

ENTERPRISE AND COOPERATIVE
DEVELOPMENT DEPARTMENT
— SOCIAL FINANCE UNIT —

***International
Labour Standards
and Micro-finance:
A Review***

Working Paper N/ 20

International Labour Office
Geneva



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and Micro-finance: A Review**

Enterprise and Cooperative Development Department
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List of abbreviations

C	Convention
ILO	International Labour Office
ILS	International Labour Standards
R	Recommendation
R 189	Recommendation on general conditions to stimulate job creation in small and medium-sized enterprises
SMEs	Small and medium-sized enterprises

Foreword

One tends to overlook the social dimensions of finance as long as the financial sector functions well; but as soon as banks refrain from financing enterprises and instead invest in real estate, or foreign exchange transactions, capital is diverted away from productive investment, job-creating investments. Similarly in a functioning, competitive financial market, depositors are likely to find the right kind of financial product to place personal savings, whether this involves large or small amounts. In a poorly functioning financial market, on the other hand, small borrowers and depositors are often excluded from banking services by way of minimal required transaction volumes. This entails costs, especially to smaller market participant, costs that are magnified in a financial crisis when banks simply stop to finance even regular working capital needs of enterprises. A credit crunch — as recently witnessed in South East Asia — leads to firm insolvencies and plant closures with massive lay-offs. Simultaneously, the insolvency risks of banks themselves in a crisis situation has often led to a run by depositors, large and small, which exacerbates the crisis situation, ending usually in a substantial loss of assets held by the many small depositors. As a result, the capacity to contribute to their own basic consumption needs and social protection in case of illness, accident, old age and death is severely impaired.

Stability and performance of the financial sector affect the level of employment, poverty and social exclusion. Naturally, the ILO cannot influence the policies directed at the financial market; it is not an international financing agency, either; but the ILO needs to better anticipate what happens in the financial sector, to help its constituents to alleviate the social costs of financial crisis situations and, more generally, take remedial and preventive action to make financial sector policies more sensitive to the needs of all market participants.

This paper is about International Labour Standards (ILS) and finance. ILS are the main instrument of the ILO. Its technical cooperation programs seek to bring constituents into a position to respect, adopt and implement these norms of social policy. The paper was commissioned to explore to what extent these ILS actually deal with finance: the financial **market** as such and its links to the labour market, financial **institutions**, especially those catering to the poor, financial **instruments** like micro-credit that can alleviate poverty but, if wrongly applied, at the same time increase the risk of indebtedness, and finally government **policies** that seek to address the financial market's functioning, but may also entail substantial social side effects (for example financial sector reform).

The result is a structured overview of the body of Conventions and Recommendations and a compilation of the key passages. The paper does not provide any policy guidance on what to do with this raw material, other than inspiring and guiding ILO staff in the field and in technical programmes on how to ensure a better fit between technical cooperation projects and ILS. The text is presented in such a way that it can also easily be used as a reference tool by ILO staff in the design of new technical cooperation activities. The paper is a step in a longer process to

explore the need for and optimal form of an ILO policy on the social dimension of finance. This process is influenced and accelerated by several factors:

- C the Social Summit 1995 in Copenhagen which, in its Declaration and Action Plan, makes recurrent references to the need to link financial sector issues and social concerns;
- C the Micro-credit Summits 1997 and 1998 which the ILO supported as a member of the UN Agencies Council, which advocates micro-credit instruments to alleviate poverty on a large scale;
- C the Consultative Group to Assist the Poorest (CGAP) which the ILO joined in February 1996 and on whose Executive Committee the ILO serves currently; CGAP is the major international network of donor agencies on micro-finance;
- C the April 1997 ILO Practitioner Workshop on Micro-finance, bringing together field staff (MDTs and projects) and representatives of different technical departments;
- C the adoption of international norms for the support to micro-finance institutions by the Donors' Working Group on Financial Sector Development.

These initiatives provide a broad framework for ILO work on micro-finance; for example, in contrast to past practices, recently launched ILO projects with micro-finance funds apply market interest rates. It has also now become accepted that ILO projects and programmes in this field should seek the institutional sustainability of the micro-finance intermediary that they work with and create synergies with existing local micro-finance agents.

One can safely say that as a result of all these international initiatives in which the ILO has participated there is now something resembling an "implicit" policy. What remains to be done is to explicitly spell out the social dimensions of finance. This could contribute to better positioning the ILO vis-à-vis the Bretton Woods institutions.

This paper should stimulate, first of all, an Office-internal discussion, it will be circulated to the members of the Interdepartmental Working Group on Finance and to members of the General Management Team.

I would like to thank the author, Hema Menon, for her efforts. I also would like to mention the supervision of this work by Haje Schütte of the Social Finance Unit. Lee Swepston was kind enough to review the draft. Jean-Pierre Laviec, Thomas Woxland, Kirsten Felderhoff and Patricia Isimat of APPL helped with the use of the ILOLEX data base and gave the author useful advices.

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Introduction

This paper provides an overview of International Labour Standards that refer to finance, meaning the financial sector as a whole, particular financial institutions and instruments as well as policies addressed at the financial sector.¹ The paper is based on a desk review of Conventions and Recommendations using the ILOLEX database on International Labour Standards. Additional material was collected with the assistance of the Social Finance Unit of the Enterprise and Cooperative Development Department and Application of Standards Branch of the International Labour Standards Department².

The body of International Labour Standards is the main and unique instrument of the ILO to promote social justice on a global scale: **Conventions** are legally binding for countries which ratify them; **Recommendations** provide guidance to policy, legislation and practice. These Standards are subject to constant supervision by the ILO. A review of the Conventions and Recommendations that deal with finance is meant to better understand the links between social concerns of the ILO and the financial market.

There is growing awareness and recognition of links between financial markets and the social concerns of the ILO, as emphasised by the Social Summit in Copenhagen (1995) and at the Micro-credit Summit (1997). The financial crisis in South East Asia prompted the Director-General to warn of “potentially grave social consequences of the financial turmoil in South-East Asia”. The connection between the level of interest rates, investment and employment, between the access to credit and the growth of small scale investments, and between the access to deposit facilities and the empowerment of particular groups of the population is clear.³

What happens in the financial market undoubtedly has far-reaching implications for the core mandate of the ILO, the promotion of social justice (as is discussed in the Part B). Finance bears on employment, enterprise performance, poverty and social exclusion. Specific target groups like migrants, home-workers, the self-employed, the disabled and others, are particularly affected by difficulties in accessing reasonably priced financial services or a complete dependence on often exploitative informal financial agents. There is a growing demand for ILO expertise to improve the access to financial services for the disadvantaged, to strengthen self-help organisations in the field of micro-finance and to improve the policy and regulatory

¹ It was carried out by Ms. Hema Menon at the request of and under the supervision of the Social Finance Unit (ENTREPRISE).

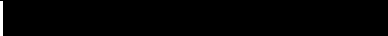
² The following officials were interviewed and consulted: M. L. Picard (CABINET), Messrs Jean-Pierre Laviec and Thomas Woxland, Ms. Kirsten Felderhoff and Patricia Isimat (Application of Standards Branch); Messrs. Bernd Balkenhol, Haje Schütte and Peter van Rooij and Ms. Tineke Ritzema (Social Finance Unit).

³ ILO, 1997. Workshop Report. *The ILO and the Financial Sector: Is there a Social Dimension?*, Background Paper, The Social Dimension of Finance: A practitioners Workshop, 24-25 April 1997, Geneva.

framework for village banks, savings and credit cooperatives and micro-finance banks.

To ensure that these advisory services remain embedded in the framework of ILS, it is necessary to establish to what extent Conventions and Recommendations deal with the issues:

- Do they focus on financial sector policies, thus favouring a macro-economic perspective, or rather on particular financial institutions, like cooperative banks, and their institutional performance, i.e. a more micro-economic perspective?
- Do they look at financial sector functioning as a necessary requirement for the attainment of full employment or rather identify the downstream impact of, say, interest rate liberalisation on investment and job creation?
- Do they globally show a preference for a target-group approach, pointing out the particular difficulties of some category of the population to access credit and other financial services, or are imperfections in the financial market as such the main concern?
- Is there a noticeable trend towards a systematic consideration of financial sector issues?
- Do financial crises leave traces in the ILS?



International Labour Standards — Constitution, Conventions and Recommendations referring to micro-finance

The ILO Constitution emphasizes the promotion and the achievement of social justice as the broad underlying purpose of all national and international policies and measures, in particular those of an economic and **financial** character. The Philadelphia Declaration (article 2) states that it is a responsibility of the International Labour Organization “*to examine and consider these international economic and financial policies and measures in the light of this fundamental objective*”. Core Labour Standards also touch on the social dimension of finance:

Freedom of Association

The Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87) and The Convention on the Right to Organize and Collective Bargaining, 1949 (No. 98), provide for the right of "workers and employers" to establish and join organizations of their own choosing and the right to bargain collectively. This principle is a precondition for the formation of organizations that have — in addition to their primary responsibility for collective bargaining — often also financial functions, as in the case of savings and credit schemes in rural worker organizations, the self-employed, home-workers. Worker banks are another example.

