UNIDROIT Working Group  
on agricultural land investment contracts  

Second meeting  
Rome, 13-15 September 2017

ANNOTATED DRAFT AGENDA

1. Opening of the meeting
2. Adoption of the agenda and organisation of the meeting
3. Recent developments and general considerations in relation to the work
4. Consideration of the draft outline of the future legal guide on agricultural land investment contracts, proposed revisions and initial chapter drafts
5. Organisation of future work
6. Any other business
7. Closing of the meeting
**Annotations**

**Item No. 2 – Adoption of the agenda and organisation of the meeting**

1. Subject to confirmation by the Working Group, the meeting hours will be as follows:

   **Morning sessions:** on Wednesday, 13 September, the opening will be at 10 a.m.
   
   On other days: 9.30 a.m. – 11 a.m.
   11.20 a.m. – 1 p.m.

   **Afternoon sessions:** 2.15 p.m. – 3.40 p.m.
   4.00 p.m. – 6.00 p.m.

Every day, morning and afternoon refreshments will be served at the Institute and, on Wednesday, a light lunch will be provided.

**Item No. 3 – Recent developments and general considerations in relation to the work**

2. The Secretariat is to provide an update on recent developments regarding the work since the Working Group's first meeting (Rome, 3–5 May 2017). Before considering the draft outline on the future legal guide on agricultural land investment contracts, proposed revisions and initial chapters drafts, the Working Group might wish to discuss general considerations in relation to the work, such as those discussed at the first meeting (i.e. the notion of agricultural land investment contracts; alignment of the work with existing initiatives; co-operation with the UN agricultural development agencies, non-governmental organisations, civil society, the private sector and other stakeholders; and the objective and target audience of the guide) or others.

**Item No. 4 – Consideration of the draft outline of the future legal guide on agricultural land investment contracts, proposed revisions and initial chapter drafts**

3. The initial draft outline on the future legal guide on agricultural land investment contracts – which resulted from the Working Group’s first meeting and remains subject to review and further development – is attached as an annex, together with a list of possible resources. Proposed revisions to that outline and chapter drafts were prepared by members of the Working Group and the Secretariat. The following working papers, which represent first drafts of certain matters identified in the outline, are expected to be considered in detail at the meeting, together with the draft outline and any other contributions that are received and then circulated as soon as possible:

   - WP.2: Legal framework (Chapter 1);
   - WP.3: [Rights and] Obligations of the Parties (Chapter 3, Parts I-V);
   - WP.4: [Rights and] Obligations of the Parties (Chapter 3, Parts VI); and
   - WP.5: Dispute resolution (Chapter 6).

4. In connection with considering and discussing those working papers and reviewing and refining the draft outline, the Working Group may wish to contemplate various drafting issues to facilitate the preparation and submission of future drafts, including, for example, (a) terminology to be used; (b) the framing of guidance to be offered; (c) the level of detail to be provided; and (d) references to other instruments and sources.
INITIAL DRAFT OUTLINE
for UNIDROIT’s future legal guide on agricultural land investment contracts

PREFACE [see, e.g., Legal Guide on Contract Farming, Preface]

I. Overview and purpose

A. Brief summary of the Guide

B. Statement that the Guide seeks, inter alia, to:

   - Respond to the need for greater investment in agriculture for food security and nutrition [CFS-RAI Principle 1]; and

   - Support responsible agricultural investment, which incorporates necessary safeguards to protect legitimate tenure right holders, human rights, livelihoods, food security and the environment and is consistent with the objectives of social and economic growth and sustainable human development [VGGT, para. 7.1 et seq., 12.1 et seq.; CFS-RAI Principles 2-10]

II. Approach and how to use the Guide

A. Approach is to provide legal guidance on agricultural land investment contracts, incorporating necessary safeguards into them, and implementing and monitoring them in six stages (i.e. the legal framework; negotiation and formation; [rights and] obligations of the parties; non-performance; transfer, renewal and termination; and dispute resolution)

