



Improving the positive impacts of investments on smallholder livelihoods and the landscapes they live in

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“Secure tenure is fundamental to recognizing existing long-term relationships between families, indigenous peoples and other communities and their forests”

deMarsh et al. (2014)

Cover picture

More than three quarters of the world's food is produced by smallholder farmers, and who also act as guardians, helping to conserve the landscapes they live in, and depend on. And they could produce much more, if only they could attract investment...

Credit: Opmeer Reports



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1 | Introduction

Aims of the paper

This working paper is aimed at impact investors, and presents key pointers or core guidance that have been drawn from international standards, principles and case studies, that follow. It provides solid and evidence-based examples of how investors can work with smallholders and promote better land governance and livelihoods. International guidelines provide the bottom line, and case studies provide examples of projects, business models and investment funds that are implementing and/or financing alternative and innovative land related business models with smallholders and local communities.

***"We need to move from a
'do no harm' towards
a 'do good' approach"***

By following some of the guidance in this report, investors can make efforts to enable smallholder livelihoods to be improved, as well as the landscape in which they live. In doing so, the aim is that risks are mitigated, but that they will also be shared fairly between the inves-

tor, smallholders and other stakeholders. Value chains should also be strengthened, thanks to increased yields resulting from improvements in smallholder productivity, resulting from their improved access to farm inputs and services (tools and training, seeds, fertilizer, etc.).

Alternative and innovative land related activities with smallholder farmers and local communities can be successful, and have positive social and environmental impact. Investment cases in this discussion paper show key design features of investment projects, and lessons and benefits for the partners involved. Each also illustrates one of the key pointers that are critical components of a successful approach in working commercially with smallholders while improving their livelihoods and land tenure security.

This working paper was developed by four organizations; Tropenbos International, FMO – the Dutch Development Bank, Hivos International and KIT - the Royal Tropical Institute, following a two-year exploration of alternative tenure arrangements and inclusive business models with a particular focus on improving smallholder livelihoods and tenure security. They looked at a range of projects and funds that are implementing and financing alternative and innovative land related business models that connect small-scale farmers and large-scale actors in the agricultural sector.

Defining terms

"Impact investments are investments made to companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return." (Global Impact Investing Network).

Land governance concerns the rules, processes and structures through which decisions are made about access to land and its use, the manner in which the decisions are implemented and enforced, the way that competing interests in land are managed" (Palmer et al. 2009).

Tenure systems define and regulate how people, communities and others gain access to natural resources, whether through formal law or informal arrangements. The rules of tenure determine who can use which resources, for how

long, and under what conditions. They may be based on written policies and laws, as well as on unwritten customs and practices" (FAO 2012).

Property rights can be presented as: (FAO 2002)

- Use rights: to use the land for grazing, growing subsistence crops, gathering minor forestry products, etc.
- Control rights: to make decisions about how the land should be used including deciding what crops should be planted, and who should benefit financially from the sale of crops, etc.
- Transfer rights: to sell or mortgage the land, to convey the land to others through intra-community reallocations, to transmit the land to heirs through inheritance, and to reallocate use and control rights.

Smallholders are small-scale farmers, pastoralists, forest keepers, fishers who manage areas ranging from less than one hectare to 10 hectares. Smallholders are characterized by family-focused motives such as favouring the stability of the farm household system, using mainly family labour for production and using part of the produce for family consumption. Smallholders are often organised in indigenous peoples and local community organizations; tree-grower and agroforestry associations; forest owner associations; produce cooperatives and companies; and their umbrella groups and federations." (FAO, 2012).

"The largest private sector in the work in the world is probably the aggregate total of all smallholder producers."

Pasiecznik et al., 2015

It provides suggestions based on international guidelines for investments and case studies on alternative tenure and business models that directly contribute to the improvement of livelihoods and land use security and control of smallholders and local communities. The objective is to stimulate debate on how to improve positive impacts from investments on smallholder livelihoods. This guide is, however, considered as 'working document' (version 1.0) as it is work in progress. It will be shared and discussed first with those involved in the multi-stakeholder dialogue in the Netherlands (see below), and subsequently with international stakeholders during a conference to be held in 2018. Following the incorporation of feedback, this will finally lead to a working document 2.0.

"The focus is on social and land related aspects of investments"

The Land Governance Multi-Stakeholder Dialogue

In the Netherlands, the Ministry of Foreign Affairs, companies, financial institutions, civil society organizations, NGOs and knowledge institutes, have repeatedly expressed their ambitions of contributing to land governance improvements. This resulted in the Dutch Land Governance Multi-Stakeholder Dialogue (LG MSD) to promote practical applications and monitoring their impact. The Dutch government, private sector, NGOs and civil society are all working together to find solutions.

Summary of key pointers

These are divided into three: (1) Recognize rights, (2) Effectively engage, and (3) Think 'landscapes', with two overarching needs, to respect international treaties, and carry out impact assessments.

1

Recognize rights

- Understand laws and customary practices
- Acknowledge local values
- Identify who the right holders are
- Consult with public institutions
- Identify community needs
- Is there 'good enough tenure'?
- Consider 'fit for purpose' approaches
- Avoid land transfer if possible
- The need for transparency
- Leave land for food production



2

Effectively engage

"Listen, and learn..."