Abolition of Forced Labour

The benefits of freedom from forced Labour in line with the Forced Labour Convention, 1930 (No. 29) and Abolition of Forced Labour Convention 1957 (No. 105) also apply to persons who are subjected to systematic and induced indebtedness, debt bondage and bonded child Labour. All of these extreme forms of indebtedness are the result of complex socio-economic factors, amongst them poorly functioning, partly local financial markets.

This review focuses on **explicit** references, which can be classified by:

- A. objectives;
- B. policies advocated;
- C. financial instruments and institutions;
- D. specific target groups;
- E. the role of ILO constituents with regard to finance.

The paper is organized around these 5 themes. This is complemented by a list of the main Conventions and Recommendations that refer explicitly to finance, i.e. to the financial market, financial institutions, financial instruments, financial services (Annex I). Excerpts of the relevant Standards are presented in Annexes IIa and IIb.

A. Objectives

The Conventions and Recommendations consider finance as an instrument for safeguarding the general economic welfare of the population. Economic development should be accompanied by equitable distribution of the benefits of growth and improve the economic, social and cultural situation of persons of limited resources and opportunities (R127). Within this framework, five specific objectives can be distinguished with respect to the provision of financial services in the ILS:

1. *To protect against exploitation*

Some ILS address exploitation in the context of indebtedness:

- C eliminate indebtedness — C117, Art. 4(a), Part IV, Art. 11(6); C169, Part III, Art. 20(3)(c); R100(IV)(C)(30); R104, III(10)(f); R110, III(14)(3);
- C prevent usury and protect against abuse by moneylenders — C117, Part IV, Art. 13(2); R100(IV)(I)(49)(b); R110, III(15)(4); R127, II(3)(b);
- C protect indigenous and tribal peoples against monopolistic practices and against exploitation by middle men — R104, V(22)(b).

There do not seem to be ILS that address the issue of access to adequate deposit facilities for small savers that would help to ensure some protection in times of need.

2. *Financing of targeted programmes and organizations*

Some ILS call on constituents:

- C to encourage the growth of co-operatives and to eliminate financial obstacles in the access to and the sound use of credit — R127(III)(C)(20)(1);
- C to support the unemployed to set up their own business or to take up other economic activities — R176(II)(8);
- C to improve home-workers' employment opportunities and income earning capacities through access to credit — R184(XII)(29)(1)(d),(h);
- C to recognize and promote the role of SMEs — R189(II)(2).

3. *Macroeconomic objectives*

Conventions and Recommendations identify financial sector issues within the context of general macro-economic objectives:

- Ⓒ to expand domestic savings and increase productive investment and transform savings into productive investment — R122(IV)(23)(1);
- Ⓒ to increase personal and national capital resources — R127(II)(3)(b).

B. Policies advocated

The ILO has not the mandate to advise on, say, interest rate policies. However, the Philadelphia Declaration (amended to the ILO Constitution) recalls that “lasting peace can be established only if it is based on social justice...” and that “...all national and international policies and measures, in particular those of an economic and financial character, should be judged in this light.” Explicit references to finance can therefore be found in instruments that seek to influence Government spending, for example, special government credit schemes and an efficient channeling of loans to beneficiaries — R127(V) Annex (8)(d). Yet there is an occasional call for changes in the framework of financial sector policies, illustrated by R86, or to the legal and regulatory framework concerning the export and import of currency for the transfer of capital, savings and remittances of migrant workers — R86, Annex Art.13(1-2).

Financial sector issues emerge particularly in the context of **employment** policies. The policy actions advocated are:

- C concerted action at the international level with a view to improving the international economic system especially in the financial sphere to ensure greater stability in exchange rates, a reduction of the debt burden of developing countries, the provision of long-term, low-cost financial assistance to developing countries — R169(IX)(37)(e);
- C negotiate collective agreements on questions having a bearing on employment such as information on economic, financial and employment issues — R169(I)(11)(e);
- C ensure that economic and financial policies at both the national and international levels should reflect the following priority:
 - the promotion of full and productive employment; and
 - satisfaction of the basic needs of the population — R169(IX)(37)(h);
- C recognize the importance of informal sector and small undertakings as a provider of jobs and promote complementary relationship between the formal and informal sectors and between small undertakings and to provide greater access of undertakings in the informal sector to resources, product markets, credit, infrastructure, training facilities, technical expertise and improved technologies — R169(V)(28);
- C co-ordinate employment policy with other measures of economic and social policy - investment, production and economic growth, growth and distribution of income, fiscal and monetary policies (anti-inflationary and foreign exchange

policies) and promotion of free movement of goods, capital and Labour between countries — R122 Annex(I)(2)(a-b,d-e);

- C promote productive employment in the rural sector by providing for institutional measures viz. use of local financial resources in carrying out of local economic and social development projects — R122 Annex (II)(10).

Housing finance is another area for which policy measures are advocated:

- C finance housing programs and ensure that tenancy or ownership of workers' houses is not refused on grounds of race, religion, political opinion or trade union membership — R115 Annex (V)(25); appropriate steps to ensure financial co-ordination between the various central and local public authorities and between them and private bodies in carrying out an employment stabilization program for the construction of workers' housing and related facilities — R115 Annex (VII)(39);
- C formulate appropriate measure in accordance with the national practice to stimulate savings and investment by individuals for housing — R115 (V)(17)(a-b);
- C extend borrowing powers of local and private enterprises to stimulate construction of workers' houses — R115 Annex (VII)(36).

Policies relating to the **promotion of SMEs** also see the financial sector as crucial for the attainment of a target group-specific objective.

- C appropriate fiscal, monetary and employment policies regarding inflation, interest and exchange rates, taxation (D)(7)(a);
- C complementary policies to provide equal opportunity for all sizes and types of enterprise and to address constraints regarding access to credit, foreign exchange, imported inputs and taxation (D)(8)(1)(a), (2).

C. *Financial instruments and institutions*

ILS references to financial instruments can be classified as follows.

1. *Savings and deposits*

Some ILS emphasize the encouragement of voluntary forms of thrift among wage earners and independent producers — C117, Part IV, Art. 13(1), migrants — R100(IV)(I)49(a) and plantation workers — R110(III)(15)(1). To increase domestic savings and transform these into productive investment, R122 suggests the expansion of savings schemes and the development of local capital markets — R122 Annex (II)(8)(d). Similarly:

- C development of co-operative thrift and encouragement and assistance for cultivators to save and accumulate capital — R127(V) Annex (8)(a-b);
- C saving facilities for the youth — R136(F)(31)(a);
- C helping seamen to save — R48 Part V(10): R173(IV)(28)(a).

2. *Credit facilities*

The importance of access to credit for the workers and especially to particular categories of the population as the self-employed, small and medium-sized enterprises, various organizations of workers including co-operatives, is widely recognized in the Standards. Many references to credit facilities are still influenced by a bias in favour of subsidized interest rates and directed credit:

- C provision of loans to cultivators for the purchase of equipment and other farm requisites and to agricultural families and hired workers who normally do not have access to established sources of credit — R127(V) Annex (8)(a,c);
- C promotion of access to credit to rural workers' organizations — R149(II)(5)(d), home-workers — R184(XII)(29)(1)(c) and youth — R136(F)(31)(a);
- C provision of loans for disabled in rural areas — R168(IV)(21)(d);
- C credit facilities for the indigenous and tribal peoples and protection against monopoly controls and against exploitation by middle men — R104(V)(22)(b);

- C credit facilities for the promotion of rural employment — R122(IV)(27)(4);
- C encouragement of facilities of borrowing money and reduction of rates of interest on loans for wage earners and independent producers — C117 Part IV, Art. 13(2); R100(IV)(I)(49)(b); and R110(III)(15)(4);
- C public and private facilities for loans at moderate rates of interest or on reasonable terms; subsidies, tax concessions and reduction of assessment; public guarantees of private mortgages; reduced interest rates and direct financial subsidies towards the initial capital outlay, sale of land at less than developed cost and long leases at nominal rent; and reduced size of down-payment and lengthy amortization period for encouraging housing facilities for home ownership — R115(V)(13)(2)(a-b), (15), (16); (III)(13)(e), (III)(V)(20-22);
- C adequate low-cost credit in cash and kind and low-cost bank credit to tenants, share croppers and similar categories of agricultural workers — R132(22)(1-4);
- C credit co-operatives for tenants and share croppers — R132(IV)(21);
- C co-operative systems of credit and low-interest loans and subsidies for indigenous peoples — R104(II)(7);
- C provision of loans, grants, tools for managing co-operatives of disabled in rural communities or to work on their own account on cottage industry or in agricultural, craft or other activities — R168(IV)(21)(d);
- C access to credit and loan guarantees for SMEs — R189(IV)(11)(p);
- C provision of credit and other financial services on commercial terms except in the case of particularly vulnerable groups of entrepreneurs — R189(IV)(14)(1).

