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New Reports: Global Land Grab Brings Significant Risk to Investors As Communities Respond to Economic Harm, Human Rights Abuses

Risk Analysts Show that Operational Cost Increases Can Approach 2,800%; Myanmar is Latest Flashpoint in Alarming Trend

London, UK (5 February, 2013)—Land conflicts continue to wreak havoc on economic development and human rights around the globe, threatening both the financial health of investors as well as the livelihoods of those who live on the land, according to two reports released today.

“When we looked at companies involved in international land acquisitions, we found that they experience an astonishing amount of financial damage, ranging from massively increased operating costs—as much as 29 times above a normal baseline scenario—to outright abandonment of functional operations when they ignore pre-existing or customary local land rights,” said Lou Munden, Chief Executive of The Munden Project, which produced one of the reports, *The Financial Risks of Insecure Land Tenure: An Investment View*.

The second report, *Landowners or Laborers: What Choice Will Developing Countries Make?*, produced by the Rights and Resources Initiative (RRI), highlights the key choice facing developing countries in 2013. The choice confronting these nations is whether to embrace a more sustainable development path built on inclusiveness and respect for the rights of all their citizens, or instead to opt for a short-cut, handing out their people’s lands and forests to industrial investors, hoping for faster-paced growth.

“It is unfortunate to see national governments still embracing failed development models, especially when the evidence is so overwhelming,” said Andy White, coordinator of RRI. “In this equation, political stability, democracy and long-term economic gain is often sacrificed for short-term cash.”

“Rarely have local communities—and ultimately their national governments—prospered through this development model,” he added. “It’s even more astounding given that investors often fail to prosper as well. This model proved unsustainable in 2012, nowhere more apparent than in Liberia. And now the conflict in Kachin shows that Myanmar could be the next country to fail with this approach.”

The Munden Project report examined a number of high-profile land conflicts involving corporate entities around the world. Companies that ignore the issue of land tenure, the report concluded, expose themselves to substantial, and in some cases, extreme risks, whether their investments are in infrastructure, mining, agriculture or forestry.

“The financial risks posed are numerous, ranging from slippage in construction times and unexpected cash flow loss due to suspensions, to expropriation of assets following the loss of insurance coverage,” noted Munden. “Even more troubling, the escalation of risk can be extremely rapid and irreversible. Conventional approaches to understanding and mitigating risk do not apply; they need to be ramped up to sufficiently reflect the true risks associated with unclear and insecure local land tenure.”

In examining financial risk, the report detailed five case studies around the world:

- Orissa, India, where a failed venture by the metals and mining firm Vedanta resulted in a negative financial outlook from credit ratings agencies including Standard and Poor’s. The company’s actions have also been connected to an upswing of the Naxalite insurgency in Eastern India.
- Futrono, Chile, where a hydropower project failed when the energy company SN Power didn’t consult with indigenous communities and tried to proceed without consent. The company eventually abandoned its investment and wrote off US\$23 million in losses.
- Zanzibar, Tanzania, where the biofuels importer SEKAB strong-armed communities while attempting to purchase 400,000 hectares for a massive plantation with severe environmental impacts. When these efforts were revealed, SEKAB’s attempt to obtain additional credit was denied and the company was forced to sell off assets at a loss of over US\$20 million.
- Isiboro Sécure National Park and Indigenous Territory (TIPNIS), Bolivia, which would have been bisected by a major road project planned by the national government. The local communities were never consulted on the project, however, and the national protests that resulted delayed and ultimately sidelined construction. BNDES, a Brazilian development bank, pledged US\$332 million for the project but ultimately retracted the grant; Bolivia’s relationship with Brazil suffered as well.
- Grand Cape Mount, Liberia, where the world’s largest palm oil producer, Sime Darby, planned to develop 220,000 hectares into oil palm and rubber plantations after signing a 63-year concession with the national government. Because of inadequate community consultation and compensation, operations have been repeatedly disrupted by tenure disputes.

“So many times in these land deals we see that subsistence farmers are converted into laborers who earn wages below subsistence levels,” added White. “This is not economic progress; some level of conflict becomes inevitable and investments are then halted, retracted or lost.”