B. Guide is to further the implementation of the VGGT and CFS-RAI Principles by serving as a reference tool for legal counsels, in particular those for investors, and is to contain references to practical operations, contract practices and international instruments (e.g. VGGT; CFS-RAI Principles; UPICC)

INTRODUCTION [see, e.g., Legal Guide on Contract Farming, Introduction]

I. General introduction to agricultural land investment contracts

A. The notion of agricultural land investment contracts, including why such contracts are important and being treated in the Guide

B. Issues that have been identified with respect to such contracts

   - Tenure rights in general [see, e.g., Munro-Faure and Palmer, An Overview of the Voluntary Guidelines on the Governance of Tenure, LAND TENURE JOURNAL (2012)]

   - Rights of legitimate tenure right holders not being respected, including difficulties in identifying such holders
II. Scope of the Guide

A. Description of various agricultural land investment contracts in practice, such as leases, concessions/investment agreements, purchases (i.e. a more technical discussion than in Part I.A above)

B. Identification of those contracts falling within the scope of the Guide, including primarily leases and concessions/investment agreements, but also other contracts to the extent feasible

CHAPTER 1 – THE LEGAL FRAMEWORK

I. The legal regime applicable to the agricultural land investment contract (i.e. applicable to the contract itself and the rights and obligations arising from it)

A. Domestic sources [VGGT Technical Guide No. 4 at 33 et seq.]
   • Rules and principles of law (e.g. contract law; property law; company law)
   • Customary rules and usages

B. International sources
   • International treaties (e.g. ICCPR, ICESCR, CERD, CEDAW, CRC, ICRMW or bilateral/multilateral investment treaties binding for the respective State Parties) [VGGT Technical Guide No. 4 at 32]
   • Soft law instruments (e.g. VGGT; CFS-RAI Principles; UPICC)
   • Guidance documents

II. The regulatory environment

A. Domestic sources
   • Land administration / land reform
   • Environmental protection
   • Promotion and protection of investment
   • Finance (e.g. accounting rules and anticorruption measures)
   • Other potentially applicable domestic sources

B. International sources
   • Food security
   • Human rights
   • Gender
- Environmental law
- Labour law
- Transparency
- Other potentially applicable international sources

CHAPTER 2 – NEGOTIATION AND FORMATION

I. Identification of the possible parties to the contract and relevant stakeholders

A. Parties and relevant stakeholders [CFS-RAI Principle 5; VGGT para. 12.1 et seq.; UN Principles for responsible contracts, nos. 1-2, 7; VGGT Technical Guide No. 5 at 20 et seq.; VGGT Technical Guide No. 7 at 38; ISLP/CCSI Guide, part 2.2]

  - Investor(s)
    - Corporate organisation [GCAP Model Lease, Section 16]
    - Change of control [ISLP/CCSI Guide, part 2.17]
  - Legal tenure right holders (e.g. private holder(s), government)
  - Legitimate tenure right holder(s) [VGGT, paras. 3.2, 9.1]
    - Common challenges in identifying legitimate tenure right holders, as well as the challenge of legitimacy of those representing them [VGGT Technical Guide No. 7 at 16-36]
    - Free, prior and informed consent [UNDRIP; ILO C169; VGGT, paras. 3B.6, 9.9, 12.7; VGGT Technical Guide No. 3]
    - Introduction to community development agreements [cross-reference to Chapter 3.VI.C below]
  - Other possible parties or relevant stakeholders (e.g. local officials or public notaries)

B. Delivery of notices [GCAP Model Lease, Section 21; ISLP/CCSI Guide, part 2.25]

II. Feasibility studies and risk assessments [GCAP Model Lease, Appendix 1; IISD Model Contract, para. 6.1]

A. Suitable land availability and valuation [VGGT, para. 18.1 et seq.; VGGT Technical Guide No. 4 at 37; VGGT Technical Guide on valuation (forthcoming)]