- Start with 'good faith-building' meetings
- Understand community diversity
- Engagement means respect
- Invest in trust, invest in time

"Work with communities"

- Focus on disadvantaged groups
- Help communities establish legal entities
- Help improve smallholder profitability
- Make the benefits clear and long term
- Set up grievance mechanisms

"Work with everyone"

- View all stakeholders as potential partners
- Involve government services
- Talk with civil society
- Link with development organizations

"Think long term..."

- Build the best of both worlds
- Support smallholder certification
- Consider public-private partnerships

3

Think 'landscapes'

- Understand the broader landscape
- Conduct 'participatory landscape mapping'
- Understand territorial planning
- Establish environmental objectives
- Encourage diversification in production
- Food security first
- Explore alternative tenure arrangements



2 | Working with smallholders

Smallholders as shareholders

Working with smallholders and local communities is increasingly seen as an opportunity instead of a challenge, but this requires a shift in skills and mind-set by investors, and how they do business, perceive risk and 'engage'. Working with smallholders has very many advantages. The first, of course, is that investors do not need to organize or employ staff – and the smallholders will do what they do best – grow crops. And issues of scale are easily reached if investors think big – even if they only farm one hectare each, 1000 smallholders x 1 hectare = 1 x 1000 ha investment.



A force to be reckoned with. Together, millions of smallholder farmers produce three quarters of all the world's food.

Improving land governance has become an increasingly major issue in international policy making in recent years, including the development of standards for investors and nation-states. These standards now set the norm regarding respect for land tenure and the rights of local stakeholders; in developing countries, this often means rural communities and smallholder farmers. But, full participation of smallholders implies shared responsibility, joint investment, shared benefits, and transparency regarding the social and economic gains, including the strengthening of smallholder land rights, tenure and governance.

Many smallholders are organized into forest and farm producer groups, include women and men, smallholder families, indigenous peoples and local communities. They have strong relationships with land and their surrounding environment. Smallholders and communities own, use and manage a significant share of the world's

agricultural lands and forests. Their livelihoods largely depend on the resources given by the land, in terms of food and nutrition security, energy supply, income and employment. And importantly and often overlooked, the Food and Agriculture Organization of the United Nations estimates that smallholders actually provide up to 80% of the food supply in Asia and sub-Saharan Africa. Increasingly, reports point to smallholder farms being more effective than large mechanized farms in helping developing country governments reach their development goals.

Moving from 'do no harm' to 'do good'

Investment decisions from the financial sector are mainly based on international guidelines, standards and principles (see Section 3) based on a risk mitigation 'do no harm' approach that aims to minimize adverse impacts. But there is a growing number of financial institutions and businesses that want to do more, and make positive impacts on local communities using a 'do good' approach, and are looking for alternative tenure and business models that improve livelihoods and respect tenure rights. Such an approach embraces local communities as equal partners with whom to make long term, equitable and secure business contractual arrangements.

In a 'do no harm' approach, investors may still see smallholders and local communities as a challenge. But in a 'do good' approach, working with smallholders and local communities can present an opportunity. Investors may work as development partners for both local land rights holders and relevant levels of government. As such, impacts on food and fuel security, livelihoods, income and employment will be pro-actively taken into account at an early stage.

Working with communities on reciprocal terms is an effective strategy to mitigate risk and protect investments.



Smallholder participation as shareholders in investment projects, and the equitable sharing of risks and benefits, should lead to more trusting relationships, joint responsibility and decision making over land use and ownership. Investments that aim to 'do good' are more likely to have positive social, economic and environmental impacts on smallholders, and are characterized by good environmental and non-discriminatory social practices. Compared to traditional investment and business models, the involvement of smallholders is crucial. The objective should be to find arrangements for working profitably and credibly with smallholders in ways that improve livelihoods and land use, and can help to provide long term security and benefits for smallholders and other local stakeholders. Smallholder autonomy should be enhanced by embedded participation in different decision making levels, and working with communities on reciprocal terms is an effective strategy to mitigate risk and protect investments.

Overcoming 'rights' issues

Smallholders often do not have formal land titles, and their rights to access, control and use of land are often insecure, unclear or not respected. This is due to opaque, overlapping or conflicting (customary and formal) tenure regimes as well as illegal and/or illegitimate occupation. Land used by smallholders can be encroached upon by large-scale developments in farming, forestry or mining, urbanisation and infrastructure development. Procedures and standards designed to protect smallholders are not always implemented, which can lead to loss of land, violations of human rights and/or loss of livelihood security.

In forestry and agriculture, investments are often accompanied by the securing of formal rights of ownership or access to land. But frequently, insufficient attention is paid to situations where local land (use) rights are not clear, not secure, or not recognized. In such cases, working with smallholders may be seen as an obstacle, rather than an opportunity. There is also risk-based reasoning for some investors to show reluctance to working with smallholders. This may be based on perceived perceptions of increased risk due to low productivity per unit area, and high transaction costs incurred when working with such large numbers of individuals. Other issues may include difficulties in reaching scale, and ensuring risk-adjusted returns on investments and sufficient revenue for the company.

Helping smallholders to obtain formal land title and helping governments to set up a land registry (cadastre) can also protect investors against land claims that may impair or disrupt business activities. There is always the risk of corruption and abuse of such a

system, but it does allow for increased transparency. Also, obtaining a land title can help smallholders access credit, as necessary collateral. This working paper includes examples of investments that have successfully engaged with smallholders. There is increasing evidence that farm size is not the key determinant of productivity, and that smallholder productivity can match large-scale farmer productivity anywhere in the world. The key is not the size of their land but rather access to farm inputs, information, markets and finance.

