

# COMMUNITY OF PRACTICE ON LEGAL ASPECTS OF CONTRACT FARMING

## *Project Members – Projects and Activities*

Last update 09.12.2016

### **Food and Agriculture Organization of United Nations (FAO)**

**Website:** [www.fao.org/ag/ags/contract-farming/index-cf/en](http://www.fao.org/ag/ags/contract-farming/index-cf/en)

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FAO is an intergovernmental organization that promotes responsible contract farming by implementing domestic and regional development and capacity building programmes, issuing publications and maintaining a Contract Farming Resource Centre on the FAO website.

Following up on the preparation of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming, FAO, with IFAD's support and relying on the collaboration of UNIDROIT, is engaged in a **Project of Implementation of the Legal Guide** aiming at disseminating the Guide and expanding its impact and benefits, spanning over 2016 and 2017.

The global Project includes several components, described below. They are mainly focused on the preparation of outreach materials, capacity building, online dissemination and knowledge transfer.

## **PROJECTS**

### **1. Translation of the Legal Guide into Spanish**

***Expected project completion date December 2016***

FAO has engaged in translating the Legal Guide into Spanish, with a view to making it accessible to key stakeholders in Spanish-speaking countries, in particular in Latin America and the Caribbean. The Spanish version has been finalized and will be published electronically and hard copies printed.

### **2. Preparation of guidelines for better contract farming operations**

***Expected project completion date January 2017***

Under this activity, FAO is preparing the following accompanying documents summarizing the Legal Guide messages:

#### **1. Legal aspects of contract farming agreements: a synthesis of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming.**

This abridged version of the Legal Guide has been written in non-technical language, making its contents more accessible to a broader audience of professionals interested in CF issues. It

will be published in December 2016 in English, with French and Spanish version to follow shortly after.

## **2. Brief on contract farming and the law: what do farmers need to know?**

This brief aims to help farmer leaders, farmer organizations and facilitators working with smallholders to achieve a correct understanding of legal and operational aspects of CF issues. It is based on the Legal Guide and on FAO field experience and will be published in January 2017 in English, with French and Spanish version to follow shortly after.

## **3. Brief on contract farming and the law: what do regulators need to know?**

This brief aims to provide regulators and policy-makers with an overview of CF concepts and legal issues to guide their work. It is also based on the Legal Guide and will be published in January 2017 in English, with French and Spanish version to follow shortly after.

# **3. Analysis of regulatory frameworks for contract farming**

### ***Expected project completion date September 2017***

To complement and enrich the scope of the Legal Guide, FAO together with other partners including UNIDROIT, will analyse key regulatory trends internationally and provide guidance for governments looking to improve their enabling environment for contract farming. The analysis will build on comparative examples to be chosen from different jurisdictions and legal systems.

The legal team is currently conducting a literature review and preparing case studies to gather further information on this topic. FAO has sought the assistance of UNIDROIT for the preparation of this legislative analysis, during UNIDROIT's Council on 19th May 2016.

# **4. Developing contract templates**

### ***Expected project completion date May 2017***

FAO is currently collaborating with the International Institute for Sustainable Development (IISD) and IFAD to develop a generic contract template and two commodity-specific templates based on the recommendations of the Guide, addressed to development agents, policy makers, farmer organizations and others interested in CF issues. A first draft of the templates will be made available to FAO in mid-December 2016 with second versions available for review by the project advisory board by March 31<sup>st</sup>, 2017. It is envisaged that the templates will be published online by the end of May 2017.

# **5. Capacity building: preparation and validation of training materials and workshops**

### ***Expected project completion date December 2017***

FAO has developed a set of targeted extension training materials to support the design and implementation of responsible contract farming schemes across a range of developing economy contexts. These materials have been further adapted by the team to incorporate new case studies and specific sessions on legal aspects of contract farming drawing from material included in the synthesis of the Guide and the briefs for farmers and regulators. Three national workshops to validate these materials are planned under the IFAD Grant with the first validation workshop delivered in Vietnam in September 2016. The materials are currently undergoing further adaptation to suit the Central American and Eastern Africa contexts with validation workshops planned in March in El Salvador and Rwanda.

Three regional workshops, to be held in Latin America and the Caribbean, East and Southern Africa, and the Asia Pacific region will also be held in the second and third quarters of 2017. These “*training of trainers*” workshops will be aimed at strengthening the national and regional capacities for the adoption and dissemination of the principles set forth in Guide. The trainees will be extension agents, development professionals, academics and other actors that have roles in capacity building activities on areas of relevance to contract farming promotion.

To promote the sustainability of capacity building activities, these training materials will be made available to a broad audience of interested stakeholders through an open access e-learning platform. A contract is under preparation with a private service provider to be initiated in the first quarter of 2017 with the objective of launching the platform in the 3<sup>rd</sup> quarter 2017. This activity responds to the need, expressed by organizations including IFAD and the World Bank, to disseminate the contents of the Guide through materials that can be directly used to support the work of international organizations investing in or otherwise supporting agricultural development.

## **6. Guiding questions for contract analysis**

Originally designed as a training tool for the above-mentioned capacity building activities, this set of guiding questions has proven to be useful as well for CF practice. The questions help farmers and buyers to decide whether the contract under analysis is consistent with the good practices recommended by FAO and partners. Through its use, potential areas for improvement in contractual design can be identified.