B. Food security [CFS-RAI Principles 1-2; VGGT, paras. 12.1, 12.4, 12.12]

C. Availability of water and other natural resources [CFS-RAI Principles 5-6]

D. Development of a business plan
III. Impact assessments [CFS-RAI Principle 10; VGGT paras. 3.2, 12.10; IFC Performance Standard 1; Right to Food Guidelines, para. 17.2; VGGT Technical Guide No. 4 at 56 et seq.; VGGT Technical Guide No. 7, parts 2-3, 6; IISD Model Contract, para. 6.2]

A. Human rights

B. Legitimate tenure rights

C. Social and livelihood

D. Environmental [GCAP Model Lease, Appendix 2]

IV. Tender process [CFS-RAI Principle 9; VGGT Technical Guide No. 4 at 47 et seq., 61 et seq.]

A. Need for a competitive, inclusive and transparent process

B. Draft contract publication/disclosure [VGGT, para. 11.7; UN Principles for responsible contracts, no. 10; IISD Model Contract, para. 12.0]

V. Contract formation [Legal Guide on Contract Farming at 57; UPICC, Chapter 2]

A. Capacity and consent

B. Role of those who intervene or assist in contract negotiation

C. Required contract form and content and consequences for breach of such requirements

CHAPTER 3 – [RIGHTS AND] OBLIGATIONS OF THE PARTIES (introduction to this chapter to recognise that not all contracts would require or include clauses on all of the topics identified below, depending on the type of contact, the parties to that contact, and other circumstances)

I. Purpose of the investment [VGGT Technical Guide No. 4 at 87]

A. Identification of use

B. Indicative business plan

II. Location/description of the land [GCAP Model Lease, Section 3; ISLP/CCSI Guide, part 2.4]

A. Identification (e.g. total size; boundaries; geospatial data)

B. Option for additional land and right of first refusal for such land

III. Duration of the contract [GCAP Model Lease, Section 4; IISD Model Contract, para. 5.1]

A. Start and end dates

B. Drawbacks of limitations on period [UNCITRAL PFIP Guide at 151 et seq.]
IV. Conditions [UPICC, Chapter 5.3]

A. Overview, including suspensive and resolutive conditions [ISLP/CCSI Guide, part 2.3]

B. Permits and licenses [GCAP Model Lease, Sections 5, 14]

V. Rights granted to the investor [GCAP Model Lease, Section 5; IISD Model Contract, para. 5.1; ISLP/CCSI Guide, part 2.5]

A. Grant of tenure rights

- Rights of use (e.g. land; water, including specification of water commitments and drought events; and underground resources)
- Rights of entry and control (e.g. who owns improvements; fixtures; etc.) [UNCITRAL PFIP Guide at 108 et seq.]
- Rights withheld (e.g. limitations on exclusivity/use; rights of way; continued access, etc.) [UNCITRAL PFIP Guide at 111 et seq.]

B. Grant of related rights

- Right to access and use utilities [GCAP Model Lease, Section 11]
- Rights to import (e.g. supplies; equipment)
- Rights to market, transport, and export (e.g. agricultural production)

VI. Obligations on the investor (introduction to this subpart to recognise that there are trade-offs here, such as putting in place extensive social obligations may, in turn, require lower rental fees, etc.)

A. Development obligations [GCAP Model Lease, Section 11]

- Time limit for development by the investor
- Timing and form of non-monetary obligations
- Processing (e.g. whether to take place locally, including incentives, or elsewhere) [IISD Model Contract, para. 8.3]

B. Financial obligations [GCAP Model Lease, Section 6; IISD Model Contract, para. 7.0 et seq.; ISLP/CCSI Guide, part 2.11]

- Timing and form of monetary payments, and interest accrual on late payments
  - Rental fees, including frequency of rent revisions and method of calculating adjustments to the rent and possible use of scales based on land development
  - Taxes (e.g. income; assets; exports) [VGGT, para. 19 et seq.]
C. Social obligations [GCAP Model Lease, Section 7; ISLP/CCSI Guide, part 2.13]

