years) and expensive, particularly for new investments, they were a key step in developing a strong relationship with local communities. This generated more positive socioeconomic outcomes and was in the interests of investors because it contributed to financial and operational success, in particular by minimising the risk of land disputes that can lead to expending significant resources. Attempts to shortcut these processes led to negative long-term ramifications (WB and UNCTAD, 2014).

Comprehensive consultations with external stakeholders prior to the investment benefited both those impacted by the investment and the enterprise itself. Full and thorough consultation procedures should start with the assumption that all land is used in myriad ways. A key element of effective consultations was giving individuals and communities adequate time and opportunities to consider and articulate the various ways in which an area of land holds utility or meaning for them. Consultation processes needed to be tailored to the local context. There can be no one-size-fits-all model for consultations. Failure to recognise the unique nature of each community's modes of social organisation can be disruptive (WB and UNCTAD, 2014).

Consultations were most effective when the investor took primary responsibility for his conduct. It proved perilous to leave consultations to the host government, or for the investor to assume that the land acquired was being provided by the government without any land disputes. Similarly, it was unsatisfactory to outsource the consultation process to third parties such as land agents. Some countries have enacted legislation requiring government oversight of community consultations. This helped to ensure that investment projects supported national and local development goals (WB and UNCTAD, 2014).

Effective consultations involved all those potentially affected by an investment. Ensuring community interests are represented requires the involvement of state and non-state actors. The presence of trusted third parties, such as public-interest lawyers or non-governmental organisations (NGOs), helped to mitigate the power differentials between the negotiating parties and to promote more inclusive consultations and beneficial outcomes (WB and UNCTAD, 2014).

When enterprises have undertaken consultations with pastoralists, outcomes seem to have been positive. One investor agreed to develop pasture land for use by cattle owners as supplementary grazing during winter months. Another investor agreed to investigate the potential to use rice straw and husks, with additives, for use as animal feed to partly offset the reduced access to grazing land. Another dug canals and water sources for cattle. In other cases, enterprises and pastoralists agreed on open land corridors along water sources through which cattle are free to roam. Consultations also helped convince pastoralists of the positive impacts of the investment, such as job creation and national food production, and consequently generated a better relationship and willingness to work together (WB and UNCTAD, 2014).

Effective consultation mechanisms identified by the WB and UNCTAD study are those which were formalised, typically involving a community liaison committee in which the investor and the local community were represented. A palm oil investment had such a committee with representatives of various segments of the population (young, old, women, and so on) through which grievances could be raised. Meetings were agreed and minuted. One rubber producer also had a liaison committee in which the community, the investor, and local government were all represented (WB and UNCTAD, 2014).

Companies often underestimate the costs of conflict with affected communities, which results from a failure of adequate consultation. In particular, they may overlook the staff time required to address the conflict. One company had undertaken a systematic review of the potential costs of non-technical risks

connected to its various projects and estimated a value erosion of more than USD 6 billion over a two-year period, representing a double-digit percentage of its annual profits. If a mining project worth USD 3-5 billion suspends its operations because of conflict with the community, it would cost USD 20 million per week (Shift, 2014).

Several complaints have been raised on the lack of consultations, including through a specific instance addressed by the US NCP and through a complaint filed to the Compliance Advisor Ombudsman (CAO), an independent recourse mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

In 2012, the US NCP received a request for a review from NGOs alleging that an investor had been involved in the alleged forced eviction of villagers with no public consultation, environmental and social impact assessment nor settlement plan in the context of a sugar plantation and refinery. The NGOs contended that the investor, by virtue of its supply chain relationship with the plantation (namely, purchasing sugar produced at the plantation through a UK-based company) had an obligation to implement the OECD Guidelines. In 2013, as mediation attempts failed, the NCP recommended that the investor evaluate the issues raised by the NGOs and consider how to address them, in particular by conducting human rights due diligence, in line with the recommendations of the OECD Guidelines and the UN Guiding Principles on Business and Human Rights. Such a policy process was expected to include consultations with external stakeholders (US NCP, 2013).

