31 percent of timber, mining, agriculture concessions in 12 nations overlap with local land rights

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A new analysis of land-use concessions in emerging market economies (EMEs) in Africa, Asia and Latin America shows that at least one out of every three hectares licensed for commercial exploitation is overlapped by indigenous community land.

The quantitative analysis found that land tenure is a statistically significant source of investment risk in emerging market economy concessions and extends across all land-dependent sectors, regardless of concession type. It shows that 31% of all commercial concessions (by area) are overlapped in some way by community lands, putting at risk some $5 billion of implied agriculture production value.

The paper, produced by The Munden Project for the Rights and Resources Initiative, used Geographical Information System (GIS) mapping technology to analyze over 153 million hectares of concessions across 12 emerging market countries. Projects ranging from agriculture and forestry to mineral extraction were analyzed in Argentina, Brazil, Cambodia, Cameroon, Chile, Colombia, Liberia, Indonesia, Malaysia, Mozambique, Peru, and Philippines. The results quantify significant overlap between commercial concessions and indigenous community lands, identifying 3,750 overlapped concessions covering a total of 48.3 million hectares.

"The financial risk posed by insecure land tenure has not previously been examined in a systematic way," said Lou Munden, Chief Executive Officer of The Munden Project. "Moreover, investors and operators considering projects in EMEs do not currently incorporate it in their diligence processes. Legal, civil and sometimes violent opposition to projects can impair profitability and disadvantage local populations. However this increasingly common cause of disruption does not feature in the methodologies of ratings agencies or insurance companies, and is overlooked in valuation models used to examine investment risk."

The research was released on the eve of a major international conference, held in Interlaken, Switzerland. Co-organized by the Rights and Resources Initiative, (RRI), the International Land Coalition (ILC), Oxfam, Helvetas Swiss Intercooperation, and IUCN, the International Union for Conservation of Nature, the event will bring together government and business stakeholders involved in land investment with leaders of Indigenous Peoples and other local communities and NGOs.

Participants will explore strategies to strengthen land tenure for local communities, consolidate ideas and plans to scale-up and more effectively deploy operational strategies, catalyze new collaboration and alliances, and identify next steps to take these strategies forward.

"Natural resource developers and their investors face a major challenge. Their profits—along with their ability to meet global demand—can plummet if the situation on the ground becomes unstable," said Andy White, Coordinator of Rights and Resources Initiative (RRI). "However, the communities that live on the lands in question face different challenges, including poverty, hunger, and encroaching development that threatens to force them from their land. The conflicts that often result are avoidable."

The new report builds a framework for financiers and insurers of mining, agriculture, and forestry projects to evaluate land tenure risk.

Spatial data, gathered from a wide variety of public and private sources, was used to map out concession areas and community-claimed lands in the 12 countries. Where community and concession areas overlapped, the authors calculated the financial impairment that could arise from conflict triggered by the developments.

"The first step to managing risk in any investment is to understand it. What we propose is a statistical method that identifies and quantifies the problem," said Lou Munden. "At present, very little data is available to investors and operators who wish to assess and manage land tenure risk, creating a highly emotive debate around the issue. By taking a quantitative approach that uses GIS mapping, we can start to adopt a more pragmatic approach to the avoidance of conflicts over land tenure that seldom benefit any of the parties involved."

Key findings of the report include:

- Some 31% of the total national concession areas overlap with known local-community territory, putting a production value of $5 billion at risk for agriculture alone.
- The largest example is provided by Argentina, where 84% of national soybean concessions are overlapped by community-claimed areas, with an average area overlap of 26% and potential impairment value of $4.6 billion.
- 83% of all commercial timber concessions in Cameroon are overlapped by community forests, putting a potential value at risk equal to 0.4% of national GDP.
- The research mapped mining concessions in Chile, Colombia and the Philippines, where 30.5% of affected concession areas are overlapped by indigenous territory.
- Land disputes over the Philippine Tampakan mining project have placed $5.9 billion of investment at risk in a project that is projected to add 1% to national GDP.

The report also highlights the current problems in insuring investors against risk in these multinational resource transactions. Traditional policies that consider national governments to be parties to the transaction focus on the nation's ability to pay its debts, not how it navigates indigenous and other local communities' land rights. As a result, transactions in Malaysia, a nation with widespread land conflict, are easier to insure than those in Mexico, which has a lower credit rating but stronger and more secure local property rights.

Some firms offer political risk insurance, but these policies only protect against confiscation (or nationalization), currency issues, and political violence. Without provisions protecting against land disputes with local communities, the investment risk remains exposed and untenable. Provisions nullifying the policies if "coercive practices" are utilized by governments or investors also make the inevitable land disputes that much more costly.

"Investing in emerging market economies does not have to be fraught with so much [financial risk](https://phys.org/tags/financial+risk/)," concluded White. "But investors need to understand that in this day and age, no land is empty. The people living on the land need to be identified, involved, and respected. They are striving for a better life; economic development should not bring them harsher poverty instead."

Provided by Burness Communications