Land grabbing by pension funds and other financial institutions must be stopped

Driven by high food prices, increasing demand for agrofuels, raw materials and grain fed livestock, and low returns from beleaguered financial markets, the number of corporations, governments, public and private financial institutions engaging in large-scale acquisitions of land in the global South is soaring, threatening the livelihoods and food sovereignty of countless local communities. Millions of hectares of land have been leased or bought up in recent years, mainly to produce food or fuel for the international market. As a result, peasants, herders, fishers and other rural households are being dispossessed of their means to feed themselves and their communities, sometimes through promises of jobs, sometimes at gunpoint. Land grabs are also resulting in land and water use changes, causing ecological destruction and climate change related emissions.

Investment funds, agribusinesses and sovereign wealth funds are “investing” more and more in land, intending to make their investment portfolios more diverse in the face of global economic risks and to profit from the rise in land and commodity prices. Land grabs are also being financed indirectly, when banks provide credit facilities to land grabbing companies, or when hedge funds and private equity firms buy stakes in overseas companies that control land. Even governments are involved, through the for-profit development finance institutions that they run.

Pension funds are, at present, reported to be the largest institutional “investors” in farmland worldwide. Yet the money used here is workers’ retirement savings. This means that wage earners and citizens may be implicated in massive violations of the human rights of local farming communities, including their rights to food, land, water, an adequate standard of living, their cultural rights and their right to self-determination – in breach of international law.

With respect to this matter, the undersigned civil society organisations and activist groups serve notice to these pension funds and other private and public financial institutions, and to the States that are in a position to regulate them. The human rights mentioned above imply the extraterritorial obligation of these States to urgently ensure that these funds and institutions:

- **Stop speculation on land and other damaging investments in the global food chain**, including land deals and financial participation in agribusinesses, where land grabbing cannot be excluded *ex ante*, and investing in complex financial products based on food commodity derivatives or agricultural land.

- **Publicly disclose complete information about any direct or indirect financing of land acquisitions** and other deals that might involve land grabbing. Such disclosure should be based upon diligent analysis of the entire investment chain, irrespective of whether or not the financial services provided are earmarked for land acquisition. This is required to break a culture of secrecy surrounding many of these deals, and to allow stakeholders and public interest groups to take action.

- **Be subject to mandatory, prior and independent assessment of the potential impacts of investments and products** on tenure rights, livelihoods, the environment and the progressive realisation of the right to adequate food. These assessments must enable fund managers and other financial institutions to prove at all times that they have no stakes in firms or in operations that are involved in land grabs.

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1. The notion that their financial stakes in agricultural land amount to “investment” must be questioned. The World Bank estimates that up to 80% of large scale land acquisitions announced in recent years are not under production (http://go.worldbank.org/OAV3EXKF00). Academic reports demonstrate rent-seeking behaviour in numerous cases (http://www.future-agricultures.org/papers-and-presentations/doc_download/1324-hubert-cochet-and-michel-merlet-). Private equity groups and many specialised farmland funds operate frequently on the basis of a high return five-year exit strategy. Civil society groups in a range of African countries have reported in the last few years that numerous deals turn out to be purely speculative. And land investors themselves point out that they can easily make their profits on simply renting or selling (“flipping”) the land (http://farmlandgrab.org/post/view/20165). How, where and by whom these investments are directed is key, as many of them can be harmful. There is increasing evidence that the most vital and largest share of investments in agriculture are made by family farmers themselves, and this is the type of investment to be supported (http://www.ukfg.org.uk/docs/Yaounde_Agricultural_Investment_Farmers_Workshop_Synthesis_Report-EN_1.pdf).


3. Of the estimated U.S. $100 billion that pension funds invest in commodities, some $5-15 billion reportedly goes into farmland acquisitions. These commodity and farmland investments are expected to double by 2015. GRAIN: Pension Funds: Key Players in the Global Farmland Grab, June 2011 (http://www.grain.org/article/entries/4267-pension-funds-key-players-in-the-global-farmland-grab).

4. The following points are initial demands from Civil Society, and will be added to as more evidence and information becomes available. This statement follows the March 2012 Finance of Land Grab Civil Society Strategy Meeting in Brussels, and represents the first steps of an emerging process.
Civil society statement on the finance of land grabs, June 2012

Carbon Trade Watch

ECA Watch Austria

World Family

Friends of the Earth International

Koordinierungsstelle der Österreichischen Bischofskonferenz für internationale Entwicklung und Mission

Friends of the Landless Finland

Both Ends