3. *Transfers and remittances*

References to payment services and transfers can be found in the following Conventions and Recommendations:

- C transfer savings or wages from the area of labour utilization to the area of labour supply — C117, Part III, Arts. 7-8;
- C transfer migrant earnings and savings — C97, Art.9; and funds — R86(III)(10)(c-d);

- C transfer seamen's remittances at regular intervals to their families — R48, Part V(10)(a-b).

4. Financial institutions

Financial institutions are mentioned in the following Conventions and Recommendations:

- C co-operative credit organizations (C117, Part IV, Art. 13 (2); R100 (IV)(I)(49)(b); R104(V)(c); R110(III)(4); R115(V)(17)(a)(b); R127(III)(C)24(1); R132(IV)(22)(3)(a).
- C reliable private institutions for enabling seamen in foreign countries and seafarers to deposit or remit wages — R48 Part V(10)(a); R173(IV)(28)(a);
- C national mortgage insurance systems for promoting building of workers' housing — R115(V)(16);
- C public authorities as financiers of housing schemes — R115(III)(V)(9);
- C national co-operative bank or another central co-operative institution for channeling of financial aid from public or semi-public sources to co-operatives — R127(C)(24)(1);
- C creation of non-governmental financial retail agencies and poverty-oriented development finance institutions to overcome problems of inadequate collateral and high transaction costs and the formation of mutual guarantee associations — R189(IV)(14)(2).

D. *Specific target groups*

The Conventions and Recommendations make specific references to the following groups of the population in connection with finance:

1. ***Migrants*** (C97; R86; R100; R115)

- C assistance to migrations for employment, measures at national and international levels facilitating the transfer of earnings and savings and of capital — R86(III)(10)(c-d);
- C transfer of savings and other sums and provisions in force regarding the export of capital — C97, Art.9;
- C financial aid for housing — R115(V)(13)(1), (2)(a)(b), (14-18),(III)(13)(d), (e), (V) (19-25), (VI)(33), (VII)(36,37,39);
- C minimisation of the likelihood of indebtedness — R100(IV)(C)(30);
- C appropriate credit facilities — R100(IV)(F)(44)(2), (I)(49)(b);
- C provision of thrift incentives and protection against usury and control of moneylenders — R100(IV)(I)(49)(a,b).

2. ***Indigenous and tribal populations*** (C169; R104)

- C financial assistance — C169 Part IV, Art. 23(2);
- C encouragement of self-reliance and elimination of the practice of bonded Labour and debt servitude — C169, Part III, Art. 20(3)(c);
- C credit facilities and formation of co-operatives systems of credit — R104(V)(22)(b).

3. ***Youth*** — R136(F)(31)(a,b).

- C access to credit facilities and technical and managerial advice to youth co-operatives.

4. ***Seafarers*** (R48; R137; R173)

- C facilitation of remittances by seamen — R48, Part V(10)(a, b); R173(IV)(28);
- C provision of training and financial assistance to this end — R137(III)(B)(10)(1-5), (VII)(20).

5. Disabled (R99; R168)

- C adequate financial assistance to disabled persons for vocational rehabilitation and to work on their own account — R168 (II)(11)(a), (IV)(21)(d);
- C special provision of financial aid to disabled children and young persons during the period of medical treatment, education and vocational training — R99(IX)(40)(b,c).

6. Agricultural and rural workers, tenants and share-croppers

- C elimination of indebtedness among agricultural producers — C117, Art. 4(a);
- C extension of credit facilities and promotion of co-operatives for such workers including for tenants and share croppers — R122(IV)(27)(4); R132(IV)(21)(22) (1-2)(3)(a-d);
- C promotion of access to credit to rural workers' organizations and financial assistance to carry out training and education and training programs for management of these organizations and co-operatives — R149(II)(5)(d)(e), (III)(D)(18)(1).

7. Plantation workers (R110)

- C financial assistance towards vocational training — R110(II)(8);
- C encouragement of thrift — R110(III)(15)(1);
- C delimitation of advances paid and regulation of repayment of advances of wages — R110(III)(15)(2,3);
- C protection against usury and control of operations of money lenders — R110(III)(15)(4);
- C facilities for borrowing money on reduced interest rates and through credit cooperatives and institutions — R110(III)(15)(4).

8. Small undertakings and SMEs (R115, R169, R189)

- C promotion of efficiency of small-scale building contractors by establishing

suitable financial facilities — R115 Annex (VI)(33);

C improvement in access of SMEs to capital markets and credit — R169(V)(28); R189 (IV)(11)(6)(2)(a);

C support with accounting and other financial services — R189 (IV)(11)(I).

9. Informal workers, own-account or self-employed workers, home-workers

C financial assistance for the disabled to work on own account — R99(V)(22)(1);

C provision of greater access of undertakings in informal sector to resources, product markets and credit — R169 (V)(28);

C financial assistance and advisory services to unemployed persons to set up their own business or to take up another economic activity — R176(II)(8);

C facilitation of home-workers' access to credit — R184(XII)(29)(1)(h).

10. Workers generally

C elimination of indebtedness — C117, Art. 4 (a);

C encouragement of thrift and protection against usury and operations of money lenders — C117, Part IV, Art. 13 (1-2);

C borrowing facilities through co-operative credit organizations and institutions — C117, Part IV, Art. 13 (2) and R127 (II)(3)(b);

C financial assistance for housing in the form of loans, subsidies, tax concessions and encouragement of home ownership — R115 (V)(13)(b);

C finance for programs for workers affected by structural changes to find and fit themselves for new jobs — R122 (III)(14)(1)(2)(c);

C information on sources of finance for managers and the self-employed — R150(V)(31)(2).

E. The role of ILO constituents with regard to micro-finance

1. All tripartite constituents

The ILS calls for action regarding the following financial matters from its entire tripartite members:

- C to establish and finance programs to help workers affected by structural changes to find and fit themselves for new jobs — R122(III)(14)(1)(2)(c);
- C to reflect the priority of full and productive employment and satisfaction of basic needs of the population in the financial policies — R169 (I)(3);
- C to provide greater access of undertakings in the informal sector and small undertakings, co-operatives and associations resources, product markets and credit — R169(V)(28);
- C to encourage co-operative and non-profit housing schemes — R115 (V)(14);
- C to assist in home ownership through reduced interest rates and direct financial subsidies towards the initial capital outlay and the sale of land at less than developed cost and long leases of land at nominal rents — R115 Annex (III)(13)(e);
- C to pursue appropriate fiscal, monetary and employment policies to ensure stability of economic environment — R189 (II)(5)(a);
- C to review labour and social legislation to formulate policies for the support of SMEs — R189 (II)(3);
- C to provide for a range of direct support services including financial services on commercial terms to SMEs to enhance their competitiveness, growth and job creation potential — R189 (IV)(11)(I).

2(i). Governments

The Conventions and Recommendations call specifically on Governments to take the following actions:

- C to formulate and carry out policy for financial aid to co-operatives — R127 (II)(4);
- C to make financial contribution to training schemes for seamen in the form of subsidies and grant of land or building or other equipment — R137 (III)(B)(10)(2).

2(ii). Undefined public authority

The ILS also make repeated references to “public authorities” without further elaborating it:

- C to ensure the elimination of causes of indebtedness — C117, Art. 4(a); R100 (IV)(C)(30);
- C to control institutions through which credit is extended (C117, Part(IV) Art. 13(2); R100 (IV)(I)(49)(b); R110 (III)(15)(4);
- C to provide information to migrants regarding savings and other sums and export of capital — R86, Annex Art. 1(1),(3)(f), Art. 13(1,2);
- C to provide financial assistance to private bodies engaged in vocational rehabilitation activities of disabled persons — R99 (IV)(17)(2)(b);
- C to assist public and private training programs for plantation workers through making available financial contributions or providing living expenses during the course of training — R110 (II)(8);
- C to limit the amount of credit paid to workers in proportion of the earned wage and the amount and manner of repayment — R100 (IV)(F)(44)(2); R110(III)(15)(3);
- C to ensure the availability of public and private facilities of loans and to provide financial assistance towards workers’ home ownership — R115(V)(13)(a);
- C to prohibit withholding of tools of indigenous and tribal workers on grounds of debt, without approval of competent judicial or administrative authority — R104(III)(10)(f);
- C to make continuous provision of the necessary financial means towards workers’ housing and supplementary measures such as subsidies, tax concessions, facilities for loans — R115(V)(13)(1);
- C to supervise the use of financial aid and repayment of loans to co-operatives — R127 (V) Annex (8)(d);

C to encourage the organization of credit co-operatives of tenants and shareholders and similar categories of agricultural workers — R132 (IV)(21).

3. Employers

Employers are specifically called upon

C to finance migrant housing — R100 (IV)(B)(21).

4. Workers' organizations

The consultation of workers' organization is sought

C to minimize the likelihood of indebtedness — R100 (IV)(C)(30).

5. Employers' and Workers' organizations

The combined action of employers' as well as workers' organizations is called upon

C to encourage the use of local financial resources in carrying out economic and social development projects — R122 Annex (II)(10).

6. Private institutions

The few references to private institutions other than the social partners are indirect:

C to provide loans at moderate rates of interest for home ownership — R115 (V)(13)(2)(a,b);

C to provide financial aid to co-operatives — R127 (III)(C)(22);

C to adopt a system enabling seamen to deposit or remit wages with the assistance of masters, shipowners' agents or reliable private institutions — R48, Part V(10)(a); R173(IV)(28)(a).



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Annex I: List of ILO Conventions and Recommendations referring to micro-finance

<i>Convention/ Recommendation</i>	<i>Target Group</i>	<i>Subject(s) dealt with</i>
C29 Forced Labour Convention, 1930	Forced labour	Remittance
C97 Migration for Employment Convention (Revised), 1949	Migrants	Transfer of earnings and savings
C117 Social Policy (Basic Aims and Standards) Convention, 1962 (Revised C82)	Worker population, Agricultural or rural workers, Migrants	Financial assistance Elimination of causes of indebtedness Transfer of earnings and savings Thrift Protection against usury Reduced rates of interests on loans Protection from control of money lenders Borrowing facilities through co-operative credit organizations and institutions
C168 Employment Promotion and Protection against Unemployment Convention,	Worker population	Prevention of fraud or abuse of State Subsidies
C169 Indigenous and Tribal Peoples Convention, 1989	Indigenous and tribal populations	Abolition of debt servitude Financial Assistance
R48 Seamen's Welfare in Ports Recommendation, 1936	Seamen	Save and transmit savings
R86 Migration for Employment Recommendation (Revised), 1949	Migrants	Transfer of savings and currency
R99 Vocational Rehabilitation (Disabled) Recommendation, 1955	Disabled employees Disabled children Disabled young persons Own-account workers	Financial Assistance Financial Aid during medical treatment

<p>R100 Protection of Migrant Workers (Underdeveloped Countries) Recommendation, 1955</p>	<p>Migrants</p>	<p>Financial aid for housing Minimisation of indebtedness Credit limited to a proportion of wages and no interest to be charged Repayment of credit in form of work forbidden Thrift Protection against usury Reduced interest rates on loans Protection against control of money lenders Borrowing facilities through co-operative credit organizations and institutions</p>
<p>R104 Indigenous and Tribal Populations Recommendation, 1957</p>	<p>Indigenous and tribal populations</p>	<p>Elimination of indebtedness Co-operative system of credit Low interest loans and subsidies Credit facilities Protection from Exploitation by middlemen</p>
<p>R110 Plantations Recommendation, 1958</p>	<p>Plantation workers</p>	<p>Financial contributions and aid to training programs Elimination of indebtedness Thrift Regulation of repayment on advances on wages Protection against usury Reduced interest rates on loans Protection against control of money lenders Borrowing facilities through co-operative credit organizations and institutions</p>

<p>R115 Workers' Housing Recommendation, 1961</p>	<p>Worker population</p>	<p>Provision of finances for housing Loan facilities at moderate rates of interest Direct and indirect financial assistance through subsidies, tax concessions and reduction in assessments Co-operative and non-profit housing schemes Public guarantees of private mortgage Stimulation of savings and investment for housing Reduced interest rates, direct financial subsidies towards capital, sale of land at less than developed cost and long leases of land at nominal rates Increase efficiency of small-scale building contractors by financial aid Support to private enterprise in building industry and financial aid (reduced interest rates and down payment and lengthy amortization period Financial co-ordination between central, local public authorities and private bodies</p>
<p>R122 Employment Policy Recommendation, 1964</p>	<p>Worker population Agricultural or rural workers Small scale industries</p>	<p>Protection from financial hardship of groups and individuals affected by structural adjustment Expand domestic savings and inflow of financial resources from other countries and international agencies to deal with shortage of capital and increase productive investment Credit facilities Co-ordination of employment policy with measures affecting investment, fiscal and monetary policies, anti-inflationary and foreign exchange policies Freer movement of capital Measures to expand savings and financial resources to increase rate of capital formation Guide savings and investment from unproductive uses to promote economic development and expand savings through savings schemes Develop local capital markets to transform savings into productive investment Reinvestment of part of profit from foreign investment in the country Use of local financial resources that might remain idle or unproductively used Development of viable small-scale industries and handicrafts</p>

R127 Co-operatives (Developing Countries) Recommendation, 1966	Worker population	Increase national capital resources Encourage thrift Eliminate Usury Sound use of credit Financial aid to cooperatives through loans and credit guarantees, grants and tax reduction Adequate supervision of use of financial aid and repayment of loan Channeling of aid through National Co-operative bank and another central co-operative institution Private financial aid to co-operatives Thrift, credit societies and co-operative banks Chandelling of loans, supervision of use and reimbursement
R132 Tenants and Share-croppers Recommendation, 1968	Agricultural or rural workers	Credit-cooperatives Low-cost credit, co-operative credit, bank credit, interest-free government loans
R136 Special Youth Schemes Recommendation, 1970	Youth	Access to credit and saving facilities Financial aid to youth co-operatives
R137 Vocational Training (Seafarers) Recommendation, 1970	Seamen	Financing of training schemes Government financial contribution through subsidies and grants
R149 Rural Workers' Organizations Recommendation, 1975	Agricultural or rural workers	Access too credit Financial assistance to rural organizations
R150 Human Resources Development Recommendation, 1975	Worker population Self Employed	Information on sources of finance
R168 Vocational Rehabilitation and Employment (Disabled Persons) Recommendation, 1983	Disabled and Agricultural or rural workers	Financial incentives for training of disabled Provision for financial support Loans and grants to manage co-operatives and to work on own account

R169 Employment Policy (Supplementary Provisions) Recommendation, 1984	Worker population Family work, Independent work and small undertakings	Information on financial issues Access of undertakings in informal sector and small undertakings to resources, product markets, credit International action to improve economic system especially in the financial sphere Greater stability in exchange rate, reduction of the debt burden of developing countries Provision of low cost financial assistance
R173 Seafarers' Welfare Recommendation, 1987	Seamen	Save and transmit savings to families Assistance of financial institutions to deposit or remit wages
R176 Employment Promotion and Protection against Unemployment Recommendation, 1988	Worker population SME/ Informal sector/ Self Employed/ Unemployed	Financial Assistance to the unemployed to set up their own business
R184 Home Work Recommendation, 1996	Home-workers	Facilitate access to credit
R189 on General Conditions to Stimulate Job Creation in Small and Medium-Sized Enterprises, 1998	Small and Medium-Sized Enterprises (private and public companies, co-operatives, partnerships, family enterprises, sole proprietorships and others)	Pursuing fiscal and monetary policies to ensure stability regarding inflation, interest and exchange rates, taxation Access to credit and foreign exchange, imports and taxation Consultation with financial institutions Credit and loan guarantees Accounting and financial services Provision of credit on commercial terms Problems of Collateral and high transaction costs to be tackled by financial retail agents and finance institutions Formation of Mutual guarantee associations

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Annex IIb: ILO Conventions referring to micro-finance (excerpts)

C97 Migration for Employment Convention (Revised), 1949

Article 9

“Each Member... undertakes to permit, taking into account the limits allowed by national laws and regulations concerning **export** and **import** of **currency**, the **transfer** of such part of the **earnings and savings** of the migrant for employment as the migrant may desire.”

C117 Social Policy (Basic Aims and Standards) Convention, 1962 (Revised C82)

Preamble:

“... Considering that every effort should be made, on an international, regional or national basis, to secure **financial** and technical assistance safeguarding the interests of the population...,”

Article 4

“The measures to be considered by the competent authorities for the promotion of productive capacity and the improvement of standards of living of agricultural producers shall include--

(a) the elimination to the fullest practicable extent of the causes of chronic **indebtedness**;...”

Part III. Provisions Concerning Migrant Workers

Article 7

“Where the labour resources of one area are used on a temporary basis for the benefit of another area, measures shall be taken to encourage the **transfer** of part of the workers' wages and **savings** from the area of labour utilisation to the area of labour supply.”

Article 8

3. “Such agreements shall provide for facilities for enabling the worker to **transfer** part of his wages and **savings** to his home.”

Part IV. Remuneration of Workers and Related Questions

Article 11

6. “Unless there is an established local custom to the contrary, and the competent authority is satisfied that the continuance of this custom is desired by the workers, wages shall be paid regularly at such intervals as will lessen the likelihood of **indebtedness** among the wage earners.”

Article 13

1. “Voluntary forms of **thrift** shall be encouraged among wage earners and independent producers.”

2. “All practicable measures shall be taken for the protection of wage earners and independent producers against **usury**, in particular by action aiming at the reduction of

rates of interest on **loans**, by the control of the operations of **money lenders**, and by the encouragement of facilities for **borrowing money** for appropriate purposes through **co-operative credit organisations** or through **institutions** which are under the control of the competent authority.”

C169 Indigenous and Tribal Peoples Convention, 1989

Part III. Recruitment and Conditions of Employment

Article 20:

3. “The measures taken shall include measures to ensure: ...

...**(c)** that workers belonging to these peoples are not subjected to coercive recruitment systems, including bonded labour and other forms of **debt servitude**;...”

Part IV. Vocational Training, Handicrafts and Rural Industries

Article 23

1. “Handicrafts, rural and community-based industries, and subsistence economy and traditional activities of the peoples concerned, such as hunting, fishing, trapping and gathering, shall be recognized as important factors in the maintenance of their cultures and in their economic self-reliance and development. Governments shall, with the participation of these people and whenever appropriate, ensure that these activities are strengthened and promoted.”

2. “Upon the request of the peoples concerned, appropriate technical and **financial assistance** shall be provided wherever possible, taking into account the traditional technologies and cultural characteristics of these peoples, as well as the importance of **sustainable** and equitable development.”

Annex IIc: ILO Recommendations referring to micro-finance (excerpts)

R48 Seamen's Welfare in Ports Recommendation, 1936

Part V. *Savings and Remittance of Wages*

10. "In order to help seamen to **save and to transmit** their **savings** to their families--

(a) there should be adopted a simple, rapid and safe system, operating with the assistance of consuls, masters, shipowners' agents or reliable private **institutions**, for enabling seamen, and more especially those who are in a foreign country, to **deposit or remit** the whole or part of their wages;

(b) a system for enabling seamen, at the time of their signing on or during the voyage, to allot, if they so desire, a proportion of their wages for **remittance** at regular intervals to their families should be instituted or made of more general application."

R86 Migration for Employment Recommendation (Revised), 1949

///

10. " Migration should be facilitated by such measures as may be appropriate-- ...

...(c) to permit, taking into account the limits allowed by national laws and regulations concerning **export** and **import** of **currency**, the **transfer** of such part of the earnings and **savings** of migrants for employment as the migrants may desire;

(d) to arrange, in the case of permanent migration, for the **transfer**, where desired, to the country of immigration, of the **capital** of migrants for employment, within the limits allowed by national laws and regulations concerning **export** and **import** of **currency**;..."

ANNEX

Article 1. Exchange of Information

1. "The competent authority of the territory of immigration shall periodically furnish appropriate information to the competent authority of the territory of emigration [or in the case of refugees and displaced persons, to any body established in accordance with the terms of an international instrument which may be responsible for the protection of refugees and displaced persons who do not benefit from the protection of any Government] concerning:...

...(c) the conditions of life and work for the migrants and, in particular, **cost** of living and minimum wages according to occupational categories and regions of employment, supplementary allowances, if any, nature of employments available, bonus on engagement, if any, social security systems and medical assistance, provisions concerning transport of migrants and of their tools and belongings, housing conditions and provisions for the supply of food and clothing, measures relating to the **transfer** of the migrants' **savings and other sums** due in virtue of this Agreement;..."

3. "The competent authority of the territory of emigration [or in the case of refugees and displaced persons, any body established in accordance with the terms of an international instrument which may be responsible for the protection of refugees and displaced persons who do not benefit from the protection of any Government] shall periodically furnish appropriate information to the competent authority of the territory of immigration concerning

-- ...

...(f) the provisions in force regarding the **export of capital**.”

Article 13. Transfer of Funds

1. “The competent authority of the territory of emigration shall, as far as possible and in conformity with national laws and regulations concerning the **import** and **export** of foreign **currency**, authorise and provide facilities for migrants and for members of their families to withdraw from their country such **sums** as they may need for their initial settlement abroad.”

2. “The competent authority of the territory of immigration shall, as far as possible and in conformity with national laws and regulations concerning the **import** and **export** of foreign **currency**, authorise and provide facilities for the periodical **transfer** to the territory of emigration of migrants' **savings** and of any other **sums** due in virtue of this Agreement.”

3. “The **transfers of funds** mentioned in paragraphs 1 and 2 above shall be made at the prevailing **official rate of exchange**.”

R99 Vocational Rehabilitation (Disabled) Recommendation, 1955

III. Principles and Methods of Vocational Guidance, Vocational Training and Placement of Disabled Persons

9. “Measures should be taken to encourage employers to provide training for disabled persons; such measures should include, as appropriate, **financial**, technical, medical or vocational assistance.”

IV. Administrative Organisation

17. (1) “The competent authority or authorities should take all necessary and desirable measures to achieve co-operation and co-ordination between the public and private bodies engaged in vocational rehabilitation activities.”

(2) “Such measures should include as appropriate-- ...

...(b) **financial** assistance to private bodies effectively participating in vocational rehabilitation activities; and

(c) technical advice to private bodies.”

V. Methods of enabling disabled persons to make use of Vocational rehabilitation services

21. “...measures should include--

(a) information and publicity on the availability of vocational rehabilitation services and on the prospects which they offer to the disabled;

(b) the provision of appropriate and adequate **financial** assistance to disabled persons.”

22. (1) “Such **financial** assistance should be provided at any stage in the vocational rehabilitation process and should be designed to facilitate the preparation for, and the effective retention of, suitable employment including work on own account.”

(2) “It should include the provision of free vocational rehabilitation services, maintenance allowances, any necessary transportation **expenses** incurred during any periods of

vocational preparation for employment, and **loans** or **grants of money** or the supply of the necessary tools and equipment, and of prosthetic and any other necessary appliances.”

IX. Special provisions for disabled children and young persons

40. “Measures should be taken to ensure that children and young persons found by medical examination to have disabilities or limitations or to be generally unfit for employment-- ...

... (b) are encouraged to attend school or are guided towards suitable occupations likely to be agreeable to them and within their capacity and are provided with opportunities of training for such occupations;

(c) have the advantage of **financial** aid, if necessary, during the period of medical treatment, education and vocational training.”

R100 Protection of Migrant Workers (Underdeveloped Countries) Recommendation, 1955

IV. Protection of Migrant Workers during the Period of Their Employment

B. Housing

21. “The arrangements to be made for the housing of migrant workers should include measures to enable such workers to be provided, either at the expense of the employer or by the provision of appropriate **financial** aid or by other means, with accommodation meeting approved standards and at rents reasonable in relation to the wages earned by the various categories of workers.”

C. Wages

30. “Unless there is an established local custom to the contrary, and the competent authority is satisfied, after consulting representatives of the workers or of their representative organisations, that the continuance of this custom is desired by the workers, wages should be paid regularly and at such intervals as will minimise the likelihood of **indebtedness** among the wage earners.”

F. Supply of Consumer Goods

44. (1) “Where stores are attached to undertakings, only cash **payment** should be accepted in them.

(2) If local circumstances do not yet permit the application of the preceding provision, the **credit** granted to migrant workers should be limited to a proportion of wages, to be fixed by the competent authority, and restricted to a fixed period which should be as short as possible. It should be forbidden to charge **interest on credit** given or to accept its **repayment** in work.”

I. Material, Intellectual and Moral Welfare of Migrant Workers

49. “Arrangements should be made to ensure the material, intellectual and moral welfare of migrant workers, including--

(a) arrangements to encourage voluntary forms of **thrift**;

(b) arrangements to protect the migrant worker against **usury**, in particular by action to

reduce **interest rates on loans**, by the control of the operations of **money lenders** and by the encouragement of **facilities for borrowing money** for appropriate purposes through **co-operative credit organizations** or through **institutions** under the supervision of the competent authority;”

R104 Indigenous and Tribal Populations Recommendation, 1957

II. Land

7. “Appropriate measures should be taken for the elimination of **indebtedness** among farmers belonging to the populations concerned. **Co-operative** systems of **credit** should be organised, and **low-interest loans**, technical aid and, where appropriate, **subsidies**, should be extended to these farmers to enable them to develop their lands.”

III. Recruitment and Conditions of Employment

(10) “So long as the population concerned are not in a position to enjoy the protection granted by law to workers in general, the wages and the personal liberty of workers belonging to these populations should be protected, in particular, by providing that- ...

... (f) the withholding or confiscation of effects and tools which workers commonly use, on the ground of **debt** or unfulfilled labour contract, without prior approval of the competent judicial or administrative authority shall be prohibited;...”

V. Handicrafts and Rural Industries

22. “Programmes for the promotion of handicrafts and rural industries among the populations concerned should, in particular, aim at-

(a) improving techniques and methods of work as well as working conditions;

(b) developing all aspects of production and marketing, including **credit facilities**, protection against **monopoly controls** and against exploitation by **middlemen**, provision of raw materials at **equitable prices**, establishment of standards of craftsmanship, and protection of designs and of special aesthetic features of products; and

(c) encouraging the formation of **co-operatives**.”

