IAFN POSITION
March 13, 2013

PRINCIPLES FOR RESPONSIBLE AGRICULTURAL INVESTMENTS IN THE CONTEXT OF FOOD SECURITY AND NUTRITION

Principles with regards to expected impacts of agricultural investments

1. Food Security and Nutrition impacts

- Investment is needed to foster food production, avoid waste, and create value added products.
- Investments should be assessed to understand their potential food security impacts, not only at the local level but also at the national and regional level, taking into account potential trade offs.
- Investments that support smallholders in moving from subsistence farming to creating surpluses are advantageous to help support food security through local, regional and international trade.

2. Environmental and natural resources impacts

- Environmental impacts of investment projects should be assessed and measures taken to encourage sustainable resource use while minimizing the risk of negative impacts and mitigating them.
- Investments in the transportation, storage, and handling of grain can help to minimize post harvest losses and increase overall food availability.

3. Economic and social impacts:

- Investment, foreign and domestic, should be encouraged as a vital source of capital as well as a driver for increased productivity in the national market, and as a source of significant secondary job creation. Investments should be assessed against their potential to deliver these economic benefits.
- Investors should ensure that projects respect the rule of law, reflect industry best practice, and result in durable shared value. *(Principles of Responsible Agricultural Investment)*
- Investments should generate desirable social and distributional impacts and should not increase vulnerability. *(Principles of Responsible Agricultural Investment)*

4. Cultural impacts:

- Consumers should have choice in their food and should have access to a diverse, nutritious diet.
- Projects that add value to food in-country are advantageous.

Principles in support of enabling environment

5. Governance structures, review mechanisms and decision making processes to enable and facilitate responsible agricultural investment (based on VG GT section 3A, 3B,4 and 7)

- Domestic markets and foreign investment require the same conducive operating environment, including: peace and stability, the rule of law, good governance with accountability and transparency, the absence of corruption, adequate infrastructure, an educated workforce, clear property rights, open markets and trade, and enforceable contracts.
- Governments should prioritise putting those elements of a conducive operating environment in place to help attract quality domestic and foreign investments.
- Guidelines and rules for investment should be clearly stated and easily available to encourage transparency and accountability.
- States should ensure that all actions are consistent with their existing obligations under national and international law, and with due regard to voluntary commitments under applicable regional and international instruments *(VGGT 12.1)*

6. Regulation and governance of investments, in particular the role of the State

- National governments should establish regulations for large-scale investment on the size, mode and rules regarding maximum acquisitions. The principle should be transparent rules in advance of investment. Any social commitments and corollary investments should be negotiated, transparent, and accountable. *(VGGT 12.5 as a reference)*
- An acquisition should ensure proper remuneration for any affected tenure holders, workers or affected communities.
- All those materially affected should be consulted, and agreements from consultations need to recorded and enforced. *(Principles of Responsible Agricultural Investment)*
- Investors have the responsibility to respect national law and legislation, in particular the tenure rights of others and the rule of law *(VGGT 12.12)*

7. Policy coherence and sector development

- Clearly articulated national priorities for development can help guide investment and assess the most suited investment proposals. The national investment framework and strong public-private interaction can play a key role in guiding investments to priority areas to achieve national goals.
- Working with national and international priorities, an integrated approach to improving whole value chains can offer benefits. That includes support for value added development, including via micro-credit.
- Investments should take place across a range of issues to ensure a coherent and effective development of the agricultural sector and value chain. Investments should take place in particular in: sustainable agricultural practices; rural infrastructure, storage capacities and related technologies; research and development on sustainable agricultural technologies; developing strong agricultural cooperatives and value chains;

reducing post-harvest and other food losses and waste throughout the food supply chain *(Rio+20 reference)*
- Smaller food insecure countries should promote regional integration in order to create larger, regional markets that will attract more investment. Also, more modest investments in sustaining infrastructure such as road and bridge repair, storage, refrigerated transportation, and distribution hubs can be extremely effective.
- An educated and trained workforce is essential. Investments must be made by national governments in education and by businesses in their workers

Principles for coordination, cooperation, partnerships and accountability

8. Coordination among all stakeholders

- States and affected parties should contribute to the effective monitoring of the implementation and impacts of investments in agriculture. *(VGGT 12.14)*
- All stakeholders involved and affected by large scale investments should be part of the consultation and assessment process.

9. Complementarities between public and private investments

- Both public and private sector investment can contribute to develop a robust agricultural sector and value chain – both need the same conducive operating environment, offering predictability, transparency, accountability, and stability.
- Public and private investment can be complementary and often be part of the same investment projects where their complementary quality and terms are reinforcing of the projects' objectives.
- Public investment in key areas, such as infrastructure, in addition to its direct impact on local populations, is often an essential pre-requisite to attracting private investment. The two should not be seen as opposed or antagonistic but as complimentary and additional.
- Improved coordination between public and private investment in infrastructure can have a multiplier effect on development assistance. Railroads, highways, and information and communications technology – the basic tools of transportation and communication – are essential links between regional and international markets, supply chains, and value chains.

10. Multilateral and regional organizations including international and regional financial institutions

- Coherence is needed between the various projects at a multilateral level on agricultural investment.

11. Promotion of accountability

- Transparency, clarity, respect, and accountability should be the responsibility of both investors and governments.
- Best practices in corporate governance, integrated reporting, and responsibility, such as those in the UN Global Compact, provide useful examples for private sector engagement.