 RESPONSIBLE AGRICULTURAL INVESTMENT (RAI)

KNOWLEDGE INTO ACTION NOTES

TERMINOLOGY AND DEFINITIONS

The Notes series covers a broad range of topics, many with terminology specific to issues covered in a particular Note. However, several terms are used throughout the series. The most important ones are defined in box 1, along with short commentary where needed to explain the precise focus of the series. Box 2 lists the abbreviations used in the Notes.

Box 1. Glossary: Definition of stakeholders

Many of the terms have different meanings or implications depending on the context. This section outlines how these terms are used within the context and limited scope of the Notes series.

Agricultural investment: A project that changes the fixed capital stock in the agricultural value chain. This includes projects of agribusinesses which are operated by incorporated companies or individuals who neither live on the land nor rely on it for survival. Excluded are smallholders’ investment in their own farms because that is not within the scope of the Notes series. The series focuses primarily on land-based investments; for example, investments which process crops that affect local communities, as through outgrower schemes with local smallholders.

Investor: The corporation(s) or individual(s) implementing the agricultural investments defined above include both foreign and domestic investors. In some cases, such as family businesses, the ultimate owners of the project are also those responsible for its implementation. In other cases, such as publicly listed companies or investment funds, the ultimate owners are disparate. Hence, “investor” refers to the company implementing the projects visited.

Governments: The Notes series mostly focuses on federal and national governments. However, other levels of governments (regional, local) are equally important in enabling responsible agricultural investments. Notably, functional cooperation among levels of government is crucial.

Civil society: Nongovernmental organizations and institutions include national, regional and local entities.

Outgrower: A person not employed directly by the investor who supplies the agricultural investment with produce cultivated on her or his own land. This involves a variety of contractual arrangements, as discussed in the body of the Notes.

External stakeholder: Person interviewed during the research who has been affected by the investment operation. This includes not only local communities, but also suppliers, employees, government officials, and other individuals and groups (for example, local retailers, hospital staff, and others directly or indirectly affected by the investment).

Source: UNCTAD and World Bank.

For the full Notes series please go to the Notes web page: www.worldbank.org/responsibleinvestment
Alternatively use the QR code above.

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OVERARCHING PRINCIPLES

Although investment in agriculture is welcome, its actual and potential impacts on economies, communities, and individuals make it essential to establish principles to encourage investors to behave responsibly. Many overarching principles and guidelines have been established by various international organizations; table 1 summarizes those most commonly endorsed, used, or referenced. There are many others, such as the UN Farmland Principles. In addition, there are principles and guidelines that have narrower coverage (for example, particular sectors, industries, or crops), or specific purposes (for example, the “equator principles,” which financial institutions use in making loans). Private sector–led initiatives including setting standards, establishment of other relevant principles (for example, ILO guidelines on training and working conditions of rural workers), and accreditation schemes (such as Fairtrade). A number of these appear in the section on additional resources below.

Given the complex interface through which investors interact with governments and local communities, and the wide range of relevant issues and aspects, no set of principles—overarching or specific—can offer much more than general guidance. The Notes series is designed to offer context- or topic-specific guidance and practical advice, especially to governments and investors, on how to operationalize and implement responsible agricultural investment principles in a concrete way.

Table 1. Overarching principles or guidelines for responsible agricultural investment specific to agriculture, food, and land

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Purpose, structure, and coverage</th>
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<tbody>
<tr>
<td>Committee on World Food Security, Principles for Responsible Agriculture and Food Systems (CFS-RAI)</td>
<td>CFS (2014)</td>
<td>• Approved by the 41st Session of the CFS on 15 October 2014.</td>
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<tr>
<td></td>
<td></td>
<td>• Address all types of investment in agriculture and food systems—public, private, large, small—and in the production and processing spheres.</td>
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<td>IFC Performance Standards on Environmental and Social Sustainability (IFC-PS)</td>
<td>IFC (2012)</td>
<td>• Clients required to apply the Performance Standards to manage environmental and social risks and impacts so that development opportunities are enhanced.</td>
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<td></td>
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<td>• Taken on board by the Equator Principles and thereby adopted by a large number of lending institutions.</td>
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<td>Name</td>
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| Food and Agriculture Business Principles (UN FAB)         | UN Global Compact (2014)              | • Voluntary to embrace the principles and report annually on progress.  
• Based on 16 factors: yield and productivity, workers’ rights, optimal use of soil and water, land use and rights, women and gender equality, climate change, waste man-agement, biodiversity, institutions and infrastructure, pro-tection of children, energy efficiency, health and nutrition, animal and marine welfare, supply chains and trade, small-scale farmers and co-ops; and value chain financing. |
• Covers a broad range of themes from land tenure and social responsibility to food security and governance processes.                                                                                                         |
• Organized in five steps to follow the life cycle of an investment, from the initial stage of due diligence and assessments, to pre-project community engagement, to contract negotiation, project operations, and postproject closeout. |
| Principles for Responsible Agriculture Investment that Respects Livelihoods and Resources (PRAI) | UNCTAD, FAO, IFAD, and World Bank (2010) | • Expected benefit: application of the principles to agricultural investments will reduce the degree of negative externalities and raise the likelihood of positive impacts. |
• Principles and internationally accepted standards of responsible practices for the use and control of land, fisheries, and forests. |

Source: UNCTAD and World Bank.

REFERENCES AND RESOURCES

Each Note in the series provides a list of key references and resources of relevance to the theme covered. However, many other resources are available for use by stakeholders, be these governments, investors, communities, or civil society. These include publications, websites, databases, toolkits, principles and guidelines, industry initiatives and standards, certification schemes, and more, from many sources and institutions. Some of the most important or commonly used resources are provided here (consolidated under five main themes; see Note 1: Introduction), with preference given to those readily available online. Publications based on IAWG research on responsible agricultural investment are listed in Note 1.

Although these and the resources mentioned in all other Notes provide a solid foundation for users to consult, it is not possible to include more than a fraction of what is available. The Notes team aims to continue to refine the resources provided, not least because the wealth of evidence is constantly expanding. Colleagues using the Notes series are encouraged to support this endeavor.

1. Inclusive business models and outgrower schemes


2. Facilitating responsible Investment: processes and tools


3. Responsible investment values, guidance, and tools

BCI. *Better Cotton Initiative website*.


BRIA. *Better Rice Initiative Asia website*.


CDC Group Plc. *ESG Toolkit for Fund Managers*.

Equator Principles. *Equator Principles website*. Members—Equator Principles Financial Institutions (EPFIs)—apply these responsible investment principles to their financing of projects.

Fairtrade International. *Fairtrade Standards*.


GWP. *Global Water Partnership website*.


4. Supporting and empowering people and communities: best practices


Columbia Centre on Sustainable Investment and UKaid. An Online Repository of Open Land Contracts.


DEG (Deutsche Investitions und Entwicklungsgesellschaft) and Boston Consulting Group. 2016. Bridging the Skills Gaps in Developing Countries: A Practical Guide for Private-Sector Companies. European Development Finance Institutions, Brussels.


FAO E-Learning Centre. Governing Land for Men and Women.


IFC. Sustainability Policies and Standards: Performance Standards. Washington, DC.


5. Sustainable outcomes and impact


