

# DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

## Privatsektor: Entwicklungshelfer oder Land Grabber?

Fachtagung: Die neue Landnahme in Afrika, Asien und Lateinamerika,  
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Our business is developing.



## **1. DEG at a glance**

## **2. Risk and Chances of large Agri-Business investments**

## **3. Bottlenecks of agri-finance**

## **4. DEG's role in agri-business projects**

# 1.1 DEG at a glance



## Corporate data

Founded: 1962  
Employees: 418  
Head office: Köln  
Shareholder: KfW, Frankfurt

Total assets 2009: EUR 3.6 billion

New commitments in 2009: EUR 1.0 billion  
(supporting new investments worth EUR 4,7 billion)

Agribusiness : EUR 1.1 billion, more than 200 projects (since 1994)



***DEG – a promoter of entrepreneurial development cooperation ...***

# 1.2 DEG at a glance

DEG – member of KfW Bankengruppe



National funding			International finance	
Promotion of SMEs and start-ups, environmental and climate protection	Promotion of housing, education, infrastructure and social sector	Finance for municipal infrastructure projects and promotion in Europe	International project and export finance	Promotion of developing and transition countries

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## 2. Risks and Chances

### of large agri-business projects - the “land grabbing” debate



Currently, discussion on land grabbing sometimes lacks transparency and hard data.

#### **Risks:**

1. weak land governance and failure to protect / properly compensate local communities' land rights,
2. lack of government capacity to manage enforceable agreements,
3. investor proposals insufficiently elaborated,
4. resource conflicts with negative distribution effects (food vs. biofuel production).

#### **Chances:**

1. support for social infrastructure,
2. generating employment,
3. providing access to markets and technology for local producers,
4. higher tax revenues.

**Agri-investments need to be judged case by case,  
because risks and chances depend on individual project conditions.**

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## 3.1 bottlenecks of agri-finance

### practical experience

- Substantial investment in agricultural growth is needed now – otherwise MDG # 1 will be out of reach.
- There is no contradiction between small-scale farmers and agribusiness – both are entrepreneurs. And food security needs both actors!
- Bottleneck is insufficient finance, in particular long-term finance for agri-investment.
- Core problem for agri-investments are investment climate/property rights:
  - foreign investors take risk of nationalization/lack of acceptance and non-compliance of contract farmers;
  - for traditional landusers non-formal land rights are questioned.



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**3. DEG agri-finance and contract farming**

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## 4.1 DEG's role

### credit / development effects / E+S-standards-rating



#### **Evaluation of financial risks, development effects and E+S-standards:**

DEG uses a unique rating tool that evaluates besides financial credit-worthiness, development effects (GPR tool) and environmental/social aspects (EaSi tool) – this covers effects like tax revenues, net FX inflows, direct/indirect jobs, gender, training, technology transfer, market effects, environmental/social standards.

#### **Role of DEG:**

- (i) long term debt/equity provider,
- (ii) promotor of strict E+S-standards,
- (iii) promotor of fair contract farming programmes,
- (iv) promotor of CSR-activities for social infrastructure as well as Corporate Governance,
- (v) Umbrella function.

DEG can assess complexity and individual conditions of each investment project. This supports acceptance of agro investments in partner countries.

**Generally, land speculation is not supported by DEG.**

**World Bank's code of conduct on responsible agri-investment is welcome (existing guidelines on E+S plus new aspects).**

## 4.2 DEG's role

### project examples of agri-business



Larger agri-business investments complement smallholder farmers for a sustainable regional development.