In a 'do no harm' approach, investors may still see smallholders and local communities as a challenge. But in a 'do good' approach, working with smallholders and local communities is seen as an opportunity.





A public-private trust aggregates net dividends received through private investment in this windfarm to support public projects and activities that benefit the community as a whole (see Case 5: Cookhouse Wind Farm).

3 | International guidelines

The UN's Guiding Principles on Business and Human Rights highlight the duty of governments to protect, companies' responsibility to respect, and the right to remedy for affected peoples. The following are the three most authoritative standards in relation to international guidance on land governance, designed to guide investors, business and government in ensuring appropriate land tenure governance. A successful impact investor must work together with investees, smallholders, governments and civil society organizations. They should not infringe on human rights, and each make a contribution to livelihood improvements and land security of smallholders and local communities, especially Indigenous land rights. International standards provide guidance on how to do so.

OECD Guidelines for Multi-National Enterprises

The Organization for Economic Co-operation and Development's guidelines were the first international instrument to integrate corporate responsibility to respect human rights as set out in the UN's Guiding Principles. They are one of four parts of the OECD recommendations to multinational enterprises operating in or from adhering countries in the 1976 Declaration on International Investment and Multinational Enterprises. The guidelines include non-binding principles and standards, but these are actively promoted by governments to improve responsible business conduct consistent with applicable laws and internationally recognized standards, and towards more positive corporate contributions to economic, environmental and social progress worldwide.

IFC Performance Standards on Environmental and Social Sustainability (IFC PS)

The International Finance Corporation's standards are part of the World Bank's Sustainability Framework, and define requirements for receiving and retaining IFC support, and set out client roles and responsibilities for managing projects. They are used by development banks, investors and the wider financial community as the leading standard that provides detailed guidance for clients on risk-based due diligence and mitigation of potential adverse impacts.

Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT)

These voluntary guidelines promote secure tenure rights and equitable access to land, fisheries and forests as a means of eradicating hunger and poverty, supporting sustainable development and enhancing the environment. Since being officially endorsed by the Committee on World Food Security (CFS) in May 2012, implementation has been encouraged by the G20, Rio+ 20, the UN General Assembly, and the Francophone Assembly of Parliamentarians. It includes spatial planning, and advocates community participation in developing planning proposals and review of draft plans, ensuring that priorities and interests of indigenous peoples, women and food-producing communities are taken into account. Governments should take duly into account the need to promote diversified and sustainable management of land, fisheries and forests, including agroecological approaches and sustainable intensification to meet the challenges of food security and climate change.

Comparisons

Corporate - The 'VGGT Guidelines' are the most specialized in terms of working towards a 'do good' approach to land tenure. But they are focused mainly on national governance of tenure systems, and do not deliver the level of detail needed for investors. The OECD Guidelines cover many aspects of corporate responsibility, but not tenure. The IFC Performance Standards clearly formulate requirements that must be fulfilled to qualify for financial investment, and are the most relevant and useful document to investors. In addition, investors can go further, and choose to embrace the aspects and aspirations of the VGGT.

Smallholders - All three standards stress the importance of stakeholder engagement, though

the OECD Guidelines are less specific. The IFC PS provides practical guidance for businesses and investors on how to set up engagement with affected communities throughout the project cycle. Both IFC PS and VGGT provide guidance on how and when to obtain free, prior and informed consent from indigenous peoples. The VGGT recommends that users of land, fisheries and forests participate in government-initiated tenure governance processes and multi-stakeholder initiatives.

Environmental - The IFC PS provides guidance to corporate actors to assess impacts on biodiversity, water and ecosystem services, and to undertake a risks and impacts identification process that looks at cumulative project impacts and those from other existing or planned developments.

	OECD MNE Guidelines	IFC Performance Standards	VGGT
Human rights	With a human rights chapter, consistent with the UN Guiding Principles on Business and Human Rights and the "Protect, Respect and Remedy" Framework.	Includes human rights as a cross cutting issue. Due diligence against the Performance Standards will enable the client to address many relevant human rights issues in its project.	Stresses the indivisibility of human rights and that governments should take into account rights directly linked to access and use of land, fisheries and forests, and all civil, political, economic, social and cultural rights. In line with the UN Guiding Principles, businesses can follow this guidance.
Free, prior and informed consent	No explicit reference to free, prior and informed consent	Addresses the most concrete guidance for corporate actors on how free, prior and informed consent applies to project design, implementation, and expected outcomes related to impacts affecting indigenous peoples' communities.	Government-focussed, and that government and others should hold 'good faith' consultation with indigenous peoples before initiating projects, through representative institutions to obtain free, prior and informed consent under the United Nations Declaration of Rights of Indigenous Peoples.
Gender	No reference to gender.	Gender is crosscutting, with PS 7 on indigenous people stressing that assessment of land and natural resource use should be gender inclusive and specifically consider women's role in the management and use of these resources.	Addresses gender, well with governments to ensure equal tenure rights for women, and measures so legal/policy frameworks provide adequate protection for women. Calls for safeguards to protect women and the vulnerable with subsidiary tenure (e.g. gathering) rights, and explicitly stresses the need for gender-sensitive policies and participative consultation.
Governance and corruption	Corporate governance covered in several chapters, chapter 7 providing extensive guidance on combating bribery and corruption.	Where government capacity is limited, requiring that clients will develop an Environmental and Social Action Plan to complement government action, with provision for combating corruption and bribery.	Provides articles for government tenure governance. A good tool for assessing national regulatory frameworks, but assumes an effective tenure system which is often not the case. Explicit attention to corruption in relation to involuntary land acquisition.
Expropriation	A part covers the duties of states with regard to expropriation.	A chapter on land acquisition provides detailed guidance on how to handle involuntary land acquisition.	Government can expropriate only where rights to land, fisheries or forests are required for public uses, though concepts of public purpose must be defined in law to allow for judicial review.
Supply chains	Proposes contractual arrangements to influence suppliers to cease or prevent adverse impacts in the supply chain.	Includes supply chain management relating to specific issues, including purchase of primary products from regions with a significant risk of damage to natural or critical habitats.	-No reference-