- Compensation rates for crops, structures or other items existing on the land, and periods of compensation (e.g. on entry, annual, at exit) [note that this could be moved to financial obligations]

- Local/domestic food security [CFS-RAI Principles 1-2; VGGT, para. 12.12]

- Employment, including gender and youth aspects (e.g. meaningful opportunity to become part of the company, and training and skills development) [CFS-RAI Principles 2-4; GCAP Model Lease, Section 7; IISD Model Contract, para. 8.1 et seq.]

- Procurement, including guidance on contracts with local suppliers and incentives for local or domestic procurement [CFS-RAI Principle 2; IISD Model Contract, para. 8.4]

- Outgrower schemes, such as contract farming with farmers on adjoining land or tenant farmers subletting land, for which overarching framework could set key parameters (e.g. price, including internationally available indices for price; indebtedness) [CFS-RAI Principles 1-2, 8; GCAP Model Lease, Section 7; IISD Model Contract, para. 8.2]

- Communications and agreements with local communities (e.g. guidance on substantive content – linked back to discussion in Chapter II and in the chapeau of Chapter III) [CFS-RAI Principle 9; GCAP Model Lease, Sections 8-9; IISD Model Contract, para. 8.5]

D. Environmental obligations [CFS-RAI Principle 6; IFC Performance Standard 6; GCAP Model Lease, Section 14; IISD Model Contract, para. 9.0 et seq.; ISLP/CCSI Guide, part 2.12]

- Opportunity to complement national legislation by contractual clauses, such as by building upon international standards or other possibilities (e.g. rotational cropping; climate smart cropping; best available science)

- Impact assessment and management

- Pesticides

- Pollution prevention and remediation

- Soil management/degradation [VGSSM]

- Water use/depletion

- Protection of biodiversity [see, e.g., RSPO Principles & Criteria]
• Cultural heritage [CFS-RAI Principle 7]
• Waste management

VII. Infrastructure [ISLP/CCSI Guide, part 2.7]

VIII. Compliance [GCAP Model Lease, Sections 11-12; ISLP/CCSI Guide, part 2.6]
   A. Insurance
   B. Recordkeeping and audits [IISD Model Contract, para. 5.3]
   C. Circumstances under which the lessor can enter the property to inspect the investor's activities and monitor compliance [IISD Model Contract, para. 5.3]
   D. Conservation of premises

IX. Physical security [UN Principles for responsible contract, no. 6; GCAP Model Lease, Section 12; IISD Model Contract, para. 5.4; ISLP/CCSI Guide, part 2.8]

X. Stabilisation / Security of rights, including the importance of legal security for bankability [UN Principles for responsible contracts, no. 4; IISD Model Contract, para. 10.0; ISLP/CCSI Guide, part 2.19]

XI. Monitoring [UN Principles for responsible contracts, no. 8; VGGT Technical Guide No. 4 at 70 et seq.; VGGT Technical Guide No. 7 at 68-69; GCAP Model Lease, Section 13; ISLP/CCSI Guide, part 2.14]
   A. Performance guarantees [UNCITRAL PFIP Guide at 136-140]
   B. Reporting requirements and access to information / disclosure, transparency [VGGT, paras. 6.9, 11.7; UN Principles for responsible contracts, no. 10; VGGT Technical Guide No. 7 at 45 et seq.; IISD Model Contract, para. 12.0, 16.0 et seq.; ISLP/CCSI Guide, part 2.18]
      • Between the parties
      • Between the parties and the public, including protection of confidential information
   C. Amendments and periodic review (e.g. every 5 years, variations of certain indexes) [GCAP Model Lease, Section 18; IISD Model Contract, para. 13.0; ISLP/CCSI Guide, part 2.26]

