International Labour Organization

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International Labour Organization

Independent Thematic Evaluation:

Social Finance

Consolidated Report – Final

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Jacaranda Consult

Table of Contents

ANNEXES

Acronyms and abbreviations

A2II	Access to Insurance Initiative
AIDS	ILO Programme on HIV/AIDS and the World of Work (in ILO Social Protection Sector)
AIC	Alternative Insurance Company
BRITAK	British American Insurance Company Ltd
CGAP	Consultative Group to Assist the Poor
CIC	Commercial Insurance Company
CIRM	The Centre for Insurance and Risk Management
CO	Country Office
COOP	Cooperatives (in ILO Employment Sector)
COP	Community of Practice
CTA	Chief Technical Advisor
DAC	Development Assistance Committee
DWA	Decent Work Agenda
DWCP	Decent Work Country Programme
EAST	Education and Skills Training
ED	Executive Director
EMP	Employment Sector (of the ILO)
ESP	Committee on Employment and Social Policy
FANAF	La Fédération des Sociétés d'Assurances de Droit National Africaines
FIDES	Financial Systems Development Services AG
G-8	Group of Eight
GB	Governing Body
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
HQ	Headquarters
IAIS	International Association of Insurance Supervisors
ILO	International Labour Organization
ILS	International Labour Standards
IPEC	International Programme on the Elimination of Child Labour
ITCILO	International training Centre in Turin
MDG	Millennium Development Goal

MF4DW	Microfinance for Decent Work
MF	Microfinance
MFI	Microfinance Institution
MFT	Microfinance Training
MMW	Making Microfinance Work
MIIF	Micro insurance Innovation Facility
MSME	Micro, Small and Medium Enterprises
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OSH	Occupational Health and Safety
P&B	Programme & Budget
PLWHA	People Living With HIV/AIDS
ToR	Terms of Reference
TU	Trade Union
RBSA	Regular Budget Supplementary Account
RCT	Randomized Control Trial
RO	Regional Office
ROAF	Regional Office for Africa
ROAM	Regional Office for Latin America and the Caribbean
ROAP	Regional Office for Asia and the Pacific
SACCO	Savings and Credit Cooperative
SCORE	Sustaining Competitive and Responsible Enterprises
SF	Social Finance
SFN	Social Finance Network
SFP	Social Finance Programme (in ILO Employment Sector)
SIYB	Start and Improve Your Business
SME	Small and Medium Enterprises
SOCSEC	Social Security Department (of the ILO)
TC	Technical Cooperation
ToR	Terms of Reference
ToT	Training of Trainers
UAB	Union des Assurances du Burkina
UN	United Nations
UNCDF	United Nations Capital Development Fund

UNDAF	United Nations Development Assistance Framework
UNHCR	United Nations High Commissioner for Refugees
WIND	Work Improvement in Neighbourhood Development
WISE	Work Improvement in Small Enterprises
WISH	Work Improvement for Safe Home

Executive Summary

The ILO Policy on Microfinance for decent Work was adopted by the Governing Body in 2005 and defines social finance as "*microfinance which is oriented towards decent work which is the unique angle of ILO's interest and involvement in this field*." The Policy defines microfinance as "Financial services that the working poor need and demand include different types of credit, savings, guarantees, insurance, transfer payments, remittances and other transactions", and adds that "The rationale for ILO interest in and commitment to microfinance is decent work, i.e. the net social outcome in terms of employment, incomes and social dialogue. Microfinance that is oriented towards decent work is "social finance". The policy also calls for "an effectively mandated, staffed and resourced focal point, the Social Finance Programme, and a framework approach for fund raising and resource mobilization". The Policy specifies objectives within three areas:

- More employment
- Less vulnerability
- Stronger social partners.

The purpose of the present thematic evaluation of social finance, which took place in 2011 and covers the period 2005 – 2010, is organisational learning through:

- Providing insights on how social finance as a thematic area is situated within the broader decent work agenda and how this manifests in specific technical support. Providing an assessment of the ILO's past and current programme of work in this area, looking at the various means of action and delivery mechanisms.
- Providing insight of what works and does not work in the promotion of social finance, and why.

The evaluation applied a mix of methods including extensive interviewing at ILO Headquarters in Geneva and across the world, five country studies (in Ethiopia, India, Indonesia, Mali, and Peru), and a questionnaire survey. 165 individual interviews plus a number of group interactions were conducted, and 31 projects were examined in depth.