4 | Investment cases

Case 1 | Mali Biocarburant BV

Many smallholder farmers in Mali and Burkina Faso have *jatropha* trees on their land. *Jatropha curcas* is a small tree originally from the Americas but since planted around the world, largely for the nuts that can contain >50% non-edible oils used for soap or fuel. Investors have tried to upscale production by buying large tracts of land and establishing plantations, but all went bankrupt. They overestimated yields and profitability, and did not take local realities, interests and needs into account.



Mali Biocarburant BV started operations in 2007, and produces *jatropha* oil in Mali and Burkina Faso. It first focussed on overcoming issues that earlier investors had faced, and working with smallholders soon became the key. *Jatropha* intercropping systems are established with close community collaboration and only through production organizations – with co-ownership, co-responsibility, co-investment and co-benefits. The overall objective is to make a profit, but while also applying very high social and environmental standards, and smallholders hold a 20-30% share in the company. Additional income is generated by carbon credits.

The project started by engaging existing *jatropha* growers and slowly improving yields. New approaches were introduced, including the development of '*jatropha* agroforestry', with the trees being intercropped with traditional food crops intercropped, and so mixing subsistence agriculture and commercial production in the same fields. Farmers keep the control over their own land, and decide when, where and what to plant. In this way, the model fits into existing social and production structures.

The local farming system is patriarchal and women can only access land through their husbands. Women do not own any land and could not plant trees as this would be considered a land claim. Mali does have gender-sensitive laws, but customary laws still prevent women from creating opportunities that can lift them out of poverty. But through the company, flexible solutions allocated land to women's groups and gave them ownership to decide and manage the land themselves. Now, some 30% of the farmers are women.

Case 1 | Lessons learned

- No need to cultivate yourself, work with farmers; Think big in the numbers of farmers not only in the numbers of hectares or trees (e.g. 1000 x 1 ha instead of 1 x 1000 ha).
- Food first: no farmer will negotiate on his or her food security. Always integrate your intervention while supporting local food production besides the cash crops.
- Carbon credits can help, but ensure that any business does not depend on such revenues, and is firmly built up with a range of other diverse activities and incomes.

Community benefits

- Extra income is earned through a new cash crop in an area with low agricultural potential.
- Increased environmental benefits with the integration of more trees in fields (agroforestry) supports whole-farm agricultural production.
- When smallholder farmers move from the informal to the formal economy through their share in the company, they then have access to all kinds of services, including finance/credit which allows further investment by farmers in areas of their choice.

Company benefits

- This is a commercially viable business model that fits in existing local context, and without having to manage large plantations that usually are seen as problematic.
- Increased security of nut supply through co-ownership.

Case 2 | Komaza

The Komaza project started in the Ganze district of Kenya, where 80% of smallholders depend on subsistence farming. Komaza is a Kiswahili term that means 'to encourage growth'. Farmers produce 50% of Kenya's wood supply. Unfortunately, timber quality has been too poor to enter more profitable markets. Therefore, Komaza's goal is to increase small farmers' ability to produce high quality wood.

Komaza was founded in 2006 and can be seen as a social enterprise. Its overall concept is to create income-generating opportunities for smallholder farmers living in Kenya's infertile and drought-prone regions by planting trees on farmer land. Komaza provides the farmers with the inputs and training they need to grow fast-growing trees (primarily *Eucalyptus grandis* x *camaldulensis* hybrid), intercropped with food crops.

These trees are planted on their unused land to generate income for their families and to create a sustainable wood supply for growing local markets. Komaza's overall goal is to plant 50 Million trees by 2020.

Komaza strongly focuses on smallholders, mitigating the risk of land acquisition by the government. The company does not own any land itself. The cost and benefits created by timber production are shared by participating farmers and Komaza. It is important that farmers keep sufficient land for their own food production, therefore only a certain proportion of land is converted into tree plantations. The farmers themselves decide upon the area for replanting and the number of trees. On average, farmers bring land up to half an acre. The farmers prepare and work on their land, the company provides trainings, tools and plants. In addition, they harvest, transport and sell the trees from each farm. This concept provides the farmer with continuous income over several years.



Case 2 | Lessons learned

- To be economically feasible, a large number of farmers must be contracted (>20,000).
- Ownership and use rights should be recognized by neighbours, chiefs and community leaders, as this may give more tenure security than 'legal' land titles.
- Let each farmer prepare their own land for tree planting. If the farmer succeeds, he/she is considered a 'serious' farmer and can continue being part of the project.