In 2011, a complaint filed at the CAO raised concerns about forced evictions in a plantation area. Representatives of the affected communities claim that the evictions have negatively impacted their communities by displacing them from land and forcing them to forgo health, education, and livelihood opportunities. The complaint also voices broader concerns about the due diligence surrounding the project, including the lack of genuine or meaningful consultation around the evictions. The CAO initiated a mediation process which culminated in the parties signing a final agreement in May 2014 and agreeing to launch a joint programme of sustainable development aimed at benefiting the affected community. The investor agreed to expand its social responsibility investment programme to meet some of the specific needs of this community and to work closely with the co-operative and its members to build more solid and lasting mutually beneficial relations with the community (CAO, 2015).

1.3 Impact assessment

The WB and UNCTAD study offers valuable lessons and best practices. Impact assessments, which should be primarily the responsibility of enterprises, were too often ‘box-ticking’ exercises, not translated into management plans. Many of them were one-off assessments, not accompanied by a system of ongoing monitoring and adherence to recommendations for changes to operations. Some environmental management plans only existed on paper and were not authentic tools used to manage environmental impacts. In some cases, there was a stark divergence within the enterprise between head office policies and the actual on-site practices and situations. Many recommendations contained within impact assessments were ignored, to the detriment of the operations (WB and UNCTAD, 2014).

This same study underlines that environmental and social impact assessments (ESIAs) can involve more than one stage to avoid excessive costs and delays. An initial high-level screening can determine whether launching a formal assessment is needed and define the scope of issues to be covered in a more rigorous assessment. Some countries have implemented ‘strategic risk assessments’ in which environmental authorities conduct impact assessments in a region to identify areas suitable for agriculture (WB and UNCTAD, 2014).

A guide on investment contracts developed by the International Institute for Sustainable Development (IISD) highlights that the ESIA prepared by an enterprise should be verified by an independent consulting firm. It should establish a baseline of environmental and social conditions, based on independently verifiable data. In principle, an ESIA should take place before a contract is signed and implemented. The contract negotiations can then be adapted based on the findings of the ESIA. In practice, however, ESIA in developing countries are often done after the contract is signed but before the enterprise starts operations. To make ESIA more effective, the results and subsequent management plans must be incorporated as legally binding obligations in the contract or implemented through permits, approvals or licences under domestic law. The contract should contain a requirement for annual reporting on the implementation of the environmental and social management plans, with the reports to be made public and accessible to local communities (IISD, 2014).

The host country government should have the human resources and expertise necessary to assess factors such as the financial and technical capacity of enterprises and the suitability and viability of their business plans. As per the WB and UNCTAD study, when environmental impact assessments were conducted on the investor's behalf by host country governments or land agents, this led to poor outcomes. In some instances, land and concessions have been given away faster than the host government's ability to vet and monitor enterprises. Better outcomes were achieved for all when the host country was able to vet enterprises in advance. Moreover, the government must be able to monitor investments to see whether plans are being adhered to and commitments upheld (WB and UNCTAD, 2014).

1.4 Benefit sharing

Agriculture-specific experience accrued in relation to this standard specifically concerns the lack of sufficient benefit-sharing and the relevant form of benefit-sharing arrangements.

The French NCP considered that several foreign enterprises associated with a palm oil producer were not exercising all their possible influence on the producer who did not make sufficient efforts to observe the recommendations of the OECD Guidelines related to the environment, labour conditions, sustainable development, capacity-building and training of local communities. Nonetheless in June 2013, the NCP noted that the situation had evolved significantly since the case was raised late 2010, and that this held out prospects for enhancing the living conditions of the workers and the populations living adjacent to the plantations. The NCP welcomed the willingness of the French multinational enterprise to assume its responsibilities and use its influence on its trading partners (the producer but also towards the Belgian and Luxembourg multinational enterprises concerned by the case) to ensure the observance of the OECD Guidelines (French NCP, 2013).