The social finance theme was assessed in the context of the 2008 global financial and economic crisis as well as the 2010 microfinance crisis and through the following dimensions:

- ILO social finance role and influence in internal fora; knowledge management; value added; comparative advantages; capacity building of constituents
- Integration of social finance into Decent Work Country Programmes (DWCPs)
- The Microfinance for Decent Work (MF4DW) action research project (since 2008)
- The Micro insurance Innovation Facility (MIIF), including innovation grants, fellowships, and capacity building (since 2008)
- Microfinance training: Making Microfinance Work; Boulder Institute MFT, both based at the ITCILO in Turin
- Social Finance as a cross-cutting issue in ILO Technical Cooperation Projects.

MAIN FINDINGS AND CONCLUSIONS

The period 2005 – 2010 saw a pronounced sharpening of the ILO social finance profile. The 2005 GB mandate lent authority to the particular ILO definition of microfinance as "social", covering a variety of financial services demanded by the working poor such as credit, savings, remittance transfers, various guarantees, and insurance. The financial and economic crisis that started in 2008 and led to the loss of millions of jobs, as well as the mounting criticism of MFIs for being exploitative, emphasised the need for regulation of the sector and protection of the low-income microfinance clients. The relevance of ILO social finance and decent work became clearer in the light of these crises, and the demand for ILO services grew accordingly.

The strategic fit of social finance in the overall ILO policy frameworks (the DWA) was strengthened; however, a backlog in terms of practical implementation continues to exist. The integration of social finance as a natural ingredient in employment promotion and social protection in the Decent Work Country Programmes is uneven, although improvements have been noted towards the end of the period. Social finance is a cross-cutting issue in many ILO TC projects, but good SF practices are not always followed. This reflects the knowledge and understanding of social finance at the field level, which is still too dependent on the professional background and interest of individual ILO staff members. The social finance concept has not yet sufficiently penetrated the ILO structures.

The ILO'S comparative advantages lie in particular in two areas, namely:

1. The Decent Work Agenda which signifies ILO's special approach to microfinance;
2. Micro insurance as a "new" area of microfinance that attracts attention from many quarters.

ILO remains a minor player on the vast international microfinance scene. Interviews with ILO/SFP international partners have pointed to these two areas as those where ILO can add value to the broader global efforts as a special social brand. The Decent Work dimension attracts sympathy from the wider development community, and ILO has, with the support of (especially) the Gates Foundation, managed to place itself at a central place in the microinsurance development context.

The relevance of social finance at the strategic level has been fairly clear in the period under evaluation. And the SFP has met the challenges with relevant responses, namely the MF4DW and the MIIF, and by corresponding to requests from within and outside the ILO. The country studies confirm that, overall, social finance has been taken in as a relevant tool in most of ILO's TC field projects.

The designs of SF interventions differ with the scope. The MF4DW project was not as such based on a clear logical framework, but it includes a standard research design based on the RCT approach to all the 16 innovations, which should provide for the possibility of comparison. The MIIF includes a results framework with objectives, outcomes and activities. The Access to Insurance Initiative (A2II) has designed a tool for country diagnosis on microinsurance which has been applied in several countries. The objectives of A2II correspond to Outcome 2 of the SF Mandate: “Less vulnerability”. The inclusion of social finance into DWCP designs naturally differs according to the national contexts.

There is scope for improvement in the design of interventions. In general, quantitative success indicators and quality control measures for social finance are few in the design of TC project interventions, especially where SF is one cross-cutting tool among others, and any attention to the assessment of impact rarely exists in the documents. The rationale for making decisions about whether a finance component should be included and if so: how, are often not expressed in project document. Risks (external factors that can disturb or destroy an intervention) are often not considered, or if they are, then in overly optimistic ways. The lead time to start up a project or other planned activity is typically underestimated, often leading to long delays and serious problems to arrive at completion, or even complete failure to deliver useful results.

The effectiveness of social finance interventions should be seen as the extent to which they together contribute to the achievement of the 2005 GB mandate: more employment, less vulnerability, and stronger constituents. The interventions fall in three categories: capacity building of constituents and other partners; mainstreaming social finance in the ILO; and activities originating directly from the SFP as the Focal Point, especially the MF4DW and MIIF.