R110 Plantations Recommendation, 1958

II. Vocational Training

8. “While local **financial** contributions to training programmes are in many places called for, the public authorities, to the extent considered appropriate and necessary, should also assist public and private training programmes in such ways as: making available **financial** contributions; contributing land, buildings, transport, equipment and teaching material; contributing through scholarships or otherwise to the living **expenses** or wages of trainees during the course of training, and making entry into residential plantation schools free of charge to appropriately qualified trainees, especially those who cannot afford to pay for the training.”

III. Wages

14. (3) “Unless there is an established local custom to the contrary, the continuance of

which is desired by the workers, wages should be paid regularly at such intervals as will lessen the likelihood of **indebtedness** among the wage earners.”

15. “(1) Voluntary forms of **thrift** among wage earners should be encouraged.

(2) The maximum amounts and manner of **repayment of advances** on wages should be regulated by the competent authority.

(3) The competent authority should limit the **amount of advances** which may be paid to a worker who has been engaged from outside the territory. The amount of any such advances should be clearly explained to the worker. Any advance made in excess of the amount laid down by the competent authority should be irrecoverable at law.

(4) All practicable measures should be taken for the protection of wage earners against **usury**, in particular by action aiming at the reduction of **rates of interest on loans**, by the control of the operations of **money-lenders**, and by the encouragement of **facilities for borrowing money** for appropriate purposes through **co-operative credit organizations** or through **institutions** which are under the control of the competent authority.”

R115 Workers' Housing Recommendation, 1961

V. Financing

13. “(1) The competent authorities should take such measures as are appropriate to ensure the execution of the accepted programs of workers' housing by securing a regular and continuous provision of the necessary **financial** means.

(2) For this purpose--

(a) public and private facilities should be made available for **loans** at moderate **rates of interest**; and

(b) such facilities should be supplemented by other suitable methods of direct and indirect **financial** assistance such as **subsidies, tax concessions, and reduction of assessments**, to appropriate private, **co-operative** and public owners of housing.”

14. “Governments and employers' and workers' organizations should encourage **co-operative** and similar **non-profit housing** societies.”

15. “Public authorities should endeavour to ensure that public and private facilities for **loans on reasonable terms** are available to workers who wish to own or to build their dwellings, and should take such other steps as would facilitate home ownership.”

16. “**National mortgage** insurance systems or **public guarantees of private mortgages** should be established as a means of promoting the building of workers' housing in countries where a sound **credit market** exists and where such systems are considered appropriate.”

17. "Appropriate measures should be taken in accordance with national practice—

(a) to stimulate **saving** by individuals, **co-operative** societies and private **institutions** which can be used to **finance** workers' housing; and

(b) to encourage **investment** by individuals, **co-operative** societies and private **institutions** in the construction of workers' housing."

18. "Workers' housing built with assistance from **public funds** should not become the object of speculation."

SUGGESTIONS CONCERNING METHODS OF APPLICATION

III. *Special Issues*

13. "All appropriate measures should be taken by governments, employers and employees' and workers' organizations to assist home ownership by workers and, where desirable, self-help housing schemes. Such measures might include, for example--

...(d) the sale or hire of equipment, materials or tools at less than **cost**;

(e) reduced **interest rates** and similar concessions, such as direct **financial subsidies** towards the initial **capital** outlay, the **sale** of land at less than developed **cost** and long **leases** of land at nominal **rents**."

V. *Financing*

19. "Public authorities should either **finance** directly or give **financial** assistance to rental housing schemes, especially for certain groups of workers, such as heads of newly formed families, single persons and those whose mobility is desirable for a balanced development of the economy."

20. "**Loans** granted to workers in accordance with Paragraph 15 of the General Principles should cover all, or a substantial part of, the initial **cost** of the dwelling unit and should be repayable over a long period of time and at a moderate **rate of interest**."

21. "Provident **funds** and social security **institutions** should be encouraged to use their reserves available for long-term **investment** to provide **facilities for loans** for workers' housing."

22. "In the case of **loans** granted to workers to promote home ownership, adequate provision should be made to protect the worker against the loss of his **financial equity** in his house on account of unemployment, accident or other factors beyond his control, and in particular to protect his family against the loss of his **financial equity** in the event of his death."

23. "Public authorities should render special **financial assistance** to workers who, by reason of inadequate income or excessively heavy outlay in respect of family responsibilities, are unable to obtain adequate accommodation."

24. "In cases where public authorities provide direct **financial assistance** toward home ownership, the recipient should assume **financial** and other responsibilities with respect to such housing in so far as his capacity permits."

25. "Public authorities giving **financial assistance** to housing programs should ensure that tenancy or ownership of such workers' houses should not be refused on grounds of race, religion, political opinion or trade union membership."

VI. *Measures to Promote Efficiency in the Building Industry*

33. "Every effort should be made to promote the efficiency of small-scale building contractors, for example by placing at their disposal information on low-**cost** materials and methods of building, by the provision of centralized facilities for **hiring tools and equipment**, by specialized training courses and by establishing suitable **financial facilities** where they do not already exist."

VII. *House Building and Employment Stabilization*

36. "In periods of declining private construction or declining economic activity in general and in cases where there is a need for an increased volume of construction, the government should take special action to stimulate the construction of workers' housing and related facilities by local authorities, or private enterprise or both, by such means as **financial assistance** or extension of their **borrowing** powers."

37. "Measures for increasing, if necessary, the volume of private housing might include a reduction in the **rate of interest** and in the size of **down-payment** required, and the lengthening of the **amortization** period."

39. "Appropriate steps should be taken, where necessary, to ensure administrative and **financial** co-ordination between the various central and local public authorities, and between them and private bodies, in carrying out an employment stabilization program affecting the construction of workers' housing and related facilities."

R122 Employment Policy Recommendation, 1964

Preamble

"...Considering further that under the terms of the Declaration of Philadelphia it is the responsibility of the International Labour Organisation to examine and consider the bearing of economic and **financial policies** upon employment policy in the light of the fundamental objective that 'all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity'..."

III. *Selective measures*

(3) "The dual objective of measures of adaptation to structural changes should be--

... (b) to protect from **financial** or other hardship groups and individuals whose employment is affected by structural changes."

14. (1) "To this end, and to avoid the loss of production entailed by delays in filling vacancies, Members should establish and adequately **finance** programs to help workers to find and fit themselves for new jobs."

(2) "Such programs should include-

...(c) the co-ordination of housing policy with employment policy, by the provision of adequate housing and community facilities in places where there are job vacancies, and the provision of removal **grants** for workers and their dependants by the employer or out of public **funds**.”

IV. *Employment Problems Associated with Economic Underdevelopment* **Investment and Income Policy**

23. (1) “In countries where a lack of employment opportunities is associated with a shortage of **capital**, all appropriate measures should be taken to expand **domestic savings** and to encourage the inflow of **financial resources** from other countries and from **international agencies**, with a view to increasing **productive investment** without prejudicing the national sovereignty or the economic independence of the recipient countries.”

Promotion of Industrial Employment

26. “Measures should be taken--

(a) to promote fuller utilisation of existing industrial capacity to the extent compatible with the requirements of **domestic and export markets**, for instance by more extensive introduction of multiple shifts, with due regard to the provision of amenities for workers on night shift and to the need for training a sufficient number of key personnel to permit efficient operation of multiple shifts;...”

Promotion of Rural Employment

27(4) “Institutional measures for the promotion of productive employment in the rural section should include agrarian reforms, adapted to the needs of the country, including land reform and improvement of land tenure; reform in methods of land **taxation**; extension of **credit facilities**; development of improved marketing facilities; and promotion of **co-operative** organisation in production and marketing.”

VI. *International Action to Promote Employment Objectives*

31. “Members should contribute to all efforts to expand international trade as a means of promoting economic growth and expansion of employment opportunities. In particular, they should take all possible measures to diminish unfavourable repercussions on the level of employment of fluctuations in the international terms of trade and of balance-of-**payments** and liquidity problems.”

Annex

Suggestion Concerning Method Of Application

I. *General and Selective measures of Employment* **Policy**

2. “Attainment of the social objectives of employment **policy** requires co-ordination of employment **policy** with other measures of economic and social policy, in particular measures affecting :

(a) **investment**, production and economic growth;

(b) the growth and distribution of incomes;...

...(d) **fiscal and monetary policies**, including **anti-inflationary and foreign exchange policies**; and

(e) the promotion of freer movement of goods, **capital** and Labour between countries.”

II. *Employment Problems Associated with Economic Underdevelopment*

8. “Measures to expand **domestic saving** and encourage the inflow of **financial resources** from other countries, with a view to increasing **productive investment**, may include :

(a) measures, consistent with the provisions of the Forced Labour Convention, 1930, and the Abolition of Forced Labour Convention, 1957, and taken within the framework of a system of adequate minimum labour standards and in consultation with employers and workers and their organisations, to use available labour, with a minimum complement of scarce resources, to increase the **rate of capital formation**;

(b) measures to guide **savings** and **investment** from unproductive uses to uses designed to promote economic development and employment;

(c) measures to expand **savings**:

...(ii) through **savings** schemes, including contributory social security schemes and small **savings** schemes;

(d) measures to develop local **capital markets** to facilitate the transformation of **savings** into **productive investment**;

(e) measures to encourage the **reinvestment** in the country of a reasonable part of the **profits** from foreign **investments**, as well as to recover and to prevent the outflow of national **capital** with a view to directing it to **productive investment**.”