Community benefits

- Increased income: the micro-forestry approach, intercropped with food crops, has provided a threefold increase in income among participating farmers.
- Very low opportunity costs since the trees are not in competition with land and food crops.

Company benefits

- The proximity to markets results in lower transport costs.
- Small plantations owned or controlled by farmers do not face the degree of risk that large farmers face, from expropriation by changing governments and their policies.
- Zero land and labour costs, and no tenure risk.

Case 3 | The Savannah Fruits Company

Ghana's Northern Savannah has witnessed increasing deforestation from the illegal harvesting and trade in commercial hardwood trees and wood for charcoal. Land degradation is also common, caused by overgrazing and unsustainable agriculture and reduced fallow periods. Tenure insecurity is an important underlying problem, and all of which leads to fewer shea (*Vitellaria paradoxa*) trees, on which many local communities in West African savannas, and in particular women, depend for income and food security. An oil is extracted from shea nuts that is widely used locally, and increasingly in international markets, in soap, shampoo, skin creams and other beauty products.

Building on years of community work by local NGOs, the Savannah Fruits Company entered into a collaboration with A Rocha Ghana, who helped organize seven communities in the buffer zone of Mole National Park in the previous ten years. A Rocha facilitated a process through which local communities mobilize, plan and manage communal natural resources and share the benefits from them, through several functional natural resource governance structures and instruments supported by local and national legal frameworks called Community Resource Management Areas (CREMAs). Since 2013, the company actively contributes to the strengthening of this CREMA and the economic viability of CREMAs and the community at large, by (a) train-

ing women in more efficient shea nut harvesting and processing, (b) training women in organic sourcing and handling of the produce as organic shea, and (c) certification of the broader landscape where shea trees grow and nuts are collected.

The company guarantees women a premium on their shea nuts, and incentivizes community action for sustainable landscape management through an organic



The local community including women producer groups, work with A Rocha Ghana, the Savannah Fruits Company, Form International, district assemblies and traditional authorities, and the alliance is now being expanded to include other shea value chain companies.

Case 3 | Lessons learned

- Companies and CSOs have demonstrated that collaboration can benefit, especially women in small landscapes where communities have rights to manage natural resources, e.g. through Community Resource Management Area (CREMA) arrangements.
- Developing a landscape approach combines threats and opportunities from different uses of trees, e.g. energy, timber, NTFPs, food, conservation, and income generation.
- Give attention to local users, producers and public actors for the planting of commercial trees to ensure long-term viability of important sectors such as the shea industry.
- Combine public and private finance to make feasibility studies possible for landscape restoration activities, and to develop a future integrated landscape investment plan.
- Increasing the economic value of shea

means increased security for trees, limiting threats from charcoal-making, and planting, protecting and restoring areas for NTFP collection and marketing.

Community benefits

- Shea collection and trade is a 'high-end' NTFP business controlled by women. Investing in training, business management, bookkeeping, literacy, etc., improves income for women and supports their empowerment.
- Conservation premiums from the shea trade translate into a Conservation trust fund, used for operational and monitoring activities of wider community natural resource management.
- Community engagement with stakeholders agrees on benefit sharing as it relates to income from broader landscape management, improves resource governance and improves social cohesion.
- Communities learn to be assertive in

negotiating with private companies that exploit natural resources. Private sector-community partnerships improve community negotiation skills and help them appreciate the role of sustainable businesses in improve livelihoods.

- Communities appreciate the value of collective community responsibility and benefit sharing relating to the use of communal natural resources.

Company benefits

- Added value in the value chain through organic certified shea and the assurance of quality.
- Opportunities to apply plantation management skills in a landscape approach with multiple income streams, and strengthening community involvement and responsibility.
- Improve business credibility and social acceptance.

shea nut volume-based incentive package. This business benefits both the individual trader and also the community through a conservation premium from each bag of organic shea nut traded. At the community level, this is realized as a conservation fund used for developing, managing and monitoring community managed areas. The project is now being expanded into a landscape approach to fight deforestation and contribute to reforestation, involving local forest services and a timber development company from Ghana.

A Rocha and Form International formed an alliance with key companies including the Savannah Fruit Company. They established a nursery for early-fruited varieties, planted community woodlots with shea and other locally important trees, aiming to strengthen the shea value chain as a viable and environmentally effective driving force towards sustainable landscapes, gender empowerment, food and fuel security, and restoring the fragile shea savannah woodlands of West Africa.

Case 4 | Annona Sustainable Investments BV

In 2009, Annona Sustainable Investments invested in the Agri-Sul farming company on the banks of the Limpopo in Chokwé, Gaza province, Mozambique. The objective, cultivating sugar, green beans, tomatoes, maize and bananas mainly for the local market, and a community processing mill. At peak, the company contracts more than 90 employees, with the former irrigated rice plantation actually better suited for vegetables, fruit and sugar. Annona Sustainable Investments contracted a local NGO



to better understand historical and current land use, smallholder and community involvement, and which advised on how to organize and structure the investment. It was also important for the company that the community was already well organized, that they already had the basic capacity for agricultural production, and were informed about how processing plants work. As a result of this gradual and mutual trust-building process, the company was formally invited by the local authorities and communities to acquire the land.