Tripartite participation in the planning of SF interventions is not common, although a good number of TC field projects with an SF window work with Ministries of Labour, trade unions or more rarely, with employers’ organisations. Most of the work is with individual organisations rather than with national associations. Financial institutions and insurance companies, as well as the UN system, are the more common partners. Capacity building efforts have been made at many levels of which the MMW and Boulder Microfinance Training Programme stand out as having achieved international recognition; on the flip side they are considered to be quite expensive for the wider spread in developing countries by the former trainees met by the evaluation team.

The 31 TC projects examined in the evaluation show that training partners on social finance issues in the form of short one-off workshops have limited effect. The duration of a partnership, and the initial capacity of the partner organisation are the most important factors in long-term capacity development. Intermediate partner organisations with a mandate and capacity to support for example women entrepreneurs, people with disabilities, PLWHA, or migrants’ unions are able to benefit from ILO technical advice and other support. They are often better placed to generate capacity than the ILO itself as the implementer of training.

While ILO is generally not understood as the cutting-edge expert on microfinance in international fora, in some cases ILO has placed itself as the lead in joint UN groups, and bilaterally ILO has helped other UN agencies develop microfinance policies. ILO’s role in CGAP is constructive and has included critical points based on ILO values that deviated from common CGAP understanding, thereby exerting influence. The contribution by ILO in setting up the Micro insurance Network and the A2II, as well as playing a central role in these fora, is an important SFP outcome.

The momentum resulting from the financial and microfinance crises points to two complementary approaches, one upstream and one downstream. Upstream is the need for governments to provide better protection for their citizens vis-à-vis the financial sector, be it large, medium or micro-scale. ILO has a role to play in this as the advocate for the working poor. Downstream, the losses faced by many workers and employers were related to their limited knowledge of the financial contracts they entered into. The SFP has promoted work on financial literacy for specific groups in a number of specific countries, but no major, structured programme has been developed as yet.

The MF4DW has put the DWA on the global microfinance map through an innovative, experimental approach. The MIIF has developed strong partnerships all over the World. However, both projects are too recent for tangible outcomes to be expected within the time frame of this evaluation.

Although indirectly as a cross-cutting issue, social finance is considered to have contributed to many outcomes under its mandate. Strongest is the relationship with the "Less vulnerability" objective, since this is where the highest concentration of activity is found. The contributions of SF components to "More employment" in many TC projects are difficult to document and more indirect, and the direct link to "Stronger constituents" is the weakest.

In terms of institutional efficiency, the SFP core team is too small to carry out the mandate, and the achievements made are to a large extent due to donor-funded projects, especially the MF4DW and MIIF that have increased the number of social finance specialists by 14 professionals. The high degree of donor-dependency makes the operation vulnerable; unless it can be maintained at somewhat similar levels there is a risk that the goals will need to be significantly reduced.

Delays in implementation have been frequent in the activities under evaluation, thereby hampering progress towards planned outcomes. Cases were noted where investments were lost due to delays. The MF4DW also saw initial delays which, together with unanticipated complexity of the start-up phase, led to a situation where the contracts of the professional team are running out before any of the 16 innovations have come to maturity and comparisons can be made; hence without additional funding to keep staff on the team to finish the job, the whole investment may be lost.

The MF4DW research is using the RCT-approach combined with action research. Criticism against RCTs in development settings has been raised by prominent development researchers; its appropriateness to produce robust econometric output can be questioned and the results should be treated with caution.

Overall however, the relationship between the human and economic resources used and the results achieved is considered reasonable, and in some cases very good; the strategic direction of resource flows have corresponded with the needs, the ILO comparative advantage, and have contributed to fulfilling the SF mandate.

There is a need to better integrate social finance in the ILO field structure. The SFP has a special responsibility to deal with the apparent limited knowledge of SF in many TC projects and Country Offices, as well as perceptions by some that social finance is a Headquarters project. The Social Finance Network has played less of an integrating role than anticipated.

The MIIF is efficient but functions in relative isolation and should be brought into the overall policy framework of the ILO. In spite of some cultural differences between the more commercial microinsurance environment and the social orientation of the ILO there are many indications that there is scope for a better integration between them to become more of one coherent programme.

The <u>sustainability and impact</u> of the two main SF interventions are difficult to assess at the present time, partly due to the shortage of indicators in the designs. The training programmes are well-established and have produced enough candidates to make sustainability of the outcomes likely in the concerned countries. The many partnerships in which the SFP engages contribute to making ILO messages known and sustained in the wider context.