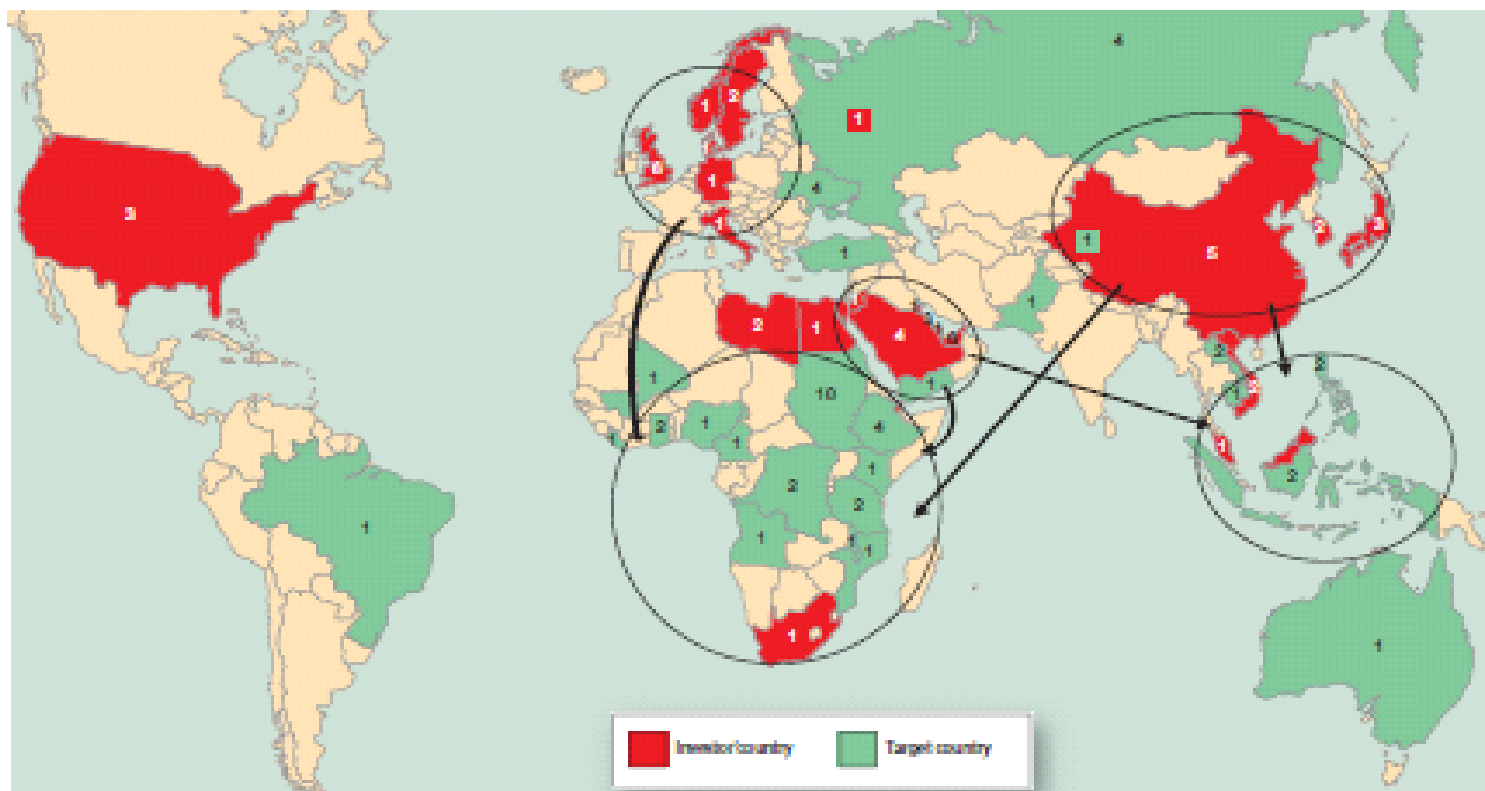
Examples include:

- (i) Plantations of organic vegetables/spices:  
SEKEM - Egypt,
  
- (ii) Agri-business with contract farming for cotton:  
CmiA / Cotton made in Africa,
  
- (iii) Sugar processing industry and rural infrastructure with contract farming:  
Beta San Miguel – Mexico,
  
- (iv) Local agro-financial institution:  
LAAD – agri-finance-institution – Latin America

# Annex

## confirmed overseas land investment - UNCTAD

Investors and target regions and countries in overseas land investment for agricultural production, 2006 – May 2009 (number of signed or implemented deals)



Source: UNCTAD.

Notes: This map covers only confirmed deals that have been signed, some of which have been implemented. However, not all signed deals have been implemented, and all signed deals that were rescinded by one or both parties before the end of May 2009 are excluded. Prospective deals reported in the press, but which have not progressed to the stage of agreement are excluded. The total number of deals was 48, shown by both source and destination countries.