The Managing Director and main shareholder of the company know the district very well, and are very able to engage and understand workers and the community. Another objective is to achieve social profit and develop good relationships with workers and stakeholders. The company pays special attention to adequate working conditions, including above average salaries and better working conditions than provided by other companies in the area. Workers and their families have access to land to cultivate their own food crops which they consume or sell on the market. Co-benefits for the community arose from company investment in social infrastructure, including electricity and the internet.

Case 4 | Lessons learned

- Do not start investing in a company before the land use/lease procedure is officially confirmed by the community and different government levels (local, regional, province and federal).
- Work with local consultants who know the local context sufficiently well to structure and fine-tune the investment.
- Land use or lease can also benefit the local community, who can profit from access to electricity, the internet, etc. Try to identify and implement win-win situations for all stakeholders.
- Provide good working conditions,

salaries, and that local people are guaranteed access to land for cultivation of their own food.

- Take your time for the investment, step by step. Do not try and take shortcuts because it could compromise the whole investment.
- Make sure you have enough local backing from people on the ground.

Community benefits

- There is more employment for the community which subsequently leads to better access to healthcare and social services.
- The community has improved access

to land to cultivate their own food crop, hopefully with better access to fertilizers and irrigation systems.

- The community has better access to social infrastructure including electricity and internet.

Company benefits

- The vision of the company is that if you 'give' you also 'get' (i.e. something in return).
- 'Asset security' has increased, with less theft since communities now recognize that their security depends on long term economic sustainability, including that of the investing company.



Case 5 | Cookhouse Wind Farm

Apollo Investment Partnership II invested in 66 turbines each 80 m tall, that generate a total of 139 MW of electricity under a 20-year power purchase agreement with the South African government. Agreements under the Renewable Energy Independent Power Producer Procurement Programme require that all communities within a 50 km radius benefit from project revenues, with a percentage allocated to social economic development and enterprise development programmes.

FMO participated, and so has a direct interest in the project and provides funding to the Cookhouse Community Trust through which 25% of the windfarm is owned by local communities, providing a direct alignment of interests between international investment and local interests. Cookhouse opted to target all their revenues to social economic development programmes and none to enterprise development- and they as a community has the option to make such a choice. The land Cookhouse is leasing covers three large livestock farms. Farmers retain the rights to use their land for grazing, landowners benefit from additional lease income based on a percentage of the revenues generated by the turbines on their land, and the community now also benefits.

The project was developed through the participation of four towns and their communities, with a total population of 46,000, and many local organizations. A community liaison office acts as interface for all issues regarding implementation, communication and in a grievance mechanism through which community concerns can also be raised. The office constantly engages with local government, residents, businesses and all stakeholders through newsletters, informal meetings with community leaders, and regular community meetings, small and large. Beneficiary projects so far have included small business projects for the poor, and work 'clinics' designed to allow the local community the opportunity to supply services such as catering, to the workers on the site.

In parallel with the social economic development programmes, the Cookhouse Community Trust aggregates net dividends received through its investment in the Cookhouse windfarm to support community projects. This is spent on activities benefiting the community as a whole, and based on the results of a needs analysis and decided on through an established governance process, the trust decided to focus on educational activities.

Case 5 | Lessons learned

- Continuous engagement with local government, residents, businesses and other stakeholders through both and informal channels is important.
- Early implementation of community projects and highlighting the positive results and benefits is important, especially for large infrastructure projects.
- Coordination must be done by independent advisors, with transparent appointment of community representatives and independent trustees.

- A grievance mechanism is essential, to be aware of issues not otherwise noticed.

Community benefits

- Poverty eradication and rural development.
- Extra support for educational development through expansion of the full education cycle.

- Enhanced social and economic development, job creation and income diversification.

Company benefits

- Local consultants help to understand and assess local realities in planning and implementation.
- Support received from the community during construction, and their involvement in developing and implementing the company's social investment programme over two decades.

5 | Key pointers checklist

What can impact investors do to improve the positive social, economic, political, environmental and cultural benefits of their investments? How can this include reciprocal arrangements - co-ownership, co-creation, co-investment and co-benefits with smallholders or their communities? How can this comply with international standards and principles related to land governance?

This section is a 'checklist' that investors should at least consider, or better still, act upon, to improve the likelihood that their 'do no harm' approaches will also 'do good'. The points and issues in the checklist have been drawn from two years of study and an analysis of international guidelines, standards and their principles summarized in section 4, and a series of 'investment case studies' of which a selection of six are presented in section 5. Considerations are grouped into three areas:

- Recognize rights
- Effectively engage
- Think 'landscapes'

Respect international treaties

Signatory governments have obligations to take appropriate measures towards the full realization of economic, social and cultural rights to food, livelihoods, adequate standards of living, a clean environment. Governments also have direct roles regarding environmental protection, such as through the Framework Convention on Climate Change and the Convention on Biological Diversity amongst others. To avoid issues with national laws and international obligations, a contextual analysis can help identify opportunities to mitigate, and if not possible, avoid investments.

Carry out an impact assessment

Prior to starting negotiations on the investment, the first stage, and overriding all the key pointers that follow, is to ensure that an Environmental and Social Impact Assessment (ESIA) is carried out by an independent assessor. This must include a transparent and participatory tenure assessment, and assessments on all the potential positive and negative impacts that the proposed investments could have on tenure rights, food security and the progressive realization.

Recognize rights

Understand laws and customary practices

Investors and companies must consult with communities and legal experts at the outset, to understand national and local laws, and customary practices related to land. These might also differ from one part of a country to another, and even from one district to another.

