LAND AND POVERTY THROUGH THE PRISM OF THE NORWEGIAN INVESTMENT FUND FOR DEVELOPING COUNTRIES

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Abstract

This paper focuses on the Norwegian Investment Fund for Developing Countries and its investments in the agribusiness sector in the United Republic of Tanzania. The paper is based on the preliminary findings of my fieldwork research in Norway. Thus, it briefly presents the Fund, the investment and the concerns raised in relation to it (in terms of land governance, development outcomes, poverty alleviation and food security). This paper seeks to contribute to a better understanding and open a space for dialogue on the role played by Development Finance Institutions in land governance and poverty alleviation.

The paper is particularly relevant to two of the ten themes of the conference (1 and 10):

- New academic research on the impact of land tenure security for sustainable development, equity and prosperity, (results and their policy relevance; new research methodologies);
- Achieving responsible large-scale land based investments: lessons learned 10 years on.

Key Words:

Agribusiness investments, Food Security, Land governance, Norfund, Tanzania

In recent years, the adoption of the 2030 Agenda and the Addis Ababa Action Agenda on Financing for Development has gradually encouraged global reliance on the private sector to contribute to the achievement of the Sustainable Development Goals.[1] In addition, the international community has gradually focused on establishing the private sector as 'active partner in eradicating extreme poverty by placing emphasis on private sector investments in supporting and creating inclusive growth and sustainable development'[2]. Henceforth, the role of Development Finance Institutions (DFIs) in developing countries has become increasingly more important and seen as invaluable by governments to bridge traditional development aid with private investments.

DFIs are state-owned risk capital investment funds with an official mandate from the government to promote job creation and foster sustainable growth in low and middle-income countries.[3] Investing in low and middle-income countries is considered to be risky, since those types of countries oftentimes present particular challenges and obstacles to doing business (among other things, ace to finance, access to land, business and licensing permits, corruption, political instability, lack of infrastructures, transportation, electricity,etc.).[4] Historically, this has meant that developing countries have attracted few private sector investments. As a result, developing countries suffer from a lack of both public and private sector investment. Yet, private sector growth is essential for economic growth. In this context, it is unsurprising that DFIs are considered to be having a particularly important role to play in boosting supply and securing access to capital for the private sector.

[1] Sony Kapoor, 'Winter is coming: The perfect storm that now confronts institutional investors and what they should do about it' (September 2016, Re-Define).

[2] FIVAS, Investments to support sustainable development, A comparative study of how the Nordic Development Finance Institutions work with development impact in the context of the Sustainable Development Goals (2016). www.forumfor.no/assets/docs/Rapport-DFI-Investments-in-sustainable-development.pdf

[3] They come in different shapes and sizes. They can be bilateral (Norfund, CDC, Bio, Cofides, Finnfund, FMO, Proparco, SIFEM) or multilateral, they can work at regional (EBRD, EIB) and at global level (that's the case of the International Finance Institution "IFC").

[4] African Development Bank, Independent Development Evaluation, Norad, 'Towards Private Sector Led Growth: Lessons of Experience — Evaluation Synthesis Report' (October 2016), p.34. www.idev.afdb.org/sites/default/files/documents/files/IDEV%2C%20PSD%20Report%20EN_WEB_.PDF

Since DFIs effectively act as catalysts for private capital investment, in developing countries, they are perceived as a practical way to stand and fill in the gaping hole resulting from public and private sector divestment, as well as foreign development aid and direct investments divestment.

Over the past few years and despite long-lasting good returns on their investment, Western banks have been pulling out from developing countries and bank-lending has been contracting. This means that the poorest countries have been falling outside the global flows of foreign direct investments. This is a serious concern and one that has attracted more and more attention from the international community lately.

Understandably, in this choked up environment, DFIs represent an important vehicle for change and their intervention, through financing of and investing in profitable private sector enterprises, can play a decisive role in promoting social, environmental and economic sustainable development. Thus, many countries support development through the creation of investment funds. Among them is Norway.

In a recent address in Bergen, Minister of International Development Nikolai Astrup said that the 2030 Agenda is a strategic priority for Norway and that whilst 'meeting all 17 SDGs by 2030 will be a huge challenge'; it offers 'great opportunities – for new partnerships, new businesses, new policies, and new knowledge.[5] He went on to say that in countries with 'the right policies, the private sector is a driving force for economic development'. Accordingly, he sees Norway's development finance institution as its 'most important instrument for supporting the private sector in (…) partner countries'.

The Norwegian Investment Fund for Developing Countries ("Norfund") was established by the Norwegian parliament ("Storting") in 1997 as a state-owned and state-funded investment company.[6] The Fund was set up to facilitate capital investment injection in companies and financial institutions and act as a catalyst by mobilising capital from other investors, both in Norway and abroad. Norfund is therefore set up to serve as an instrument for Public Private Partnerships.

