



BUILDING CAPACITY FOR SOCIAL COMPLIANCE OF INVESTMENTS IN AFRICAN AGRICULTURE

Rural areas are home to 75 per cent of the world's poor. Despite their considerable potential for economic growth and productive livelihoods, rural areas are often characterized by severe decent work deficits. These frequently take the form of 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 underserved 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., the Equator Principles, the United Nations Principles for Responsible Investment or the IFC Performance Standards), evidence reveals that social concerns are often not fully incorporated into funding decisions and the delivery of services. Furthermore, many stakeholders in 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 (AATIF)

Beneficiary countries:

Multiple African countries

Timeframe:

Phase I:
July 2012 –
June 2015
Phase II:
July 2015

Budget:

Phase I:
USD 977,723
Phase II:
USD 1,248,655

THE RESPONSE

The partner, AATIF, is an impact investment fund initiated by KfW on behalf of the German Federal Ministry for Economic Cooperation and Development. The fund is a public-private partnership (PPP), with Deutsche Bank being appointed as its Investment Manager. 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 – guarantee a positive development impact. Especially with respect to social effects, AATIF felt that merely defining standards to mitigate new social and environmental risks was not enough. Building new partnerships, especially signing the collaboration agreement with the ILO as the Fund's compliance advisor, has helped AATIF to establish a solid framework for impact investments.

In turn, the ILO can potentially reach a number of additional stakeholders: the AATIF partner institutions (applying for funding), and the clients and employees of partner institutions.

The partnership between the ILO and the AATIF aims at building capacity for social and environmental risk and impact management in agricultural finance in Africa.

Throughout the partnership, the methodology has been tested on a range of AATIF investments. In its capacity as compliance advisor to the AATIF, the ILO provides an opinion to the Fund's Board and its Investment Manager, as to whether an investment is in line with both the Fund's Social and Environmental Safeguard Guidelines and Development Policy Statement. Advice is given where beneficiaries are not yet fully compliant with such guidelines, and improvements are being monitored over time.

A number of AATIF investments will be studied in order to identify 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. The ILO provides technical support for preparing and implementing these studies.



“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 sustainable investments.”

Michael Schneider,
AATIF Investment
Manager



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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RESULTS

Finally, based on the experience gained over the project, gender-sensitive training materials will be developed to build capacities for risk and impact management in agricultural investments. The materials will not be targeted towards one particular country, but rather towards agricultural finance stakeholders who wish to invest in Africa.

- Engaged with the United Nations Environment Programme (UNEP) and collaboratively reviewed the AATIF’s Social and Environmental Safeguard Guidelines, which have been adopted by the AATIF Board;
- Developed a methodology and conducted assessments of 15 projects: nine were approved for AATIF funding. Annual monitoring showed that, for example, one investment company had increased wages of casual workers to comply with minimum wage requirements. The company payroll system was adjusted to report the registered age of all employees and ensure that no underage workers were employed;

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- Contributed to the AATIFs public relations materials, such as its Annual Reports¹ which include summary assessments on the progress of the social and environmental compliance of investments;
- Provided technical inputs for conducting studies to establish impact, in line with the Fund’s impact measurement framework;
- Provided specialized technical assistance to partner institutions, supporting them to improve their social and environmental management systems;
- Presented the social and environmental work of AATIF at various meetings and events;
- Increased project visibility through the development.²

¹ www.aatif.lu/tl_files/downloads/annual_reports/AATIF_AR_2013_2014.pdf

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

BENEFITS OF PARTNERING

The Africa Agriculture and Trade Investment Fund (AATIF) 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 help the AATIF to achieve its overall mission, while abiding by its social and developmental commitments.

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