XII. Representations and warranties (and indemnification and anticorruption – terminology TBD) [ISLP/CCSI Guide, parts 2.9, 2.15; 2.22]

CHAPTER 4 – NON-PERFORMANCE

I. Changes in circumstances in general/risks [UPICC, Chapter 6.2; UNCITRAL PFIP Guide at 140 et seq.; VGGT Technical Guide No. 7 at VIII-X; Equator Principle 1]

II. Excuses [Legal Guide on Contract Farming, Chapter 4]
A. Force majeure [UPICC, art. 7.1.7; GCAP Model Lease, Section 20; ISLP/CCSI Guide, part 2.21]

B. Qualifying events, including possible link to renegotiations and periodic review

C. Consequences

III. Remedies for breach [Legal Guide on Contract Farming, Chapter 5]

A. Overview on remedies
   - Interference by the other party [UPICC, art. 7.1.2]
   - Withholding performance [UPICC, art. 7.1.3]
   - Cure by non-performing party [UPICC, art. 7.1.4]
   - Additional period for performance [UPICC, art. 7.1.5]
   - Termination [cross reference to Chapter 5.IV below; UPICC, Chapter 7.3]
   - Damages [UPICC, Chapter 7.4] and penalty clauses [UPICC, art. 7.4.13]

B. Breach by the investor
   - Legal right holder
   - Legitimate tenure right holder

C. Breach by the lessor

CHAPTER 5 – TRANSFER, RENEWAL AND TERMINATION [Legal Guide on Contract Farming, Chapter 6]

I. Transfer of [rights and] obligations/assignment [UPICC, Chapter 9; VGGT Technical Guide No. 4 at 75; GCAP Model Lease, Section 17; IISD Model Contract, para. 14.0; ISLP/CCSI Guide, part 2.16]

A. Transferability of rights

B. Need for approval


A. Stipulation of the condition on which land is to be returned, including replanting obligations (e.g. maintenance of tree crops, subject to or in line with the business plan)

B. Liabilities for deterioration

III. Renewal (e.g. terms for extension/renewal of the lease, including key performance indicators and incentives for renewal) [GCAP Model Lease, Section 4]
IV. Termination [UPICC, Chapter 7.3; GCAP Model Lease, Section 19; IISD Model Contract, para. 15.0; ISLP/CCSI Guide, part 2.23]

A. Scope

B. Termination clauses, including definition of default events

C. Procedure/notice

D. Effects and consequences

CHAPTER 6 – DISPUTE RESOLUTION [CFS-RAI Principle 9; VGGT, paras. 3.2, 21.1-21.6; Legal Guide on Contract Farming, Chapter 7; VGGT Technical Guide No. 4 at 72-74; VGGT Technical Guide No. 5 at 87 et seq.; VGGT Technical Guide No. 7 at 39 et seq.; GCAP Model Lease, Section 15; IISD Model Contract 11.0 et seq.; ISLP/CCSI Guide, part 2.20]

I. Disputes arising under agricultural land investment contracts

II. Non-judicial dispute resolution

A. Grievance mechanisms, including for local communities [CFS-RAI Principle 9; UN Principles for responsible contracts, no. 9]

B. Expert determination (e.g. price of processing or crops, in the event that the project involves processing or an outgrower scheme respectively)

C. Negotiation/conciliation

D. Mediation

E. Arbitration (e.g. factors to consider, such as what investors might seek and what host States might oppose; considerations with respect to governing law and transparency of proceedings) [GCAP Model Lease, Section 22; ISLP/CCSI Guide, part 2.27]

III. Judicial dispute resolution

A. Access to justice

B. Domestic vs international contracts

IV. Enforcement of settlements or decisions resolving a dispute

[POSSIBLE ANNEXES OR FUTURE STEPS (e.g. model provisions, detailed guidance on community development agreements or local supply contracts, etc.)]
INITIAL LIST OF POSSIBLE RESOURCES

http://www.uneca.org/sites/default/files/PublicationFiles/fg_on_land_policy_eng.pdf