## **7. Contract database and publication repository at the “*Contract Farming Resource Centre*” website**

This FAO website provides free access to hundreds of samples of real world farming contracts from numerous countries, covering a wide range of agrifood products. Complementing this unique source of practical information, the site maintains a selected, up-to-date and searchable database of CF publications, including books, case studies, articles, research papers, project reports and other related documents. An e-learning platform is under development and planned to be made available through this CF website <http://www.fao.org/ag/ags/contract-farming/index-cf/en/>.

## **8. A checklist for drafting agricultural contracts**

The Checklist provides a quick reference for those drafting contracts and for the farmers who may be signing them. Extension agents, NGOs and others advising farmers will also benefit from this tool. Drawing from the contents of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming, the list presents the recommended form and contents of contracts and itemizes the types of clauses and conditions that are expected to be included in these CF instruments.

## **9. FAO’s fieldwork on contract farming**

Over the past years the field work programme of ESA and LEGN has focused on assisting member countries to:

- Design, implement and/or improve contract farming schemes. A case in point is the “*Baghlan Sugar Factory Project*” in Afghanistan. FAO provided support in the design of this sugar beet CF operation, assisting farmers in contract design and in building their organizational and managerial skills to improve collective bargaining. Further assistance is planned for Laos and Georgia in 2017.
- Improve the regulatory framework for contract farming. One example is the project “*Strengthening the legal framework to realize food security and nutrition, 2012-2014*”, which provided legal support on CF in Honduras, Nicaragua, Guatemala and El Salvador

through the analysis of CF agreements and legislation. It also aimed to elaborate good practices on contract design and negotiation. Further assistance is planned for Albania in 2017.

- Draft a contract farming policy or strategy. FAO has supported the Government of Malawi to revise their CF policy with the ultimate purpose of reducing child labour in agriculture.

## 10. Global Forum on Law, Justice and Development

### ***Expected project completion date December 2017***

A Letter of Agreement was signed between FAO and UNIDROIT in early 2016. As part of the activities foreseen in it, UNIDROIT has launched the Community of Practice (CoP) on Legal Aspects of Contract Farming, a web platform within the framework of the Global Forum on Law, Justice and Development led by the World Bank. See: <http://www.unidroit.org/community-of-practice/home>

In order to increase visibility for better contract farming operations and involve new partners in the CoP platform, UNIDROIT, FAO and IFAD have organized the following events:

1. A session on "*The Ins and Outs of Contract Farming*" was delivered in IFAD during the Global Staff Week - 22 February, IFAD.
2. *Working session on contract farming schemes* - 11 March 2016, World Food Programme HQ.
3. Conference hosted by UNIDROIT on 27 April 2016 on "*Creating a favourable legal environment for contract farming*". The Conference was primarily directed to diplomatic representations in Italy dealing with FAO, IFAD and UNIDROIT on a regular basis, international organizations, NGOs, and bilateral cooperation agencies involved in contract farming and the legal academic circles. Altogether, 73 persons participated in the conference.
4. *Seminar on IFAD-FAO (Investment Centre) on support to Contract Farming* - 28 April, FAO.

Further outreach activities are planned for 2017 including an in-house FAO seminar on the progress of the IFAD grant and contract farming field activities planned for January 2017, and an additional meeting of the Rome-based agencies planned for the first quarter of 2017, with dates to be confirmed among the partners.

### **Sharing of knowledge products and information**

- **UNIDROIT/FAO/IFAD Legal Guide on Contract Farming, 2015.** Mindful of the importance of enhancing knowledge and awareness of the legal regime applicable to contract farming operations, FAO, in collaboration with IFAD and UNIDROIT, prepared the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming. The Guide is a useful tool and reference document for international organisations, national governments, non-Governmental organisations, commodity associations and advanced farmer organizations involved in contract farming practice, policy design, legal research and capacity building. It can contribute as well to create a favourable, equitable and sustainable environment for contract farming. <http://www.fao.org/3/a-i4756e.pdf>

- **FAO Guiding Principles for Responsible Contract Farming Operations:** Developed with inputs from experts and practitioners, the publication presents a set of principles that are conducive to responsible CF. It is intended to serve as guidance for farmers and buyers engaged in contractual relationships, thus promoting good business practices and maintaining an atmosphere of trust and respect that is essential for the effectiveness of contract farming partnerships. <http://www.fao.org/docrep/016/i2858e/i2858e.pdf>

- **Contract Farming for Inclusive Market Access, 2013.** This book presents a selection of cases of CF covering different commodities and country contexts, and analyses the market conditions that lead to the need for contracting. The cases were competitively commissioned from researchers and development professionals worldwide, and illustrate the multifaceted nature of contracting as an agrifood chain coordination mechanism to promote inclusiveness and efficiency in supply chains. <http://www.fao.org/uploads/media/cf.pdf>
- **The growing role of contract farming in agrifood systems development: drivers, theory and practice, 2005.** The publication illustrates the nature of recent changes in agrifood systems and outlines the theoretical basis for CF, as well as its advantages, disadvantages and critical success factors. [http://www.fao.org/fileadmin/user\\_upload/ags/publications/AGSF\\_WD\\_9.pdf](http://www.fao.org/fileadmin/user_upload/ags/publications/AGSF_WD_9.pdf)
- **Contract Farming: Partnership for Growth, 2001.** The guide describes in detail the general modus operandi, internal functions and monitoring mechanisms of CF. It emphasizes that sustainable CF arrangements are only possible when the various parties see themselves involved in a long-term partnership. The Guide provides advice to companies on the management actions necessary for success and to government officials seeking to promote CF operations. <http://www.fao.org/docrep/004/y0937e/y0937e00.htm>