Principles for Responsible Agricultural Investment (PRAI):
The backgrounds and outline of the PRAI

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Two agricultural challenges to be solved together

Developing countries, whose major industry and labour market are agriculture, are facing the following two competing challenges.

**Challenge 1: Enhance agricultural investment**

Decades of underinvestment in the agricultural sector have resulted in continuing low productivity and stagnant production in many developing countries, pushing millions of poor rural people deeper into poverty.

The international community should help enhance agricultural investment in developing countries, by private/public and foreign/domestic investors, in order to achieve sustainable, inclusive and pro-poor economic growth.

**Challenge 2: Address problems associated with land-grabbing**

Poorly conceived or executed investments could have unintended negative impacts on political stability, human rights, sustainable food production or environmental protection for the people of receiving countries.

The international community should help address problems associated particularly with large-scale land acquisitions (some criticize them as "land grabbing").

The international community should maximize the benefits of agricultural investment (Challenge 1), while minimizing the risks associated with increased investment in agriculture (Challenge 2).
PRAI as a means to solve the two challenges

1. Launch and promotion of the PRAI to today
   - At 2009 L’aquila Summit, Japan proposed the concept of “Responsible Agricultural Investment.”
   - FAO, IFAD, UNCTAD, the World Bank formulated a set of seven principles, i.e. the Principles for Responsible Agricultural Investment (PRAI), and hosted a series of consultation events in cooperation with Japan. These organizations adopted the PRAI at their executive boards respectively.*
   - G8, G20, APEC and other international fora have supported the PRAI.*

2. The PRAI and the broad consultation on principles for responsible agricultural investment (rai principles) at the CFS
   - The 39th Committee on World Food Security (CFS) adopted the TOR of the broad consultation on rai principles that aim to be endorsed by the 41st CFS.
   - According to the TOR, rai principles will take into account the PRAI, as well as build on the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT).
   - The PRAI and the VGGT are mutually reinforcing.
     - The PRAI is to enhance transparency in each step of the investment process (incl. land deal) through consultation and participation among all three parties (i.e. recipient countries, investors and local people) and to address the economic, social and environmental impacts of agricultural investment.
     - The VGGT particularly focuses on enhancing transparency in the tenure of land and other natural resources (incl. land deal) by improving recipient country’s governance on land (e.g. legal system).

* For details, please refer to the annex at the end of this document.
Principle 1: **Existing rights** to land and associated natural resources are **recognized and respected**.

- **Existing use or ownership rights to land**, whether statutory or customary, primary or secondary, formal or informal, group or individual, **should be respected**. This requires:
  - (i) the identification of all rights holders;
  - (ii) **legal recognition** of all rights and uses, together with options for their demarcation and registration or recording;
  - (iii) **negotiation with land holders/users**, based on informed and free choice, in order to identify the types of rights to be transferred and modalities for doing so;
  - (iv) **fair and prompt payment** for all acquired rights; and
  - (v) **independent avenues for resolving disputes or grievances**.

- **Recognition of rights to land and associated natural resources**, together with the power to negotiate their uses, can greatly **empower local communities** and such recognition should be viewed as a precondition for direct negotiation with investors.

- **Specific attention to land rights** by herders, women, and indigenous groups that have often been neglected in past attempts is critical to achieving a fair, inclusive outcome.
Principle 2: Investments do not jeopardize food security but rather strengthen it.

Whenever there are potential adverse effects on any of aspect of food security (availability, access, utilization or stability), policy-makers should make provisions for the local or directly affected populations certain such that:

(i) equivalent access to food is assured;
(ii) opportunities for outgrower involvement and off-farm employment are expanded to protect livelihoods and raise incomes;
(iii) dietary preferences are taken into account if the mix of products grown may change; and
(iv) strategies to reduce potential instability of supply are adopted.

Moreover, whenever the proposed project is large enough to affect food security at the national level, project design and approval should also consider these four kinds of aggregate impact.
Principle 3: Processes for accessing land and other resources and then making associated investments are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal, and regulatory environment.

- To create a proper enabling environment, policies, laws, and regulations affecting the investment climate should be benchmarked against and brought into line with globally accepted best practices, even as institutions responsible for implementing them are strengthened.

- Specific steps worth mentioning in this regard include:
  1. ensuring that all relevant information, including land potential and availability, core elements of prospective investments, and resource flows or tax revenues, be publicly available;
  2. helping institutions that handle investment selection, land transfers and incentives to follow principles of good governance, develop the capacity to operate efficiently and transparently, and be regularly audited; and
  3. making sure that an independent system to monitor progress towards a better investment climate is in place.
Principle 4: All those materially affected are **consulted**, and agreements from consultations are **recorded** and **enforced**.

