



## Announcement:

### Microfinance for Decent Work: An Action Research Programme

How can microfinance institutions (MFIs) help improve working conditions? How can they contribute to job creation? And how can MFIs help reduce child labour? Should MFIs have an interest in addressing these and other decent work deficits? Could this even be done cost effectively and to the benefit of the institution as well as its clients?

These are some of the questions that the ILO intends to address through an experimental action research programme - in partnership with microfinance Institutions interested in promoting decent work.

#### Decent Work

The ILO vision for the 21<sup>st</sup> century is decent work for all. Decent work embraces various aspects of the daily life of the working poor – productive employment, safe working conditions, a fair and equitable access to employment opportunities, absence of child labour, abolition of bonded labour, formalization of informal enterprises, access to social protection and the right to organize. Decent work is far from being a reality for millions of working poor: still, 1.5 billion people live on less than US \$ 2 a day.

#### Microfinance and Decent Work

Access to microcredit or other financial services can reduce decent work deficits. Numerous microfinance institutions around the globe are already active in this regard. Conditional loans, credit with education, incentives like interest rate rebates, linkages with social partners and NGOs as well as the provision of microinsurance, conditional cash transfers or health care can be effective ways to reduce child labour, decrease vulnerabilities, raise awareness and create incentives to improve working conditions.

#### ILO Social Finance Programme (SFP)

The ILO believes that microfinance can make a significant contribution to decent work. To reflect the finality of the ILO's work, microfinance for decent work is synonymous with social finance. The Social Finance Programme is the focal point in the ILO for microfinance and coordinates and manages the action research.

#### Addressing Decent Work Deficits: Potential benefits for MFIs

Addressing decent work deficits through microfinance might be a win-win-win situation: for clients, MFIs and society. An increase in productivity among clients could lead to increased loan sizes (and profitability) for the MFI, while improved working conditions and enhanced social protection among clients is likely to reduce the clients credit risk. Under certain circumstances there may be thus a [business case](#) for MFIs to proactively promote decent work. Even in the absence of a business case there may be good reasons for MFIs to take an interest to avoid [negative publicity](#) created by press reports on, for instance, child labour induced by an aggressive pushing of micro loans. At the same time [the positive publicity](#) of the MFI's efforts to directly contribute to greater welfare amongst its clients could attract social responsible investors and better terms and conditions of donor support.

## Methodology

The microfinance for decent work (MF4DW) action research programme intends to accompany approximately 15 interested MFIs to test adaptations to products, services and delivery techniques that result in tangible increases in decent work for their clients. Questions to be addressed include:

- Which decent work deficits are the most blatant and pressing, in a specific country, sector, and environment?
- Which decent work deficits can be addressed by microfinance institutions?
- By which means?
- What are the costs and benefits for the institution and its clients of addressing those deficits?

## Phases

The MF for DW action research will be carried out over a five year period and will include the following phases:

- 1) **Selection, introduction and diagnosis phase(10 months)**
  - Expression of interest, selection and introduction of interested MFIs to the project
  - Identification of decent work deficits among clients with the help of a diagnostic tool (provided by SFP);
  - Decision about decent work deficit(s) that the MFI wants to address.
- 2) **Implementation and testing phase (40 months)**
  - Development of strategies and interventions to address decent work deficit(s);
  - Presentation and discussion of planned interventions (workshop);
  - Implementation of strategy at selected branches;
  - Baseline survey and follow-up surveys to monitor impact and effectiveness;
  - Regular assessments and potential adaptations of the intervention.
- 3) **Analysis, documentation and promotional phase (10 months)**
  - Impact analysis;
  - Cost – benefit analysis at institutional level;
  - Documentation and promotion of effective strategies.

Throughout this process, partnering MFIs will be closely supported by the ILO Social Finance Programme. Also, the selected MFIs will receive a grant to cover incremental costs of the identification, testing and analysis process. They will be duly recognized and actively engaged in the documentation and knowledge sharing process.

## Tentative Project Schedule

- 1) Selection, introduction and diagnosis phase: March-December 2008
- 2) Implementation and testing phase: January 2009-April 2011
- 3) Analysis, documentation and promotional phase: May 2012-February 2013

## Expression of interest and selection criteria

Microfinance institutions interested in participating in this action research programme should fill in the attached form and send it to [SFP@ilo.org](mailto:SFP@ilo.org) by 30 April 2008.

Participating MFIs should fulfil the following requirements:

- Track record of 5 years of operations
- A minimum of 4 branches and 10,000 active borrowers
- Operational self sufficiency
- Established social mission and particular interest in decent work
- Demonstrated commitment to innovations

For further information and questions, please contact [SFP@ilo.org](mailto:SFP@ilo.org)



## Expression of Interest Form:

### Microfinance for Decent Work: An Action Research Programme

#### Contact Information:

Name of Organisation:			
Country:			
Address:			
Telephone number:			
Email address:			
Contact Person:		Function of contact person:	
Direct Phone:		Direct email:	

#### Client Information:

Number of active borrowers as of December 2007:

Number of savers as of December 2007:

Percentage of rural clients:

Percentage of urban clients:

Percentage of women clients:

Type of employment:           % self employed  
  % in wage employment

Please list sector(s) of client employment (i.e. agriculture, manufacturing, trade, etc.), beginning with the largest employment sector:

#### Product Information:

Please list and briefly describe current credit products:

Please list and briefly describe current savings products:

Please list and briefly describe any other financial or non-financial product offered by the MFI alone or in partnership (i.e., microinsurance, training courses, etc.):

### Interest in Decent Work:

Please briefly state whether there are decent work deficits (i.e. child labour, unsafe working conditions, employment discrimination, etc.) in the workplace and environment of your microfinance clients:

Is your organisation currently doing anything to address these deficits? If yes, please explain:

In the future, what would you like to do to address these deficits (please explain)?

### Organisation Background Information:

Organisation's mission (brief description):

Current legal status (please choose):

- Bank
- Cooperative/Credit Union
- Non-Bank Financial Institution
- Rural Bank
- NGO
- Other:

Regulated:  yes  no

Operating since:

Gross Loan Portfolio:

Number of branch locations:

Membership in network(s) (please list):

Type of Management Information System (MIS):

Is it computerized?  yes  no

Research & Development: does the MFI have a staff member or department that performs market research to identify client needs and/or potential new products?

If yes, please describe activities: