

## Social Finance

### The Challenge

Access to appropriate financial services is a fundamental condition for poverty reduction, job creation, income security and social protection. But access to finance alone does not automatically yield social benefits. For this to happen, low-income workers, small business owners, migrants, families with working children and others on the margin of the financial market must be able to make informed choices about taking a loan, finding safe mechanisms to save and transfer money, and what to look out for in the small print of insurance contracts. Financial capabilities go hand in hand with better market access.

Institutions that practise social finance have a double bottom line. Their profitability is balanced by considerations of social responsibility. They empower those who individually would not make a difference in the financial market. By inducing the poor to organize themselves access to finance also builds a bridge out of informality.

Social finance is thus a cross-cutting concern and touches upon employment creation and working conditions, social protection, and fundamental rights such as the prevention of child and bonded labour and gender equality. Social finance is also a critical issue or concern for migrant workers who send home money to support their families as it can be linked up with savings products for schooling at home, or health-related expense accounts or loans for housing improvements and construction. Not only can finance be used as a channel to promote a better understanding of workers' rights, but it also can be a catalyst for capacity building, including the empowerment of women. Employers' and workers' organizations can be valuable facilitators, enabling their members to access more affordable and appropriate services, resulting in benefits for the members and the associations.

### The ILO Response

For decent work to materialize, the financial sector has to become more inclusive. Employer and worker organizations articulate the interests of business and households, they make their voice heard, for example when small businesses cannot find affordable credit, or when workers' incomes are eroded by doubtful practices of payday loans.

The ILO has a mandate across the various facets of social justice and decent work. In the financial sector, the 1944 Philadelphia Declaration expects the ILO to "consider... financial policies in the light of social justice". Furthermore, in the context of the International Year of Microcredit, the Governing Body's Employment and Social Policy Committee decided at its 292nd Session in March 2005 to formulate a statement of ILO policy on the contribution of microfinance to the Decent Work Agenda which articulates the abovementioned mandate.

The Social Finance Programme, launched in 1991, analyses, shares knowledge and provides technical advice about what works to facilitate access to finance, including services and products, institutional models and policies across the financial sector. It is supported by the ILO's Social Finance Network which reflects the cross-cutting scope of social finance with members in all sectors and regions. Through this network the ILO ensures coherence in analysis and action and fosters the capacity of its constituents to help their members.



The ILO strategy on Social Finance can be summarized as follow:



ILO interventions in the area of social finance are articulated around two pillars and include key initiatives such as:

#### Better employment:

- Implement the Microfinance for Decent Work action research project with 16 microfinance institutions across the world to experiment with strategies to promote the ILO Decent Work Agenda among businesses in the informal economy, including occupational safety and health, reducing child labour, and encouraging formalization for dissemination in micro finance network and policy makers;
- Develop a number of flagship training programmes such as the Making Microfinance Work that build capacity of microfinance providers to offer quality services to micro-entrepreneurs;
- Support key initiatives in the Employment Sector with the access to finance dimension – for example, on youth employment or on small enterprise development.

#### Reduced vulnerability:

- Based on evidence from its 50 plus grantees and partners, the ILO's Microinsurance Innovation Facility analyzes and documents results of innovations in microinsurance for active dissemination and capacity building of practitioners;
- Support policy dialogue and capacity building of policy makers for promoting access to insurance for vulnerable groups through the Access to Insurance Initiative;
- Document experiences in financial education and capacity building of project partners to deliver financial education programme.

## Key Tools and Resources

International Labour Office (ILO). 2005. *ILO policy statement: Microfinance for decent work*, GB. 94/ESP/3, 294th Session (Geneva).

—. 2006. *Microfinance for decent work: Organization and responsibilities of the Social Finance Programme*, DG Circular 246 (Geneva).

Balkenhol, B. (ed.) 2007. *Microfinance and public policy. Outreach, performance and efficiency* (ILO and Palgrave Macmillan Publishers).

Churchill, C.; Matul, M. (ed.). 2012. *Protecting the poor: A microinsurance compendium, Vol II* (Geneva, ILO and Munich Re Foundation).

Training packages on the following topics: middle management, managing product diversity, micro-insurance, guarantee funds, mutual guarantee associations, microfinance in a post-conflict setting. Webpage: [www.ilo.org/socialfinance](http://www.ilo.org/socialfinance)

Social Finance Working Paper series: over 50 issues published on key topics such as remittances, microfinance and post-conflict, the role of workers' organizations, etc.

[http://www.ilo.org/employment/Whatwedo/Publications/lang--en/WCMS\\_123795/index.htm](http://www.ilo.org/employment/Whatwedo/Publications/lang--en/WCMS_123795/index.htm)

Publications and knowledge centre from the ILO's Microinsurance Innovation Facility: [www.ilo.org/microinsurance](http://www.ilo.org/microinsurance)



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