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Dear Partner MFIs and ILO colleagues,

The **Microfinance for Decent Work Action Research** (MF4DW) has now begun its second stage! Most of the 16 participating MFIs have now completed their baseline surveys and have begun putting their innovations into place. I want to take this opportunity to thank our MFI partners and ILO colleagues who invested their time and energy over the past months to advance the action research. I believe we're on track.

This initiative is timely given the current global context. As a result of the financial crisis there is much introspection on the proper balance between profitability and **social performance** in financial institutions generally, but especially in MFIs. For the ILO, social performance means a focus on the work situation of clients: how they use, remunerate and distribute their labour as a result of taking a financial service. This touches on **child labour, working conditions, job creation, formalization** of market interactions, and **risk management**.

Having sorted out the indicators that will signal change resulting from the innovation, continued data collection reports will focus on these "key variables". Moreover, financial and narrative reports will signal how sustainable and effective the innovation is, in other words, is there a "**business case**".

In 2010, one or two follow-up surveys are being conducted by each MFI, which means returning to the same households (treatment and control) to ask the same set of questions about the given **decent work issue**. To kick off the knowledge sharing process among the MFIs on their innovation progress, we present the following "NewsFlash" and a brief client story showcasing ESAF's innovation to induce formalization. We invite all other participating MFIs to share similar client stories based on their innovations.

We will issue a NewsFlash every six months. The idea behind this action research is to improve **social performance** across the microfinance community worldwide. To that end, we will ensure that lessons learned flow amongst like-minded MFIs. The ILO, as an international organisation, is committed to organising this exchange of experience.

Bernd Balkenhol  
Social Finance Programme (SFP)

## SANABEL CONFERENCE *Responsible Growth: Learning from Global Trends and Regional Experience*

The Sanabel Conference is the largest microfinance event in the Middle East/North Africa region. More than 600 participants and 70 featured speakers attended this year's conference; among whom were representatives from the MF4DW Action Research: Abdelmajid Boukhadir from **Al Amana**, Morocco; Issam Shonoudeh from **Tamweelcom**, Jordan; and Muhammad Tahir Waqar from **NRSP**, Pakistan.



The three MFIs shared with participants their motivation for joining the action research, detailed their **innovations** to the audience, shared the results of completed baseline surveys, and explained the internal challenges that made some institutions (Al Amana) decide to put on hold their participation in the action research.



The conference addressed the **challenges and opportunities** in the Arab region as it continues to grow. Panellists and participants highlighted the importance of social performance, especially in the context of microfinance and future growth.

## ESAF Visits ILO



After the Social Performance Task Force meeting in Bern, Ms. Suresh from the ESAF-ILO action research passed by ILO headquarters in Geneva.

Pictured here:

Mr. Bernd Balkenhol, Director of the ILO's Social Finance Program  
Ms. Sandhya Suresh, Documentation Officer at ESAF  
Ms. Séverine Deboos, Technical Officer in SFP

## SOCIAL PERFORMANCE

### SFP meets AMK, ESAF and NWTF at Annual SPTF Meeting

When clients of an MFI employ children, work under hazardous conditions or are over-indebted, the social performance of the MFI can surely be improved. Thus, we were very pleased to meet with Sandhya Suresh (ESAF), Paul Luchtenberg (AMK) and Gomby Maramba (NWTF) at the Social Performance Task Force meeting in Bern. We learnt about the experiences of AMK and NWTF in social performance tracking while they shared this knowledge with other MFIs. As an output of the meeting, NWTF will send poverty scorecard client data to SFP to complement the MF4DW research. We also learnt that more than 20 ESAF clients have already formalized since the inception of their innovation. Way to go!

## CHALLENGES

### Struggling Together

Almost all 16 participating MFIs around the world are facing considerable challenges in the implementation of their respective innovations. **Internally**: staff turnover, low innovation uptake, and inadequate Management Information Systems have been critical issues for several MFIs. **Externally**: political turmoil has affected the operations of Bancovelo in Honduras and more recently Bai Tushum in Kyrgyzstan; natural disasters have also had a severe impact on the operations of NWTF in the Philippines (typhoon) and currently with NRSP in Pakistan (flooding).

We would like to express our great appreciation and thanks to all our partner MFIs for their continued commitment to the action research despite these challenges, and for the benefit of those most in need: their clients.

## THE SFP TEAM



Pictured here (left to right, top to bottom):

Jean-David Nicod,  
Irène Selwaness,  
Maria Sagon,  
Bernd Balkenhol,  
Hillary Midkiff,  
Patricia Richter,  
Nalina Ganapathi,  
Yusra Hamed,  
Séverine Deboos,  
Valérie Breda,  
Judith Van Doorn,  
Cristian Gonzalez,  
and Claudia Böhringer

## ESAF Highlight

### Getting registered: Signaling a shift towards 'formalization'

Rukhiya, proudly owns and runs Punchiri Catering unit--a name which she has recently given to the unit she has been running for more than 8 years in Vadanapilly area of Thrissur. Punchiri in Malayalam is 'Smile' and she could not think of any other name for her catering unit when she went to register it before the Extension officer (DIC) as she believes that the food she prepares in her unit not only brings smiles to her customers, but also to her co-workers, family members and above all to herself.

When the Shram Jyoti team first met her she readily showed her enthusiasm and readiness to register her catering unit as she believed in making it known among those clients whom she has not reached and the best way to do that is to develop her business and invite more orders. Registration she was convinced,

would give her a unique identity as a business women. Rukhiya prepares all delicacies as per the orders placed on several occasions like weddings, birthday parties, family get-togethers, and institutional functions/events. Her immediate and extended family members support her in her work, and during times of large orders, she hires women helpers. Women from Muslim communities are not encouraged enough to work outside their homes for a living. Rukhiya was keen to commercialize her skills in cooking and offer it to all those people who loved homemade food without making any compromise on the quality. She adds, "People come to me from far off places to give orders, I have never advertised nor thought of giving a name to my catering unit. But now I realize I can certainly expand and make it big if I have a name for my unit and the same can be used to print visiting cards or labels." On being the first to get registered after the initiation of Shram Jyothi program Rukhiya takes pride along with the Shram Jyoti team who have spent almost 6 months after the project was officially launched in the month of January 2010 to orient, educate and counsel the micro-entrepreneurs on being formal and the steps they should undertake for the same. They have not only met all the clients individually, but they have asked them to attend sensitization programs. Following the sensitization programs, handholding support is provided to process their application forms with relevant documents through registration process.

In Kerala, almost 15 clients have received their registration certificates and 12 have applied and will soon be receiving them. The process of facilitating the application is in course of action for the rest of the clients in Kerala, Tamil Nadu and Maharashtra. Additionally they shall be given training on leadership, business management, financial management, cost analysis, and market linkages. Financial support in terms of bank loans and grants through Government schemes will also be explored further for those clients who have registered.



Rukhiya is all smiles upon receiving the registration certificate for her catering unit from Mr. Sridharan Hiarr-- Director of ESAF-ILO Shram Jyoti Project

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