- Sustainability of investments and realization of synergies from allocation of public assets to major projects as well as provision of complementary public goods by the investor require that such investments be **designed** in a participatory manner, consistent with local people’s vision of development.

- To make consultative processes more effective:
  - (i) **Definitional and procedural requirements** in terms of who represents land holders and what is a quorum for local attendance need to be clarified;
  - (ii) the **content of agreements** reached in such consultations (e.g. by providing model agreements/contracts) should be **documented** and signed off by all parties; and
  - (i) **Methods for enforcement and sanctions for non-compliance** should be specified.

- Incentives to adopt such a process can be greatly enhanced if **taxes** to be paid by investors are clearly specified, independently monitored, and accrue at least in part to local governments responsible for making available local public goods.
Principle 5: Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in durable shared value.

Aside from conducting proper due diligence and project analysis, the investors should be expected to:

(i) comply with laws, regulations, and policies applicable in the host country (and ideally with all relevant international treaties and conventions);

(ii) adhere to global best practices for transparency, accountability and corporate responsibility in all sensitive areas; and

(iii) strive not only to increase shareholder value but also to generate significant and tangible benefits for the project area, affected communities, and host country.

Where the resources in question are publicly owned, or if other public assets such as tax breaks and complementary infrastructure are being offered as incentives, cognizant governmental agencies have an obligation to carefully check the feasibility analysis to ensure that host countries, affected communities, and local stakeholders are all likely to benefit. There is also a need to integrate the proposed enterprise into broader strategies.
Principle 6: Investments generate desirable social and distributional impacts and do not increase vulnerability.

- Even economically viable and sustainable projects may have undesirable social consequences if they involve uncompensated displacement or if benefits bypass vulnerable groups or are captured by local elites. A thorough understanding of cultural context, sources of vulnerability, potential for conflict, and livelihood and food security strategies, can help identify/design options to reduce risks and maximize positive impacts at the project level.

- Social sustainability can be enhanced if:
  (i) relevant social issues and risks, as well as strategies to mitigate these and increase social benefits, are identified during project preparation and adequately addressed by government and investors;
  (ii) the interests of vulnerable groups and women are considered explicitly; and
  (i) generation of local employment, transfer of technology, and direct or indirect (e.g. via taxes) provision of local public goods is part of project design.
Principle 7: Environmental impacts due to a project are quantified and measures taken to encourage sustainable resource use while minimizing the risk/magnitude of negative impacts and mitigating them.

Despite the potential importance of possible negative impacts on availability or quality of key natural and environmental resources outside the immediate project area or beyond the project’s lifespan, investors have little incentive to take such impacts into account due to the externality nature of these impacts.

Investors and government need to collaborate to ensure that:

(i) independent environmental impact analysis to identify potential loss of public goods, such as biodiversity or forests, is conducted prior to approval;
(ii) preference be given to reclaiming or increasing productivity on areas already used rather than clear new land;
(iii) the most appropriate production system is selected to enhance the efficiency of resource utilization while preserving the future availability of current resources;
(iv) good practices in agriculture, processing and manufacture are followed;
(v) provision of desirable ecosystem services is encouraged; and
(vi) negative impacts are addressed through regularly monitored environmental management plans and compensated where appropriate.
The Way Forward

Action 1: Promoting awareness-raising and understanding about the PRAI with regional focus

- **FAO, IFAD, UNCTAD and the World Bank, with financial support from Japan, have conducted research and analysis projects on the trends and impacts of agricultural investment in about 20 Asian and African countries as well as on the retro-fitting of the PRAI on the field of these countries. The outcome is due in June 2013.**

- **Africa:** FAO, IFAD, UNCTAD and the World Bank will hold a dissemination and discussion seminar on the outcome at the 5th Tokyo International Conference on African Development (TICAD V), in Yokohama, Japan on June 2.

- **APEC:** Japan will host a dissemination and discussion seminar on the outcome in Indonesia, in the end of June 2013 [TBD], as a part of APEC 2013. (Co-sponsors: the US, Indonesia, Philippines, the Republic of Korea)

Action 2. Pilot-use of the PRAI

- **Japan** is proposing a concrete program to realize the pilot-use of the PRAI in the framework of the G8 New Alliance (NA). The Program aims to test the PRAI on the field by requesting companies that committed to the NA to implement the PRAI in their agricultural projects.

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Feeding the results of Action 1 & 2 into the rai consultation process at the CFS by October 2014, and the future operationalization of the rai after 2014 and beyond.