



International
Labour
Organization

Building Capacity for Social Compliance of Investments in Agriculture in Africa

Rural areas are home to 75 per cent of the world's poor. Despite considerable potential for economic growth and productive livelihoods, rural areas are often characterized by severe decent work challenges. They are frequently typified by high rates of unemployment and underemployment, temporary or casual employment, limited social protection, prevalence of child labour especially in agriculture, low levels of unionization, and generally inadequate working conditions.

Rural areas are chronically under-served by financial service providers, which is also a limiting factor for economic development. Even where financial services are accessible, and despite existing benchmarks in the financial industry (e.g. Equator Principles, the UN Responsible Investment Principles or the IFC Performance Standards), evidence shows social concerns are often not fully incorporated in funding decisions and delivery of services. Furthermore, many stakeholders of the financial industry who wish to invest in a socially responsible manner lack the capacity to assess the social impact of investments. If a comprehensive methodology for social assessments and related training existed, the financial industry could conduct their own social assessments. This would improve the sustainability of operations, and create positive, multiplier effects for development.

FACTS AND FIGURES

Partners:

Africa Agriculture and Trade
Investment Fund.

Beneficiary Countries:

Multiple countries in Africa

Timeframe:

July 2012 – June 2015

Budget:

USD 977,723

Indeed, if the trainings covered how to measure social and environmental effects and how to improve decent work aspects when a potential investment is found to be in violation, great steps could be made towards a financial system that contributes to social, economic, and environmental gains.

THE RESPONSE

The collaboration partner, AATIF, is an investment fund that emerged through a private-public-partnership initiated by KfW on behalf of the German Federal Ministry for Economic Cooperation and Development and Deutsche Bank. It is aiming to realize the potential of Africa's agriculture for the benefit of the poor. AATIF pursues a private sector approach addressing the specific needs of the agricultural sector in a market-oriented way while its social and environmental management system and strong governance structure with an independent compliance advisor safeguard a positive development impact. Especially regarding social effects, AATIF felt that more has to be done than defining standards in order to mitigate social and environmental risks. Building new partnerships, especially signing the collaboration agreement with the ILO as the Fund's Compliance Advisor, has helped AATIF to establish a credible framework for impact investments.

The partnership between the ILO and the AATIF aims at developing a methodology to assess the social and environmental risk of investments in agriculture in Africa.

Throughout the collaboration, the methodology will be tested on a range of AATIF investees. Acting as compliance advisor to the AATIF, the ILO provides an opinion to the fund's Board and its Investment Manager on whether an investment is in line with the fund's Social and Environmental Safeguard Guidelines and the Fund's Development Policy Statement. Advice is given where investees are not yet fully compliant with such guidelines, and improvements are being monitored over time.

A number of AATIF investments will be studied by the ILO in order to establish the impact of combining social safeguard guidelines with a compliance mechanism and technical assistance on the propagation of decent work in relation to agricultural investments in Africa.

Partnerships and Field Support Department (PARDEV)

International Labour Organization
4, Route des Morillons
CH-1211 Geneva-22 – Switzerland

Tel: +41 22 799 7309

Fax: +41 22 799 6668

E-mail: ppp@ilo.org

www.ilo.org/ppp



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Michael Schneider, AATIF Investment Manager



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Finally, based on the experience gained over the project, gender-sensitive training materials will be developed to build capacities in reinforcing social compliance in agricultural investments. The materials will be targeted not at one particular country, but rather at the stakeholders of agricultural finance that wish to invest in Africa.

RESULTS

Though in its infancy, to-date the project has successfully:

- Engaged with UNEP and collaboratively reviewed AATIF’s Social and Environmental Safeguard Guidelines and submitted them to the AATIF Board;
- Developed a methodology and conducted assessments of nine projects: six were approved for AATIF funding. Annual monitoring showed that, for example, one investment company had increased wages to casual workers to comply with minimum wage requirements. The company payroll system was adjusted to report the registered age of all employees and ensures that no underage workers are employed;

In order to capitalize, in a second phase the projects products could be utilized to build the capacity of central banks, development finance institutions and private sector financial institutions.

- Contributed to AATIF’s public relation materials, such as AATIF’s Annual Reports¹ which include summary assessments on the progress of the social and environmental compliance of investments;
- Jointly developed a research framework for measuring impact;
- Provided specialized technical assistance to partner institutions supporting them to improve their social and environmental management systems;
- Co-Presented the social and environmental work of AATIF at the first shareholder meeting;
- Increased project visibility through the development of a related ILO webpage².

1. http://www.aatif.lu/tl_files/downloads/annual_reports/AATIF_AR_2012.pdf

2. http://www.ilo.org/employment/areas/social-finance/WCMS_205761/lang--en/index.htm

BENEFITS OF PARTNERING

The Africa Agriculture and Trade Investment Fund approached the ILO and requested assistance in implementing the Fund’s social and developmental mission. In addition to providing technical advice, assessment methodologies and monitoring, including impact research, the ILO will function as the Fund’s Compliance Advisor giving an independent third party opinion. As a result the partnership will support the AATIF in achieving its overall mission while remaining in-line with its social and developmental commitments.

The partnership with the ILO provides AATIF access to other UN agencies and their knowledge. In this case UNEP is an ideal partner due to its experience in environmental assessments.