Thanks to the good offices of the French NCP, the parties accepted to enter in mediation with the NCP. They jointly drew an Action Plan to be implemented by the producer to: improve working conditions; facilitate access to drinkable water, education and electricity for affected communities; support village plantations and harvesting; recruit local workers for its own plantations; and ease the dialogue with local communities to address land issues. The parties also agreed to report on the implementation of the Action Plan to the NCP and to select an independent organisation to monitor its implementation and ensure stakeholder involvement (French NCP, 2014). In 2015, faced to the freezing of the implementation of the Action Plan, the NCP called all stakeholders to act responsibly for the success of the Action Plan and ask the Belgian and Luxembourg NCPs to offer dialogue to the other multinational enterprises concerned (French NCP, 2015). In early 2016, the Belgian NCP announced that the Belgian multinational enterprise had accepted to enter in a dialogue (Belgium NCP, 2015 and 2016). The French and Belgian NCPs continue to follow the case through regular and deep consultations.

In the case of organic mango cultivation in Ghana, the outgrowers of a local enterprise are provided significant support to start mango cultivation. This was considered key in ensuring the local acceptance and support for the initiative, as well as allowing foreign enterprises to fulfil environmental and food safety requirements, since outgrowers actively contributed to fulfil these standards. In the case of sugar plantations in Zambia, a farmers operating as independent producers or contract farmers benefit through equity participation as the land is held by the company and through training, with the latter appearing as important to improve local livelihoods and economic returns (FAO, 2013a).

1.5 Grievance mechanisms

As indicated by CAO, good practice markers for enterprise-level grievance mechanisms include the following: set up these mechanisms early in the project cycle; involve the community in their design; ensure that they are accessible, cover a wide scope of issues and based on culturally appropriate procedures; incorporate a variety of grievance resolution approaches; identify a central point for co-ordination; maintain and publicise multiple access points; report back to the community; and use a grievance log to monitor cases and improve the mechanism. However, there is no ideal model or one-size-fits-all approach to grievance resolution. The best solutions to conflicts are generally achieved through mechanisms that take account of the specific issues, cultural context, local customs, and project conditions (CAO, 2008).

IFC and MIGA's Performance Standards and Guidance Notes propose the following measures to set up well-functioning grievance mechanisms:

- Establish a procedure for receiving, recording/documenting, and addressing complaints that is easily accessible, culturally appropriate, and understandable to affected communities;
- Inform the affected communities about the mechanism during the investor-community engagement process;
- Consider when and how to seek solutions to complaints in a collaborative manner with the involvement of the affected community;
- Ensure full participation of both genders and vulnerable groups and take into consideration customary and traditional methods of dispute resolution when designing the system;
- Assign consistent, experienced, and qualified personnel to receive and respond to grievances;
- Document grievances received and responses provided and report back to the community periodically (CAO, 2008).²

Several examples of weak grievance mechanisms can be cited. In the case of organic mango cultivation in Ghana, although the arrangement between foreign enterprises and outgrowers was highly inclusive, it lacked clear formal procedures for outgrowers to bring complaints to the investor's attention (FAO, 2013a). The Dutch NCP facilitated the conclusion of an agreement between NGOs and an investor for upgrading an existing grievance mechanism for temporary workers involved in corn detasseling in Argentina. The agreement intended to meet the recommendations of the OECD Guidelines regarding the legitimacy, accessibility, predictability, equitability, compatibility, and transparency of the enterprise-level grievance mechanism (Dutch NCP, 2011).

² Further guidance on designing and implementing grievance mechanisms can be found in CAO's Advisory Note (CAO, 2008).

2. Human rights

The following examples highlight the challenges related to human rights in several agribusiness investments. The Dutch NCP facilitated the conclusion of an agreement which included the adoption by the enterprise of a policy and due diligence procedure on human rights for corn detasseling in Argentina, involving temporary rural workers. The agreement included the development and monitoring of standards of business partners to respect human rights and the subjection of business partners to the investor's corrective measures, including contract termination in case of non-compliance (Dutch NCP, 2011).

The WB and UNCTAD study highlights issues related to gender discrimination in employment. Across 24 investments, around 35% of employees and only 1.5% of outgrowers were women. One cooperative member explained that this was due to obstacles women faced in owning or renting land in some places. At the highest levels of company management, women were almost completely absent, with an exception for administrative employees. Furthermore, where women were employed, almost 60% of them had casual, temporary, or seasonal jobs, against only less than 45% of men. Women were overrepresented in the worst paid and most insecure jobs (WB and UNCTAD, 2014).

