CAN AGRICULTURALLY-BASED DIRECT FOREIGN INVESTMENT PROMOTE SUSTAINABLE DEVELOPMENT: A REVIEW OF AFRICAN CASES

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ABSTRACT

Three-quarters of the world's population living below the $2 per day poverty line not only live in rural areas but also depend on agriculture for their survival. Given such global poverty, it is sad to note that the Official Development Assistance (ODA) given by foreign governments and international financial institutions, particularly for the agricultural sector of the developing countries, has declined by almost 70 percent between 1970 and 2007. More recently, due to expectations of rising food prices, demand for biomass for energy use, and the agricultural commodities needed for industry, the inflow of Foreign Direct Investments (FDI) for agriculture in developing countries has increased substantially. More particularly, private investors from industrialized and emerging countries have become very active in using long-term leases to secure large areas of agricultural land (also known as land grabbing, which has also led to water grabbing) in Africa. An analysis of the existing literature indicates that two contrasting perspectives, through which investigators tend to view agriculturally-based investment in developing countries, are emerging. Optimists tend to put a premium on foreign investors as a vehicle for promoting infrastructure, environmentally sound technologies and who contribute to spillover effects on local economies of developing countries. Pessimists on the other hand argue that agriculturally-based foreign investments are exploitative and give little benefit to local populations. More specifically they argue that large-scale foreign industrial agriculture not only victimizes pastoralists and small scale farmers in developing countries, but also severely degrades the quality of topsoil, damages local waterways and ecosystems as a result of using detrimental fertilizers and intensive farming techniques. The issue is not whether or not FDI is on board. What is crucial from a policy-making point of view is whether or not FDI agricultural projects are meeting the sustainable developmental needs of the developing countries. Based on these assumptions, the purpose of the study was to review the literature and establish the effects of agriculturally-based foreign direct investment on sustainable development in some African countries. A review of the literature indicates from a socio-economic perspective that FDI in nine African countries not only created manual jobs at a very low rate but also the foreign investors have diversified the agricultural production by introducing new mono-crop varieties. In addition, some investing companies have operated more efficiently than domestic companies in terms of asset utilization. Environmentally, the export earnings of the African case studies have increased because the investors added values with the dissemination of technology to produce more efficient, safe and clean products. On the other hand, the FDI in agriculture have rented the land to large cooperatives at a very low rate so that the local people have lost access to resources such as land, water, wood, medicinal plants and the common areas that were used for grazing. The natives were pushed from higher-value lands into marginal lands. The compensation given to the displaced villagers was insufficient to restore livelihoods lost due to dislocation. The land under FDI contributed to loss of a critical biodiversity and the local people living adjacent to foreign leased lands have been contaminated by all forms of pesticide, herbicide, and chemical fertilizer filtering into the ground water. Thus, to ensure that the investors' agricultural production practices are in line with the goals of sustainable development as designed by the host country, a well-planned, transparent assessment structure needs to be mapped out by both the host country and investing company.

Keywords: *Agriculturally-based Foreign Direct Investment, less developed countries, host country, home country, enforcement and monitoring capacity.*