10. “ Institutional measures for the promotion of productive employment in the rural sector may,... include promotion of community development programmes,...to evoke the active participation of the persons concerned, and in particular of employers and workers and their organisations, in planning and carrying out local economic and social development projects, and to encourage the use in such projects of **local** manpower, materials and **financial** resources that might otherwise remain idle or unproductively used.”

11. “ Means appropriate to local conditions for the fuller utilisation of local manpower in rural development may include:

(a) local **capital**-construction projects, particularly projects conducive to a quick increase in agricultural production,...

...(f) the development of **viable** small-scale industries and handicrafts in rural areas, such as local processing of agricultural products and manufacture of simple consumers' and producers' goods needed in the area.”

R127 Co-operatives (Developing Countries) Recommendation, 1966

II. *Objective of Policy Concerning*

3. " In particular, **co-operatives** should be established and developed as a means of--

...(b) increasing personal and national capital resources by the encouragement of **thrift**, by eliminating **usury** and by the **sound use of credit**;

(c) contributing to the economy an increased measure of democratic control of economic activity and of equitable distribution of surplus;

(d) increasing national **income**, **export revenues** and employment by a fuller utilisation of resources, for instance in the implementation of systems of agrarian reform and of land settlement aimed at bringing fresh areas into productive use and in the development of modern industries, preferably scattered, processing local raw materials; ..."

4. "Governments of developing countries should formulate and carry out a **policy** under which **co-operatives** receive aid and encouragement, of an economic, **financial**, technical, legislative or other character, without effect on their independence."

III. *Methods of Implementation of Policy Concerning*

C. *Aid to **Co-operatives***

Financial Aid

20. "(1) Where necessary, **financial** aid from outside should be given to **co-operatives** when they initiate their activities or encounter **financial** obstacles to growth or transformation."

21. "(1) Such aid should take the form of **loans or credit guarantees**.

(2) **Grants** and reductions in or exemptions from **taxes** may also be provided, in particular, to help **finance--**

(a) publicity, promotional and educational campaigns;

(b) certain clearly defined tasks in the public interest."

22. "Where such aid cannot be provided by the co-operative movement, it should preferably be given by the State or other public bodies, although it may, if necessary, come from private **institutions**. Such aid should be co-ordinated so as to avoid overlapping and dispersal of **resources**."

23. (1) "**Grants and tax** exemptions or reductions should be subject to conditions prescribed by national laws or regulations and relating in particular to the use to be made of the aid and the **amount** thereof; the conditions of **loans** and **credit guarantees** may be determined in each case."

(2) "The competent authority should ensure that the use of **financial** aid and, in the case of a **loan**, its **repayment**, are adequately supervised."

24. "(1) **Financial** aid from public or semi-public sources should be channelled through a

national co-operative bank or, failing that, another central **co-operative** institution capable of assuming responsibility for its use and, where appropriate, **repayment**; pending the establishment of such **institutions** the aid may be given directly to individual **co-operatives**.”

(2) “...**financial** aid from private **institutions** may be given directly to individual **co-operatives**.”

V. *Special Provisions Concerning the Role of in Dealing with Particular Problems*

Annex:

8. “Development of **co-operative thrift** and **credit** societies and **co-operative banks** should be encouraged among the beneficiaries of agrarian reforms as well as among other small farmers for the purpose of :

(a) providing **loans** to cultivators for the purchase of equipment and other farm requisites;

(b) encouraging and assisting cultivators to **save and accumulate capital**;

(c) advancing **loans** to, and promoting **thrift** among, agricultural families, including those of hired workers, who normally would not have **access to established sources of credit**;

(d) facilitating the implementation of special governmental **credit schemes** through an efficient **channeling of loans** to beneficiaries and appropriate supervision of the use made of such **loans** and of their timely **reimbursement**.”

R132 Tenants and Share-croppers Recommendation, 1968

II. *Objectives*

4. “It should be an objective of social and economic **policy** to promote a progressive and continuing increase in the well-being of tenants, share-croppers and similar categories of agricultural workers and to assure them the greatest possible degree of stability and security of work and livelihood, account being taken of the need to follow good farming techniques and to make efficient use of natural and economic resources, and regard being had to the **financial** capacity of the country concerned.”

IV. *Complementary Measures*

21. “Where appropriate, the competent authorities, in collaboration in so far as possible with the organizations concerned, should encourage, and give instruction in, the organization by tenants, share-croppers and similar categories of agricultural workers of **co-operative institutions**, such as production **co-operatives**, **co-operatives** for the processing of agricultural produce, **credit co-operatives**, marketing **co-operatives** and purchasing **co-operatives**, and the strengthening of such **institutions** where they already exist.”

22. (1) “Measures should be taken in the light of available national resources and conditions prevailing in the country to make adequate **low-cost credit** in **cash** and **kind** available to tenants, share-croppers and similar categories of agricultural workers...”

(2) “So far as practicable, the provision of such **credit** should be associated with approved and supervised farm development and management schemes.”

(3) "Special consideration should be given in the light of national conditions to systems of–

(a) **low-cost co-operative credit**;

(b) supervised **credit**;

(c) **low-cost bank credit**;

(d) **interest-free government loans.**"

(4) "Tenants, share-croppers and similar categories of agricultural workers should not be required to obtain the authorisation of landowners to obtain **credit** to be used for improving their holding."

R136 Special Youth Schemes Recommendation, 1970

F. Assistance to Participants for their Occupational Future

31. "Assistance, wherever possible through existing **institutions**, to former participants who establish themselves on their own account, or as members of a group, might include--

(a) promotion of **access to credit**, marketing and **saving facilities**;

(b) continuing contact to provide encouragement and necessary **technical managerial** advice;

(c) in the case of **co-operatives**, **financial** and administrative aid..."

R137 Vocational Training (Seafarers) Recommendation, 1970

III. National Planning and Administration

B. Financing

10. "(1) Seafarers' training schemes should be systematically organised and their **financing** should be on a regular and adequate basis, having regard to the present and planned requirements and development of the shipping industry.

(2) Where appropriate, the government should make **financial** contributions to training schemes carried on by local government or private bodies. These contributions may take the form of general **subsidies, grants** of land, buildings or demonstration material such as boats, engines, navigational equipment and other apparatus, the provision of instructors free of charge, **payment** of trainees' allowances or **payment** of fees for trainees in day or boarding schools or on training ships.

(3) Seafarers should not, through lack of **financial** resources or training opportunities, be denied the possibility of reaching the highest ranks on board. Therefore, it should be possible for seafarers to earn or receive sufficient **financial** resources to enable them to obtain appropriate training.

(4) Training in publicly run training centres for seafarers should, where possible, be given without charge to trainees.

(5) Retraining necessitated by the introduction of technical innovations should be provided free of charge to the seafarers concerned. During the period of such retraining, seafarers should receive adequate allowances; seafarers sent to courses of such retraining by a shipowner should receive their full basic wage.”

VII. Training Methods

20. “The training methods adopted should be the most effective possible, having regard to the nature of the instruction, the trainees' experience, general education and age, and the demonstration equipment and **financial** resources available.”

R149 Rural Workers' Organisations Recommendation, 1975

II. Role of Organisations of Rural Workers

5. “Such organisations should, as appropriate, be able to-- ...

...(d) promote and obtain access of rural workers to services such as **credit**, supply, marketing and transport as well as to technological services;

(e) play an active part in the improvement of general and vocational education and training in rural areas as well as in training for community development, training for **co-operative** and other activities of rural workers' organisations and training for the **management** thereof;...”

III. Means of Encouraging the Growth of Organisations of Rural Workers

D. Financial and Material Assistance

18. (1) “Where, particularly in the initial stages of development, rural workers' organisations consider that they need **financial** or material assistance, for instance to help them in carrying out programmes of education and training, and where they seek and obtain such assistance, they should receive it in a manner which fully respects their independence and interests and those of their members. Such assistance should be supplementary to the initiative and efforts of rural workers in **financing** their own organisations.”

R150 Human Resources Development Recommendation, 1975

IV. Vocational Training

A. General Provisions

17. (1) “Every effort should be made to develop and utilise to the full, if necessary with public **financing**, existing and potential vocational training capacity, including the resources available in undertakings, in order to provide programmes of continuing vocational training.”

V. *Training for Managers and self-employed persons*

31. (2) “Such programmes should provide regular opportunities for updating training and be reinforced by a continuing flow of information on new developments in the technical field concerned, as well as on sources of **finance** and, if necessary, on the most efficient marketing methods.”