Similarly, case studies from the United Republic of Tanzania, Ghana, Zambia, Ghana and Lao PDR have clearly shown that agricultural investments have clear differentiated implications on women and men in terms of employment, income generating opportunities and land access and use. The main lesson from these studies was that having a neutral gender approach is not sufficient to promote gender equality. Companies have to actively engage with a gender policy to ensure that women can equally benefit from the opportunities offered and not be the main losers. Partnerships with gender sensitive actors have shown positive results (FAO, 2013b).

Addressing the gender gap is critical to promote sustainable agriculture. The yield gap between men and women averages around 20-30%, and most research finds that the gap is due to differences in resource use. Women face almost everywhere more severe constraints than men in accessing productive resources, markets and services. They control less land than men and the land they control is often of poorer quality and their tenure is insecure. They own fewer of the working animals needed in farming. They also frequently do not control the income from the typically small animals they manage. Women farmers are less likely than men to use modern inputs. They use less credit and often do not control the credit they obtain. Finally, they have less education and more limited access to extension services (FAO, 2011).

3. Labour rights

Job creation was the most frequently cited benefit arising from the investments analysed in the WB and UNCTAD study. Indeed, enterprises in the sample employed around 40,000 people - an average of one job for every 20 hectares and roughly equally split between permanent and temporary or seasonal jobs - often in remote areas where formal employment had not existed previously. A formal job with enterprises was generally sought after and well regarded for several reasons, including greater work and income stability, an opportunity to shift from subsistence farming, and other employment benefits, such as medical services, food, accommodation, and trainings. For example, one palm oil producer established over 2,000 formal jobs in an isolated rural community in a post-conflict country. Perceptions of employment were, on balance, very positive with regard to both jobs created, associated pay and contractual conditions. Enterprises also indirectly contributed to employment opportunities by providing a stable market for outgrowers' produce. For example, the 11 enterprises with outgrower schemes helped to support the livelihoods of 150,000 contract farmers. The impact of such employment on food security, through increased rural incomes, was a commonly cited benefit arising from these investments (WB and UNCTAD, 2014).

However, in several cases, wages were below the acceptable living wage and employees needed to supplement their income with other work. Temporary or casual labour was frequent and there was often a gender imbalance in employment, with women often confined to the worst jobs (WB and UNCTAD, 2014).

A success story regarding decent work relates to a foreign equity corporation engaged in the production, processing and export trading of pineapple and banana. It employs a total of 328 female and 1,200 male workers, the large majority of which work full-time and are afforded the benefits mandated by national labour law. Many of them achieve earnings above the minimum wage. Almost all workers are from the local area, and family members of the landowners who have leased their land to the corporation are given priority in recruitment. Workers are encouraged to comply with high standards and ethical values are reiterated through weekly assemblies. An internal mechanism known as the Values Reconciliation Board has been established within the main offices of the company and in the plantations managed by the corporation. Through these boards, workers are invited to review management policies and practices and make the case for improvements (FAO, 2014).

The following complaints relate to child and forced labour in cotton production.³

- With regard to child labour, the German NCP received a request from NGOs alleging that an investor had suppliers employing children in cotton cultivation and had not taken adequate measures to counter the practice. Following the involvement of the NCP, the investor engaged to: actively combat child labour; undertake all reasonable measures within its sphere of influence to protect children and support them in their commencement of schooling and occupational life; further improve its existing programme to protect children and foster farm productivity, reporting periodically to the NCP and other interested stakeholders; and continue to pursue intensive contacts with the International Labour Organisation (ILO) to improve access to education in agricultural regions (German NCP, 2007);
- The UK NCP received an allegation from a NGO that an international investor had bought cotton allegedly produced through the systematic use of child and forced labour. It appointed an external conciliator-mediator (UK NCP, 2011a), and eventually parties agreed on a mutually acceptable solution through conciliation in 2011 (UK NCP, 2011b);
- A similar instance brought by the same NGO was addressed by the German NCP about a German multinational enterprise that had allegedly purchased cotton from state-owned companies using child labour. Parties issued a joint statement mediated by the NCP in which they agreed that the enterprise would do whatever it could in the course of its business activities when relevant opportunities arose or contact was made with relevant persons, to make clear its opposition to child labour and seek to ensure that cotton resulting from child labour was not purchased, as well as to provide internal training on risk management in the supply chain (German NCP, 2011);
- The French NCP also received an allegation related to child labour in the cotton industry which questioned supply chain due diligence towards business relations. Although in 2012 the NCP noted that the enterprise stated that it had not purchased cotton in this country over the last few years, it recommended implementing reasonable due diligence with trading partners. The NCP also referred to ILO Conventions No. 29, 105 and 182 and to related ILO reports and recommendations (French NCP, 2012).

³ More information on issues related to labour rights in the cotton sector can be found at <http://www.cottoncampaign.org/>.

4. Health

One successful experience as regards the health of members of local communities relates to sugarcane production. An IFC-financed project sought to expand sugarcane production and processing by an agro-energy complex. The complaint submitted to the CAO raised concerns related in particular to health impacts on the members of local communities, including Chronic Kidney Disease (CKD) and respiratory problems as a result of sugarcane burning. Independent studies to investigate the cause of CKD were undertaken, and efforts are being made to improve care and provide alternate livelihoods to those suffering from CKD. Based on the recommendations of studies, a programme aimed at reducing the risk of heat stress among workers was launched. An agreement closing out CAO's participation as a convener and mediator of the dialogue process on CKD was signed in June 2012. It provides details on the commitments made by the parties as a result of the dialogue process held since January 2009 and states their willingness to continue in a direct dialogue to keep finding solutions to this problem (CAO, 2014).

5. Food security and nutrition

The following two examples illustrate the positive and negative impacts that the operations of enterprises can have on food security and nutrition.

According to the WB and UNCTAD study, most large-scale enterprises contributed to food security mainly through direct employment and through outgrower schemes by providing a reliable market for the produce of outgrowers. Many employees stated their preferences for wages, as a more stable source of income, over subsistence farming. Outgrowers confirmed that enterprises made more reliable paymasters than itinerant middlemen, thereby indirectly supporting a more regular food supply. In addition, some enterprises provide free or subsidized food to employees, in the form of meals during the workday or grains for home consumption. Some estate-style investments also allow employees to grow food crops for domestic consumption on parts of the concession (WB and UNCTAD, 2014).

As per the same study, enterprises undermined food security mainly by reducing the access to natural resources, including land and water, by local communities. One local community complained that through resettlement, land holdings had been reduced from 2-15 acres to around 0.25 acres, which hindered its ability to produce and procure adequate food. Another frequent grievance was from communities, including pastoralists, whose access to natural resources was restricted once an investor demarcated its farming operations. In most cases, enterprises promoted the extensive cultivation of one or two crops, thereby increasing the vulnerability to pests, diseases, and commodity prices and potentially undermining local food security (WB and UNCTAD, 2014).

6. Tenure rights over and access to land and other natural resources

This section focuses mostly on land as most existing case studies focus on land, but some lessons learned on water management are also mentioned. The most prominent negative impacts of the investments studied by the WB and UNCTAD were disputes over access to land, such as conflicts between the formal rights provided to the investor by the government and the informal rights of existing land users. Such situations were at times exacerbated by a lack of clarity on the conditions and process for land acquisition, and further compounded in cases where enterprises were using only a small portion of their land allocation. Despite some positive examples, resettlement was seldom sufficiently consultative, inclusive, or adequately compensated. Involvement by local communities in decisions affecting them was deemed insufficient, and procedures to raise grievances or hold enterprises to account were commonly absent (WB and UNCTAD, 2014).

Several lessons on land tenure rights can be taken from the following case studies, related to the need for: ensuring that the process of land allocation respects existing land tenure rights and that allocated land is properly used; considering alternatives to land acquisitions; involving potentially affected stakeholders; and providing adequate compensation. In addition, several major food and beverage companies have recently committed to zero tolerance for land displacements of any legitimate tenure rights; they may have good practices to share in the near future.