Acknowledge local values

Understand that land, fisheries and forests have social, cultural, spiritual, economic, environmental and political values associated with them, and as such, investment should include in the consultation process local stakeholders who may be affected by the proposed investment.

Identify who the right holders are

Identify existing tenure rights and rights-holders, including those with customary, secondary, seasonal and other rights, whether they are 'legal', recorded or not. Check historical processes of land acquisition and ownership and identify prior or existing conflicts and violence related to land rights.

Consult with public institutions

Identify and contact especially those institutions that protect indigenous peoples and other communities against unauthorized use of their land, fisheries and forests.

Identify community needs

During discussion, investors and companies should try to evaluate whether the communities themselves properly recognize local and individual property, and investigate whether smallholders need assistance to obtain official documentation to formalize ownership.

Is there 'good enough tenure'?

Investigate with local legal experts whether smallholders actually need formal juridical ownership as a precondition before investment, or if existing systems already guarantee community land use rights and a role in land planning (i.e. 'good enough tenure').

Consider 'fit for purpose' approaches

If formalization of land ownership is needed to secure investments and smallholder decision making in land use planning, assess whether any of the existing 'fit for purpose' approaches that take less time, are less costly, and are specifically designed to meet smallholder needs, can be applied.

Avoid land transfer if possible

Explore alternative investment models that do not result in large scale transfer of land rights, such as out-grower schemes or contract farming. Consider leasing over purchase, or using, and minimize the amount of land required.

The need for transparency

If an investment involves transactions in tenure rights, the investor must ensure that these are carried out with full transparency, in line with relevant national sector policies, and are consistent with the objectives of social and economic growth of smallholders.

Leave land for food production

What contract is used, ensure only a proportion and not all of smallholders' land will be used for out-growing or contract farming, so they keep the chance to grow food for the family, and can maintain traditional farming systems.

Investors must take a 'long view' on the possible impacts as well as the returns, and this means listening to local knowledge...

Effectively engage

Start with 'good faith-building' meetings

If smallholders, cooperatives and local communities are to become stakeholders of a new investment, it is better to begin before the investment is made. Hold consultations before initiating anything, one meeting will not be enough, try to involve different groups at least once, and follow up each meeting.

"Listen, and learn..."

Understand community diversity

Don't see 'the community' as uniform, though this may not be immediately clear, with different needs, interests, attitudes and influence, what they do, how they do it; and how they are organized. Take time to understand power balances and local governance structures, both formal and informal.

Engagement means respect

Respect communities' own decision-making processes and legislative bodies, and involve them in project planning, decision-making and implementation. Respect local practices, processes and time frames, remembering that they are likely to differ greatly from formal business models.



Invest in trust, invest in time

To promote collaboration and trust it is better to invest small amounts over a long period rather than a large amount in the first year and little thereafter, and monitoring and engagement is likely to be an ongoing process.

“Work with communities”

Focus on disadvantaged groups

Indigenous people and women deserve particular attention as their rights are often less respected. Where possible, work with indigenous and women's organizations, address their special needs, avoid adverse impacts, and explore opportunities that benefit their livelihoods and tenure rights.

Help communities establish legal entities

Through legal entities and joint ventures, locally generated income and dividends can better contribute to strengthening local governance structures that also addresses local economic, environmental and social concerns.

Help improve smallholder profitability

Look at what smallholders currently earn and what they will earn in the new business model after involvement. Look at ways to integrate smallholders into new distribution channels, markets and supply chains, and to diversify employment opportunities.

Make the benefits clear and long term

How investments contribute to local communities should be made explicit and transparent. Discuss long-term views on revenue generation for local communities, considering innovative business models with smallholders as shareholders – co-ownership, co-responsibility, co-investment, and co-benefits. Consider setting up a community trust fund supported from a percentage of the earned dividends.

Set up grievance mechanisms

This should be established early on, and be accessible for smallholders, communities, contract workers and other investment partners. Mechanisms must be responsive, and transparent.

“Work with everyone”

View all stakeholders as potential partners

Take the local stakeholders and their realities, needs and interests as the starting point for developing the investment proposal – start from what is there.



Involve government services

Search for innovative collaboration with local government, and at regional and national levels, also relevant ministries and extensions services.

Talk with civil society

Civil society organizations can provide valuable information, and many already work with local communities can help them to organize and articulate their needs.

Link with development organizations

Make use of the vast knowledge and expertise in local consultants and development NGOs, that understand local realities, needs and interests especially in planning and implementation, as an in-depth understanding of the local situation is critical for project success.

“Think long term...”

Build the best of both worlds

Understand, and invest in, the mutual understanding of differences and similarities between local and investor governance ‘cultures’, and so providing the basis for a joint consultation process to develop a mutually acceptable business model.

Support smallholder certification

If investment projects involve certification schemes, support smallholders to fulfil the criteria as adoption costs can be high, and consider additional supporting investments.

Consider public-private partnerships

These can make significant social, economic and environmental impact if key aspects are followed: (1) participation, (2) decency, (3) transparency, (4) accountability, (5) fairness, (6) efficiency, and (7) sustainable development, and exploring concerns of corruption, limited stakeholder consultation, and lack of public participation (taken from the UN Guidelines on Good Governance PPP).