Myanmar Becomes the Next Flashpoint

When President Obama visited Myanmar in November 2012, the event was portrayed as a global coming-out party for Myanmar as the country emerged from decades of secrecy and authoritarian rule. But as the country took several tentative steps towards democracy, it also increased hostilities in its northern state of Kachin, where mining, logging and hydropower projects failed to consider the land rights of Indigenous Peoples.

Almost half of Myanmar—32.22 Mha—is forested, with another 10.8 Mha consisting of other types of wooded lands.¹ The government implemented a system of community forests 15 years

¹ <http://www.fao.org/forestry/country/32185/en/mmr/>

ago with a national target of 918,000 hectares by 2030—less than three percent of the country's current forests. But even that very modest goal proved too ambitious for the government. Less than five percent of this target has been achieved, and even those still have steep restrictions on villagers' rights to the trees and their wood.²

The pace of deforestation in the country, however, has raced forward unabated. Dense forest cover, for example, has declined precipitously, from 45.6 percent of the land in 1990 to just 19.9 percent in 2010.³

“The conflict in the north of Myanmar, like so many around the world, has its roots in land and resource rights—including community forest rights,” said Maung Maung Than, project coordinator for RECOFTC-The Center for People and Forests. “The leadership of previous governments guiding Myanmar started a race to sell off our natural resources, and our livelihoods have become collateral damage in the process. As our country opens up to the outside world, we need to stay focused on reducing poverty, not increasing it.”

Activists Face Legal Harassment and Murder

The RRI report also notes an unfortunate number of cases where activists faced legal harassment. In Liberia, for example, community leaders were arrested when they tore up a meeting attendance sheet so that it could not be attached as “proof” of their agreement after unsuccessful negotiations. In Cameroon, one activist was arrested after handing out t-shirts during a protest. In Cambodia, 201 land activists and protesters were arrested in 2012, twice the number from the year before.

Even more disturbing, the number of activists murdered for their work reached an unofficial peak in 2012:

- In April, Chut Wutty, founder and director of the Natural Resource Protection Group, a Cambodian NGO, was shot dead by the military police. He had been investigating illegal logging and land acquisitions in Koh Kong province.
- In May, Filipino activist Margarito Cabal, who campaigned against the construction of a hydroelectric dam in Pulangi River, was shot dead by unknown assassins after being publicly vilified by state security forces.
- In July, Almir Nogueira and João Luiz Telles—two leading members of an association of Brazilian artisanal fisherfolk campaigning against pollution of Guanabara Bay—were found tied up and drowned in the bay. Their deaths happened days after the end of the nearby Rio+20 Earth Summit.
- In November, Mexican environmentalist Juventina Villa Mojica, who was trying to protect forests in southern Guerrero state from invasion by drug gangs, died from gunshot wounds. Her son died beside her. Her husband and two other children were similarly gunned down in 2011.
- In December, prominent Lao social activist Sombath Somphone was snatched from the street after being stopped in his car by police for what at first appeared to be a routine traffic check. State authorities claimed they were not involved in the kidnapping, which was recorded on closed circuit television. But Sombath, who has not been seen since, had recently organized a citizens' forum for villagers angry at the loss of their land to

² <http://www.burmalibrary.org/docs13/Community+Forestry+in+Myanmar-op75-red.pdf>

³ Ibid.

rubber planters. The meeting coincided with a summit of European and Asian heads of state in the country.

“The traditional risk in this equation has always been thought to be assumed by advocates, who often face insurmountable odds in directing investment towards socially sustainable investments,” said Jeffrey Hatcher, director of global programs for RRI. “But when community land rights are violated, everyone involved assumes a high degree of risk, from the local and national government to the private enterprises and even their supply chain.”

“Respecting and securing local land rights minimizes risks,” Hatcher concluded. “It is a sound proposition for governments and businesses alike.”

The reports were issued by the Rights and Resources Initiative (RRI), which sponsored an expert panel today with the UK-based Forest Peoples Programme (FPP) at The Royal Society on the trends and conflicts shaping land use and economic development worldwide.

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The Rights and Resources Initiative (RRI) is a global coalition of 14 Partners and over 120 international, regional and community organizations advancing forest tenure, policy and market reforms. RRI leverages the strategic collaboration and investment of its Partners and Collaborators around the world by working together on research, advocacy, and convening strategic actors to catalyze change on the ground. RRI is coordinated by the Rights and Resources Group, a non-profit organization based in Washington, DC. For more information, please visit www.rightsandresources.org.