As regards land allocation, in 2012-13, the French NCP provided its good offices in a specific instance concerning foreign enterprises associated with a palm oil producer whose concession spread over land used by local communities and indigenous pygmy groups. The NCP noted that the development of the producer's activities had not sufficiently respected the rights of the local communities as outlined in UN conventions, particularly in relation to indigenous pygmy groups. One enterprise explained that contact had been made with indigenous pygmy groups to ensure that their hunting grounds were respected (French NCP, 2013). One objective of the roadmap negotiated under the mediation of the NCP in 2013-14 is to reduce land conflicts by renewing the dialogue between the producer and neighbouring residents, clarifying the exact boundaries of the land area granted to the producer, and providing fairer compensation to neighbouring residents for the loss of access to some of the land (French NCP, 2014).

Land acquisition in excess of that actually used by enterprises may undermine food security and lead to conflicts with communities wishing to return to and use unused lands. In the case of an agricultural investment project in Zambia, it is reported that enterprises were not using the land allocated to the project to its full potential after many years since project inception. The acquisition of land in excess of the needs of the investment raised questions related to the opportunity cost of large land leases and increased the risks of local conflict in light of the growing scarcity of valuable land (FAO, 2013a).

With regard to alternatives to land acquisitions, contract farming, outgrower schemes, and joint ventures can offer enterprises as much security of supply as direct production, spread the risks between enterprises and smallholders, and reduce transaction costs. Some large investments have managed to achieve broad-based benefits by developing such partnerships and formulating innovative schemes for sharing both risks and rewards. No single model emerges as the best possible option and investments may involve a combination of various models. The success of a specific model depends on its capacity to meet a set of context-specific requirements, and is contingent on tenure, culture, history, and biophysical, social and demographic considerations (FAO, 2010; IIED, 2010). Here below are three examples of such models:

- In Zambia, providing farmers with an equity stake in a sugar plantation was not only profitable for the investor but also for outgrowers by creating additional income opportunities. The higher business risks of this arrangement were addressed through crop insurance, while transactions costs associated with dealing with a large number of farmers were reduced by avoiding the geographical dispersion of outgrowers. This scheme resulted in higher levels of contractual compliance among outgrowers. A succession clause was also established so that women could inherit the contract held by their spouse, leading to a substantial increase of women participation in the contract farming scheme (FAO, 2013a);
- In Indonesia, an investor set up a farmers' development programme to encourage Javanese smallholders to grow black soybean. The investor's processing factory committed to buying all production supplied by the co-operatives that met its quality standards, at a price based on the market price and agreed annually, before the crop is planted. Contracting farmers reached bean yields of 1 to 2 tonnes per hectare, while untrained farmers typically reached 0.7 tonnes. In 2010, the programme involved the participation of some 7,000 smallholders, who grow approximately 30% of the black soybeans used to produce the investor's brand, and farmers' incomes had increased by approximately 10-15% since 2000 (OECD, 2012);

- A business model used for investments in jatropha cultivation in Mali and Tanzania heavily relies on outgrowers and expands production to marginal areas or field bounds where the crop has traditionally been grown, showing that supply can be expanded without large-scale land acquisition or replacing traditional cultivation patterns. This business model drew on women as collectors, thus providing them with cash to improve their livelihood, and allowed them to use by-products (glycerol for soap and press cake for fertiliser) (FAO, 2010).

However, enterprises should carefully consider the risks of such schemes when designing them as some of these schemes have been criticised for: the unequal power relationship with farmers to whom are passed on production risks; specialisation and unsustainable agricultural practices; the exclusion of subsistence farmers and women; risks of indebtedness; and unclear pricing arrangements.

With regard to the involvement of affected stakeholders, case studies related to agricultural investment in Africa indicate that the complete identification of right holders can effectively prevent risks and help avoid local resistance to the investment, contestations of land ownership and use, and possibly even sabotage. The risks of conflict and contestation, including encroachment and litigation, grow if enterprises make deals only with customary chiefs that do not represent all affected communities (FAO, 2013a). Experience also suggests that investment viability is enhanced if: (i) the groups likely to be affected by the project are involved in a meaningful way with adequate representation and consultation, including in project design; (ii) the selection of project areas builds on participatory land use planning at local level; and (iii) there is continuous dialogue and monitoring to ensure that agreements are enforced (FAO, 2010).