Whilst the potential positive snowballing impact of DFIs is thrilling, it is also important to take stock of the fact that through financing and investing in private sector enterprises that are not quite right or best suited

[5] Astrup, N. (2018, February 9). Minister of International Development Nikolai Astrup's address at the conference on Sustainable Development Goals in Bergen "Knowledge for our common future. Norwegian Universities and the Sustainable Development Goals". [Transcript]. Retrieved from: https://www.regjeringen.no/en/aktuelt/address_sdg/id2589275/

[6] Act N.26 of May 1997: Act relating to the Norwegian Investment Fund for Developing Countries.
http://www.norfund.no/getfile.php/134377/Dokumenter/Norfund%20Act%20%28ID%20144939%29.pdf

to the environment and needs of the developing country being invested in, DFIs can also play a decisive role in hindering social, environmental and economic development. Accordingly, DFIs themselves are at risk of promoting and fostering unsustainable development bubbles in the countries where they wish to intervene.

Similarly, to its fellow DFIs, Norfund aims to combat poverty through private sector development and contribute to economic development in poor countries through the development of profitable (financially viable) enterprises in the fields of clean energy, the financial sector and agribusiness as well as the transfer of knowledge and technology. According to its mandate, Norfund aims to foster inclusive and sustainable growth and development through its investments. Norfund is currently invested in several agribusinesses in West, East and Southern Africa (Ghana, Tanzania, DRC, Zimbabwe, Uganda, Mozambique, South Africa and Zambia,) where all its food and agribusiness investments are located.

This paper focuses on Norfund's investments in the agribusiness sector in the United Republic of Tanzania and discusses their development outcome, impacts on land tenure security, poverty alleviation and food security. The initial findings, based on my fieldwork research in Norway seek to contribute to a better understanding and open a space for dialogue on the role played by DFIs in land governance and poverty alleviation.

Agrica and Africado were singled out for this project, because they both produce food crops, and adopted different selling strategies (selling abroad and selling on the domestic market).

Agrica is a 5,000 hectare rice and maize farm. Mngeta Farm is located in the Kilombero Valley (Morogoro). The project is expected to produce more than 20,000 tons of rice per year and 30 000 tons of maize, which would represent a significant increase in security of food supply for Tanzania. The farm also trained 5,000 farmers in rice intensification, with the aim of achieving higher yield. According to the investors, only surpluses are destined for export. Thus, it focuses on increasing the volume of food supply in Tanzania (national food security), for urban and middle/higher class consumers (rice being an expensive grain to purchase for poorer people).

Africado is a medium-sized enterprise that grows avocados for export on the European market. It comprises a central plantation and a farmer out-grower scheme (contract farming). Located in Sanya Juu (Kilimanjaro region, Northern Tanzania, near Arusha and the border with Kenya), an area previously dominated by coffee-growing, Africado's broader-based industrial model was engineered as a coping strategy to contribute to reducing the vulnerability of coffee-growing farmers affected by the global fluctuations in coffee prices. The company is now the largest fruit exporter in the country. It produces food for export (mainly to EU countries: Belgium, France, Great Britain, Netherlands; and Kenya), so it focuses on enhancing food security abroad. Its contribution is to generate export sales revenues to Tanzania, and contribute to the country's poverty alleviation strategy. The two investments' contribution to food security and poverty alleviation therefore differs greatly.

Food security, as defined in the 1994 UNDP Report 'requires not just enough food to go round', but it also requires that people have 'ready access to food – that they have an "entitlement" to food, by growing it for themselves, by buying it, or by taking advantage of a public food distribution system'.[7] The issue of securing access to food has later been further refined by former UN Special Rapporteur on the Right to food, Olivier De Schutter. For De Schutter, individuals can secure access to food through: employment, social transfers, or by producing their own food. He dubbed this the "three channels of food accessibility". De Schutter's concept acknowledges the fact that people need not necessarily produce their own food to secure access to food and that employment within the capitalist system, and the receipt of a wage can enable people to buy the food they need.

In both cases, it would seem that the investors assume that their investments through the provision of work and the creation of jobs (employment), naturally lead to a shift from subsistence to capitalism. The assumption that stakeholders are or would eventually be able to make the transition from the subsistence system of food production to the capitalist system of food consumption is not evidenced by the initial findings. Neither is the assumption that the number, type of paid employment and the wage provided by the agribusiness project are sufficient for employees to buy sufficient food, and to replace their subsistence farming based livelihood.[8]

Both chosen investments make this assumption. The former endeavours to improve food security through increasing the volume and security of food supply (production). The latter endeavours to improve security through the cultivation of crops that are less prone to price fluctuations on international markets, the provision of work and the creation of jobs (employment).

[7] UNDP, Human Development Report (1994).
http://hdr.undp.org/sites/default/files/reports/255/hdr_1994_en_complete_nostats.pdf

[8] Oakland Institute, 'Irresponsible Investment: Agrica's Broken Development Model in Tanzania' https://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_Report_Irresponsible_Investment.pdf

Employment is one way of reducing the potential adverse impacts of taking over someone's land, but all investments are not created equal…

The presentation will include specific examples of impacts on land tenure, poverty alleviation and food security and present the latest development outcomes, debates and controversies surrounding the investments.

- Land governance
- Land tenure issues
- Norfund's development mandate and poverty alleviation
- Inclusivity: KPL's Outgrower scheme and the 'rhetoric of inclusion'
- Employment opportunities
- Food security: What dimensions are being targeted? How?
- From projected Development Effects to Development Impacts
- Norfund's Risk perception

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