XII. *Administrative Aspects and Representative Bodies*

72. “In administering programmes of vocational guidance and vocational training provision should be made for--

...(f) providing adequate **financial** support for implementing the programmes.”

R168 Vocational Rehabilitation and Employment (Disabled Persons) Recommendation, 1983

II. *Vocational Rehabilitation and Employment Opportunities*

11. “... (a) appropriate measures to create job opportunities on the open labour market, including **financial** incentives to employers to encourage them to provide training and subsequent employment for disabled persons, as well as to make reasonable adaptations to workplaces, job design, tools, machinery and work organisation to facilitate such training and employment;...”

III. *Community Participation*

18. “Vocational rehabilitation and employment services for disabled persons should be integrated into the mainstream of community development and where appropriate receive **financial**, material and technical support.”

IV. *Vocational Rehabilitation in Rural Areas*

21. “... measures should be taken, where appropriate, to:

...(d) provide **loans, grants or tools and materials** to help disabled persons in rural communities to establish and **manage co-operatives** or to work on their own account in cottage industry or in agricultural, craft or other activities;...”

R169 Employment Policy (Supplementary Provisions) Recommendation, 1984

Preamble

“...Recalling the responsibility of the International Labour Organisation, resulting from the Declaration of Philadelphia, to examine and consider the bearing of economic and **financial policies** upon employment **policy** in the light of the fundamental objective that ‘all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity’,...”

I. *General Principles of Employment Policy*

3. “The promotion of full, productive and freely chosen employment should be the priority in, and an integral part of, economic and social policies of Members and, where appropriate, their plans for the satisfaction of the basic needs of the population.”

4. “Members should give special attention to the most efficient means of increasing employment and production and draw up policies and, if appropriate, programmes designed to facilitate the increased production and fair distribution of essential goods and services and the fair distribution of income throughout the country, with a view to satisfying the basic needs of the population in accordance with the Declaration of Principles and Programme of Action of the World Employment Conference.”

6. “Economic and **financial policies**, at both the national and international levels, should reflect the priority to be attached to the goals referred to in Paragraphs 3 and 4 of this Recommendation.”

7. “The policies, plans and programmes referred to in Paragraphs 3 and 4 of this Recommendation should aim at eliminating any discrimination and ensuring for all workers equal opportunity and treatment in respect of access to employment, conditions of employment, wages and income, vocational guidance and training and career development.”

11. “In accordance with national law and practice, the methods of giving effect to employment policies might include negotiating collective agreements on questions having a bearing on employment such as-

...(e) information on economic, **financial** and employment issues.”

V. *Informal Sector*

27. (1) “National employment policy should recognise the importance as a provider of jobs of the informal sector, that is economic activities which are carried on outside the institutionalised economic structures.”

(2) “Employment promotion programmes should be elaborated and implemented to encourage family work and independent work in individual workshops, both in urban and rural areas.”

28. “Members should take measures to promote complementary relationships between the formal and informal sectors and to provide greater access of undertakings in the informal sector to **resources, product markets, credit, infrastructure**, training facilities, technical expertise and improved technologies.”

VI. *Small Undertakings*

30. “National employment policy should take account of the importance of small undertakings as providers of jobs, and recognise the contribution of local employment creation initiatives to the fight against unemployment and to economic growth. These undertakings, which can take diverse forms, such as small traditional undertakings, **co-operatives** and **associations**, offer employment opportunities, especially for workers who have particular difficulties.”

31. "After consultation and in co-operation with employers' and workers' organisations, Members should take the necessary measures to promote complementary relationships between the undertakings referred to in Paragraph 30 of this Recommendation and other undertakings, to improve working conditions in these undertakings, and to **improve their access to product markets, credit**, technical expertise and advanced technology."

IX. International Economic Co-operation and Employment

37. "Bearing in mind their responsibilities in relation to other competent international bodies Members should, with a view to ensuring the effectiveness of employment policies, adopt the following objectives:

...(e) to seek agreement on concerted action at the international level with a view to improving the international economic system, especially in the **financial sphere**, so as to promote employment in developed as well as developing countries;...

...(h) to ensure greater stability in exchange **rates**, a reduction of the **debt** burden of developing countries, the provision of long-term, **low-cost financial** assistance to developing countries and the adoption of adjustment policies which promote employment and the satisfaction of basic needs."

38. "Members should --...

...(b) take appropriate measures for the creation and maintenance of employment and for the provision of training and retraining opportunities. Such measures might include the establishment of national, regional or international readjustment **funds** for the purpose of assisting in the positive adjustment of industries and workers affected by changes in the world economy."

R173 Seafarers' Welfare Recommendation, 1987

IV. Savings and Remittance of Wages

28. "In order to help seafarers to **save and to transmit** their **savings** to their families-- (a) there should be adopted a simple, rapid and safe system, operating with the assistance of consuls or other competent authorities, masters, shipowners' agents or reliable **financial institutions**, for enabling seafarers, and more especially those who are in a foreign country or serving in a ship registered in a country other than their own, to **deposit or remit** the whole or part of their wages;..."

R176 Employment Promotion and Protection against Unemployment Recommendation, 1988

II. Promotion of Productive Employment

8. "Members should, as far as possible, offer to unemployed persons who wish to set up their own business or take up another economic activity, **financial** assistance and advisory services under prescribed conditions."

R184 Home Work Recommendation, 1996

XII. Programmes Related to Homework

29. (1) “Each Member should, in cooperation with organizations of employers and workers, promote and support programmes which:...

...(c) facilitate the organization of homeworkers in organizations of their own choosing, including **cooperatives**;

(d) provide training to improve homeworkers' skills (including non-traditional skills, leadership and negotiating skills), productivity, employment opportunities and **income-earning capacity**;...

...(h) facilitate **access to credit**, improved housing and child care;...”

Recommendation 189 on General Conditions to Stimulate Job Creation in Small and Medium-Sized Enterprises (SMEs), 1998

I. Definition, Purpose and Scope

1. “Members should...define small and medium-sized enterprises by reference to such criteria such as may be considered appropriate.”

2. “Members should adopt measuresto recognize and to promote the fundamental role that SMEs can play as regards:...

...(d) increased **domestic savings and investment**;...

...(k) accessing **domestic and international markets**.”

4. “The provisions of this Recommendation apply to all branches of small and medium-sized enterprises, irrespective of the form of ownership (for example, private and public companies, **cooperatives**, partnerships, family enterprises, sole proprietorships).”

II. Policy and Legal Framework

5. “In order to create an environment conducive to the growth and development of small and medium-sized enterprises, Members should:

(a) adopt and pursue appropriate **fiscal, monetary** and employment policies to promote an optimal economic environment (as regards, in particular, **inflation, interest and exchange rates, taxation**, employment and social stability);...”

6. “The measures referred to in Paragraph 5 should be complemented by policies for the promotion of efficient and competitive SMEs able to provide productive and sustainable employment under adequate social conditions. To this end, Members should consider policies that:

(1) create conditions which:

(a) provide for all enterprises, whatever their size or type:

(i) **...access to credit, foreign exchange, imported inputs**; and

(ii) fair **taxation**;

... (2) remove constraints to the development and growth of small and medium-sized enterprises, arising in particular from:

(a) difficulties of **access to credit**;

... (e) insufficient **access to markets**;

7. "With a view to the formulation of such policies, Members should....

... (3) review labour and social legislation, in consultation with the most representative organizations of employers' and workers' as well as with the representative organizations of employers and workers, to determine whether:...

... (b) as regards social protection, such as, voluntary schemes, **cooperative** initiatives and others."

9. "In formulating these policies, Members:

(1) may consult... other concerned and competent parties as they deem appropriate;

(2) should take into account other policies in such areas as **fiscal and monetary** matters, trade and industry,....."

IV. *Development of an Effective Service Infrastructure*

11. "Members should provide for a range of direct support services to SMEs to enhance their competitiveness, growth and job creation potential to include:...

... (p) **access to credit and loan guarantees**;

... (l) legal, **accounting and financial services**;

14. "Members should facilitate access of small and medium-sized enterprises to **finance and credit** under satisfactory conditions. In this connection:

(1) , **credit and other financial services** should as far as possible be provided on **commercial terms** to ensure their sustainability, except in the case of particularly vulnerable groups of entrepreneurs;

(2) supplementary measures should be taken to simplify administrative procedures, reduce **transaction costs** and overcome problems related to inadequate **collateral** by, for example, the creation of non-governmental **financial retail agencies** and development **finance institutions** addressing poverty alleviation;

(3) small and medium-sized enterprises may be encouraged to organize in **mutual guarantee associations**;"

V. *Roles of Organizations of Employers' and Workers' Organizations*

17. "Organizations of employers or workers organizations should consider contributing to the development of small and medium-sized enterprises in the following way:...

...(b) providing direct support services such as training, consultancy, easier **access to credit**, marketing, advise on industrial relations and promoting linkages with larger enterprises;...”

**Enterprise and Cooperative Development Department
Social Finance Unit**

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