The lack of adequate compensation was considered by the German NCP in relation to allegations of forced expulsion of local communities by the military prior to the establishment of a coffee plantation by the subsidiary of a multinational enterprise. Allegations also related to the lack of willingness on the part of the enterprise, as the beneficiary of the resettlement, to engage in dialogue and exert influence on the host country government. In 2011, the NCP concluded that there were indications that the enterprise could believe in good faith that it had acquired the land for use as plantation from the Investment Authority free of encumbrances and claims of third parties. However, the NCP underlined that parties should work together to strengthen trust between the plantation and those affected towards an amicable settlement (German NCP, 2009).

Secure access to water is as critical as access to land when it comes to agricultural production. In this regard, lessons can be learned from the WB and UNCTAD study. The administration of water extraction rights differs widely. In around half of the investments, the water use and extraction of the investor was totally unregulated. A more positive example is countries which require an environmental impact assessment before providing water extraction rights. Even where there is a well-established water act that includes monitoring reporting systems, the capacity of authorities to implement and enforce requirements may not be sufficient. Where enterprises had to apply for water rights or adhere to water extraction limits, these were often only enforced at the stage of project approval and the adherence to agreements was not monitored (WB and UNCTAD, 2014).

7. Animal welfare

Welfare risks may be mitigated through various actions, including: increasing the space allowance per animal (e.g., individual to group housing, decreasing group stocking density); providing environmental enrichment (e.g., straw for pigs to manipulate, nest boxes for hens) to stimulate positive emotional states; adding bulk to high energy diets to help satisfy appetite; minimising the pain from invasive husbandry procedures (e.g., using low-pain methods or analgesics); include welfare traits (e.g., less aggressive or fearful animals) into production-oriented genetic selection; and increasing the monitoring of animals by

well-informed stockpersons using direct and/or electronic observation to aid in the early detection and alleviation of health and welfare problems (IFC, 2014).

Non-profit institutions have developed third-party certification and labelling schemes to address these risks. They include Certified Humane (UK, Spain, France, and Portugal), Label Rouge (France), the Royal Society for the Prevention of Cruelty to Animals' Freedom Farmed, Animal Welfare Approved, and the Global Animal Partnership 5-Step Programme (UK).

As illustrated by the following examples, promoting animal welfare may decrease production costs and improve profits:

- Positive features of livestock production systems include good animal nutrition, feed conversion efficiency, health management and environmental control, control over reproduction, genetic selection of better performing animals, and consistency of product quality and delivery to the market place. Taken together, these attributes usually decrease production costs, generate regular cash flow, and offer a reasonable return on investment (IFC, 2014). Some of these features, such as good nutrition and health management, contribute to animal welfare;
- Poor transportation of broilers can result in bruised meat with a higher pH value that may be considered unfit for human consumption. An IFC client upgraded the practices of the catching team through training. The team modified the catching system by placing birds into containers with both hands rather than throwing them. The transport crates were changed from wire to plastic crates and birds shaded from the sun. The unloading system was modified to stop birds being 'dumped' from a height onto the intake belt at the slaughterhouse. As a result, downgrades dropped by 8%, resulting in a gain of USD 320,000 per year (IFC, 2006);
- The broiler industry in Thailand adopted stringent welfare standards, which has allowed access to affluent markets such as Japan and the European Union. Similarly, the Namibian beef industry is subject to a national assurance scheme addressing animal health and welfare, transport and handling, and slaughter. This has allowed the industry to export over 80% of its production and to become the largest African beef exporter to the United Kingdom (IFC, 2006).

8. Environmental protection and sustainable use of natural resources

As highlighted by the WB and UNCTAD study, while most enterprises had taken some measures to mitigate the negative environmental impacts of their operations, the conduct of environmental impact assessments, their translation into environmental plans, and the monitoring of those plans all required improvement. For instance, the full environmental impact of many operations was not known and consequently efforts to mitigate negative environmental impacts were generally deficient. In most cases, the monitoring and enforcement of water contamination was cursory (WB and UNCTAD, 2014). In Mozambique, although some enterprises involved in biofuel production had held consultations with communities to obtain access to a local forest in exchange for significant job creation opportunities, no mechanisms existed for communities to hold the investor accountable for environmental degradation resulting from depleted forest and water sources (FAO, 2010).

