



Humboldt Forum for Food and Agriculture (HFFA)

Foreign Direct Investment for Agricultural Development: The 2011 HFFA Berlin Declaration

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Foreign direct investment (FDI) in agriculture, including investment in agricultural land, be it by the private sector or by state agencies, have a lot of potential to accelerate growth and spread economic welfare in developing countries, as they alleviate major constraints to the development of low income countries' agriculture.

They provide access to knowledge and capital, as well as to markets around the globe. In addition they could make available technologies and inputs which are successfully used in sustainable farming in rich countries, including mineral fertilizer, modern seed varieties and crop protection.

FDI are the result of agreements between consenting parties. The potentially huge benefits to developing countries will only materialize, however, if the political and institutional environments encourage FDI, the investment leads to sustainable farming practices, and there is a fair distribution of benefits between foreign investors and the countries receiving FDI.

For sustained benefits of FDI in recipient countries, it is crucial to define a set of rules which govern such investment. Besides good governance, it is well defined property rights that matter both for investors and the receiving countries. Poorly defined property rights of farmers in the FDI receiving countries will lead to unfair distribution of benefits, as farmers may be driven off their holdings by foreign investors. At the same token, when the foreign investors do not have well defined and secure property rights, they will tend to maximize their short term economic benefits. As a consequence benefits to local farmers and recipient countries at large are diminished. Well defined property rights for all parties involved are a precondition for a fair distribution of benefits of FDI.

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