AU, African Development Bank and Economic Commission for Africa, Guiding Principles on Large Scale Land Based Investments in Africa (2014),
http://www.uneca.org/sites/default/files/PublicationFiles/guiding_principles_eng_rev_era_size.pdf

CFS, Principles for Responsible Investment in Agriculture and Food Systems (15 Oct. 2014),

http://www.fao.org/docrep/016/i2801e/i2801e.pdf (VGGT)


VGGT Technical Guide No. 1 – Gender (2013),
http://www.fao.org/docrep/017/i3114e/i3114e.pdf

VGGT Technical Guide No. 2 – Forestry (2013),

http://www.fao.org/docrep/019/i3496e/i3496e.pdf

VGGT Technical Guide No. 4 – Agricultural investment (2015),
http://www.fao.org/3/a-i4998e.pdf

VGGT Technical Guide No. 5 – Legal (2016),
http://www.fao.org/3/a-i5449e.pdf

VGGT Technical Guide No. 6 – Pastoral lands (2016),
http://www.fao.org/3/a-i5771e.pdf

VGGT Technical Guide No. 7 – Private sector/investors (2016),
http://www.fao.org/3/a-i5147e.pdf

VGGT Technical Guide No. 8 – Commons (2016),
http://www.fao.org/3/a-i6381e.pdf

VGGT Technical Guide No. 9 – Recording rights (2017),
http://www.fao.org/3/a-i7559e.pdf

VGGT Technical Guide No. 10 – Improving ways to record rights (2017),
http://www.fao.org/3/a-i7568e.pdf

Forthcoming VGGT Technical Guide – Valuation


Cotula, Investment contracts and sustainable development: How to make contracts for fairer and more sustainable natural resource investments (Mar. 2010), http://pubs.iied.org/pdfs/17507IIED.pdf


ILO, Convention concerning Indigenous and Tribal Peoples in Independent Countries, No. 169,
(ILO C169)

International Convention on the Elimination of All Forms of Racial Discrimination,
http://www.ohchr.org/Documents/ProfessionalInterest/cerd.pdf (CERD)


International Covenant on Civil and Political Rights,
http://www.ohchr.org/Documents/ProfessionalInterest/ccpr.pdf (ICCPR)

International Covenant on Economic, Social and Cultural Rights,
http://www.ohchr.org/Documents/ProfessionalInterest/cescr.pdf (ICESCR)

Kenfack et al., Land investments, accountability and the law: lessons from Cameroon (May 2016),
http://pubs.iied.org/pdfs/12588IIED.pdf


OECD, Guidelines for Multinational Enterprises (2011),

OECD and FAO, Guidance for Responsible Agricultural Supply Chains (2016),

Open Land Contracts, http://www.openlandcontracts.org/ (containing an online repository of publicly available land contracts)

Principles for Responsible Investment, Responsible Investment in Farmland (2014-2015),
https://www.unpri.org/download_report/6243


UN, Declaration on the Rights of Indigenous Peoples (2007),

http://www.ohchr.org/Documents/Publications/Principles_ResponsibleContracts_HR_PUB_15_1_EN.pdf (UN Principles for responsible contracts)

UN, Universal Declaration of Human Rights (1948),

UNCITRAL, Legislative Guide on Privately Financed Infrastructure Projects (2001),

UNCITRAL, Model Legislative Provisions on Privately Financed Infrastructure Projects (2004),

UNIDROIT/FAO/IFAD Legal Guide on Contract Farming (2015),

UNIDROIT Principles of International Commercial Contracts (2016),

UNIDROIT Feasibility study on the possible preparation of an international guidance document on agricultural land investment contracts, UNIDROIT 2016 – C.D. (95) 7(b),

USAID, Operational Guidelines for Responsible Land-Based Investment (2015),

https://openknowledge.worldbank.org/bitstream/handle/10986/21720/94928.pdf?sequence=2&isAllowed=y