Some positive examples can also be cited. In the WB and UNCTAD study, an external consultant undertook the sampling and monitoring of water quality in waterways around one of the investments and the results were submitted to relevant government departments. The sampling and monitoring of effluent discharge water quality were also undertaken and the results submitted to environmental authorities every month. There were also examples of uncovering unacceptable practices and providing remedy. For example, at one investment site, the enforcement officers of the environmental authority found that

partially treated effluent had leaked from anaerobic ponds into the river, which had a negative impact on local communities living along the river. The investor was instructed to provide remedy which included the construction of a gabion retaining wall around treatment ponds and the submission of progress reports on this work to the environment authority (WB and UNCTAD, 2014).

In 2011, the French NCP provided its good offices in a specific instance concerning foreign investors associated with a palm oil producer that allegedly diminished the availability of natural resources, did not adequately treat water and prevent air pollution, and failed to prevent negative environmental impacts. The NCP considered that the investors were not exercising all possible influence on their trading partners, even if they had taken positive steps towards improving the producer's environmental performance, including by supporting the producer in proceeding with international certification. Following the involvement of the NCP, the parties involved jointly drew a roadmap to be implemented by the producer to prevent pollution, collaborate with local authorities in detecting pollution-related illnesses and compensate affected communities for medical expenses (French NCP, 2013).

Examples of the sustainable use of natural resources can also be drawn from the work undertaken by the Global Agenda for Sustainable Livestock that aims at closing the efficiency gap in natural resource use and at reducing waste in the livestock sector.⁴

9. Technology and innovation

The WB and UNCTAD study provides best practices related to technology transfer. The types of technology transfer identified in the study include: technical advice on growing practices, disease minimisation, and land preparation; demonstration plots; irrigation scheme development and maintenance; provision of improved seeds; and business trainings to smallholders on budget and cash flow management (WB and UNCTAD, 2014). Here below are three specific examples of successful technology transfers:

- One investor developed a contract farming system whereby it supplied improved rice seeds and provided technical trainings to farmers' groups. Extension staff visited farmers during the growing season and provided advice on how to address any problems observed. This resulted in increased yields of contract farmers. Farmers retained part of the harvest for their own consumption and sold the remaining part to the investor. The investor agreed to buy all the production from farmers at market prices and provided a guaranteed minimum price. The rice of contract farmers was milled at the investor's rice mill and the final product sold on the national market (about 80%) or exported (WB and UNCTAD, 2014);
- One investor was operating in an area identified by the government as a 'development corridor', which required investors to transfer skills. The investor introduced a scheme to improve rice yields of farmers living in villages close to its farm. It provided seeds, fertilisers, and mechanical weeders to each demonstration plot. Farmers were trained to eliminate bad seeds, plant seeds on a grid, space the seedlings to improve productivity, and use mechanical weeders. Once farmers had been involved in the scheme for over a year, they could enter the second phase through which the investor helped them to obtain loans from a microfinance institution and acted as guarantor. The microfinance institution provided business development trainings. This system succeeded in quadrupling yields. The project is being scaled up and today, the system operates in 10 villages with 56 demonstration plots and around 1,300 farmers (WB and UNCTAD, 2014);
- An international potato chip producer could not procure enough potatoes of suitable quality to use its local processing capacity. It partnered with the National Agricultural Research Institute to identify,

⁴ For further information, see <http://www.livestockdialogue.org/>.

develop, and distribute potato varieties with required processing qualities. The Institute helped farmers adopt new varieties, grow them with appropriate management practices, and increase productivity and output. The partnership was eventually formalised into an agreement and received public funding (WB, 2012).

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This document complements the OECD-FAO Guidance for Responsible Agricultural Supply Chains. It provides lessons learnt and best practices as well as complaints documented in agricultural supply chains.

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