Think 'landscapes'

Understand the broader landscape

Investments in agriculture and forestry cannot be seen in isolation from wider land use dynamics. There are interactions and trade-offs at all levels – ecological, social, cultural, economic, and political – and competing claims and interests between various land uses and land users. Any investment will have impacts beyond the area to be invested in, and understanding this is essential to mitigate risk, and ensure that the investment produces the anticipated socio-economic and ecological benefits.



Any investment will have impacts beyond the area to be invested in.

Conduct 'participatory landscape mapping'

There are many ways to understand how community needs are met by the goods and (ecological) services provided by the landscape around them. But the best are participatory mapping exercises, that ensure that investments are compatible to local realities, and that risks and opportunities are jointly identified. As a collective action, the exercises also build mutual trust and understanding.

Understand territorial planning

The investor must understand clear the current government land use, landscape and territorial planning regulations and law, and plans for future changes. It is also essential to know how the government monitors and enforces compliance with those plans, including how it promotes the objectives of the VGGT (Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, see Section 5, below) in its territorial planning.

Establish environmental objectives

Investments must foster good land and forest management, or restoration, using best practices and recognized standards, and environmental objectives must aim to at least maintain nutrient, water and carbon balances, biodiversity and land quality.

Encourage diversification in production

Smallholder involvement in a variety of value chains should be promoted, including diversity in practices and sources of income, which is also a risk management instrument.

Food security first

Acknowledge that no farmer will negotiate on his or her family's food security. Always integrate investment interventions while supporting local food production in addition to cash crops.

Explore alternative tenure arrangements

Integrated landscape management investment projects work best where land rights are clear and unchallenged. Land registry (cadastral) records and agreements are enforceable by law, but usually this situation is not in place. Explore alternative tenure and business arrangements with the local communities/farmers that can give adequate sustainability, equity, transparency, long term security and for protecting both the investment and the interests of local stakeholders. This should include local decision-making and a formal mandate for landscape governance, and ideally, national and local government agencies should support such participatory processes.



Participatory mapping is a collective action that builds mutual trust and understanding.

6 | Further information

Organizations

The Food and Agriculture Organization of the United Nations provides useful information specifically on Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security.

www.fao.org/nr/tenure/en/

The Forest and Farm Facility is a partnership between FAO, the International Institute for Environment and Development (IIED), the International Union for the Conservation of Nature (IUCN), and AgriCord. It works together with and provide resources directly to forest and farm producer organizations and governments in 10 countries.

www.fao.org/partnerships/forest-farm-facility

The LANDAC is a partnership of Dutch researchers, policy makers, practitioners and their Southern partners, that aims to improve land governance – rules and practices on access to land – to promote equitable and sustainable development, through research, information sharing and dialogue.

www.landgovernance.org/

The Land Matrix is an independent global land monitoring initiative that promotes transparency and accountability in land and investment decisions. It provides an open-access tool for collecting and visualizing information about large-scale land acquisitions and operates an online public database on land deals.

<http://landmatrix.org/en/>

The Interlaken Group is an informal network of individual leaders from influential companies, investors, CSOs, government and international organizations that promotes and leverages private sector action to secure community land rights.

www.interlakengroup.org

The International Land Coalition is an alliance of civil society and intergovernmental agencies that secure access to land for rural people through capacity building, dialogue, and advocacy.

www.landcoalition.org/

The Rights and Resources Initiative is a coalition of partners, five affiliated networks, and 150 collaborator organizations that support indigenous peoples and forest communities, helping them secure and realize the rights to own, control, and benefit from the natural resources they have depended on for generations.

<http://rightsandresources.org/en/>

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Improving the positive impacts of investments on smallholder livelihoods and the landscapes they live in

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This working document has been jointly prepared by Tropenbos International, FMO – the Dutch Development Bank, KIT – the Royal Tropical Institute, and HIVOS International, in the context of the Land Governance Multi-Stakeholder Dialogue in the Netherlands

FMO – the Dutch Development Bank, finances sustainable agribusiness companies throughout the value chain, including farming, processing and distribution operations. Achieving long-term sustainability in global agribusiness production requires large investments targeted at improving farming practices, increasing yields and reducing waste. www.fmo.nl

Tropenbos International is an international not-for-profit knowledge broker organization working on tropical forest management, policy and governance. It places special emphasis on the development and strengthening of sustainable forest management and business models that secure tenure and other rights of small-scale producers and communities on the natural resources on which their enterprises are based. www.tropenbos.org

KIT – the Royal Tropical Institute works on the integration of a local and gender perspective on land governance in agricultural policies and food security strategies. KIT thinks that a balance needs to be struck between local land rights for smallholders and attracting domestic and foreign investment in land for agri-business purposes. www.kit.nl

Hivos International is an international development organization guided by humanist values. Their Knowledge Program with partner organizations sheds light on land issues through research, debate and a global network of researchers, farmers' representatives, practitioners and agribusiness leaders from Africa, Asia and Latin America. www.hivos.nl

The Land Governance Multi-Stakeholder Dialogue (LG MSD)

In the Netherlands, the Ministry of Foreign Affairs, companies, financial institutions, civil society organizations and knowledge institutes have repeatedly expressed the ambition that they want to contribute to the improvement of land governance. This has resulted in an initiative to organize the Dutch Land Governance Multi-Stakeholder Dialogue. The overall aim is to promote explicit practical application and monitoring of improvement measures by the Dutch private sector, government, knowledge institutes and NGOs.