The MIIF has a well-developed communication strategy, and its various conduits are being used by the partners as participants in web-based discussions. However, the absence of internal communication within the ILO is problematic. The MIIF knowledge management strategy is impressive in its design, however beyond the monitoring of the website and recurrent contacts with partners through meetings and electronic media, there are no clear indicators of how efficient the strategy is.

The increasing incorporation of social finance in DWCPs is an indicator of sustainability through the ILO structure and on to the constituents and other partners.

The lack of attention in the project designs, the relatively short duration, and the slow implementation of many SF interventions are threats to sustainability. The choice of partners is important for sustainability; in this regard, SFP has been smart at the global policy level by placing the ILO together with some of the most important organisations within microfinance.

RECOMMENDATIONS

1. Strategy

a. The GB Mandate lent authority to social finance as part of the DWA, but an update may be considered in view of the evidence from activities in the period under evaluation. It is recommended that a five-year strategy for social finance (as opposed to microfinance as entitled in the 2005 mandate) is developed based on the two comparative advantages: the DWA and microinsurance, in time for a presentation at the 2012 ILC.

b. The strategy should take into consideration the lessons from the present evaluation and provide a comprehensive framework for integration of the various identified elements. It should be developed by the management of the Employment Sector in cooperation with Social Protection and should clarify and update the ILO vision for Social Finance. The essence of the strategy should be developed into an unsophisticated and widely recognisable brand that ILO would be known for. SFP should develop the brand and use it in internal communications in the ILO as well as in its continued participation in global networks.

c. The strategy should also include “a framework approach for fund raising and resource mobilization” as directed in the SF Mandate. This could include organising a meeting for European donors (possibly in Germany as one interested donor country) focusing on job creation and decent work, and exchange of experience between bilateral and multilateral organisations. It is further recommended that the cooperation with the Gates Foundation be strengthened; one among several possible means towards such a strengthening could be to invite Bill Gates to address the 2012 ILC on microinsurance in the context of the Social Protection Floor. Side events at the ILC are another possibility to consider.

2. Social Finance business model

a. It is recommended that the SF business model be reviewed with a view to ensuring that good practices in social finance are made better known to ILO staff working on projects at Regional and Country Offices, in order to ensure that ILO talks with one voice and bad SF practices are avoided. SFP should prepare a set of guidelines on Good SF Practices for internal use across the ILO HQ and field structure. This should be followed up by presentations in connection with regular planned meetings at sub-regional or regional level and should include representatives of constituents who could benefit from being better acquainted with ILO’s expertise in social finance.

b. The current staffing level at the SFP Focal point falls short of the “effectively mandated, staffed and resourced focal point, the Social Finance Programme” mentioned in the 2005 Mandate. This is a threat to sustainability and makes the efficient implementation of strategies and policies overly dependent on external resources. It is therefore recommended that senior management, in spite of known resource constraints, considers the allocation of regular budget resources to bring the core human resource base of SFP closer to the mandate through the addition of an additional professional staff member.

3. Synergies

a. It is recommended that a system for coordination between ENTERPRISE and SOCSEC is set up with a view to synchronise the approaches on microinsurance over time. As a first step, a joint effort should be made to conceptualise microinsurance in the context of the Social Protection Floor, with a view to present a paper to the GB meetings in 2011 and 2012 where deliberations on the Recommendation will take place in preparation for the ILC 2012.

b. It is recommended that efforts are made to develop better synergies between the SFP, the ENTERPRISE Department, the Social Protection Sector, and the field offices. The Social Finance Network needs to be revitalised, expanded and relaunched, and its composition should be reviewed to ensure that the Enterprise Specialists in the field as well as other relevant staff become included in the SFN. A platform along the lines of the one created by the MIIF may be set up to facilitate an exchange of experiences, a place for asking questions and advice to specialists, ensuring that active SFN membership gets recognized in performance appraisals, and ensuring that the mandate gets better defined as part of the SF strategy. It is further recommended that possibilities are explored to establish posts as Regional Advisers on Social Finance. It is also recommended that COs engage in staff development in social finance in close collaboration with SFP.

4. Strengthening Social partners

a. It is recommended that strategies are developed by COs for capacity development within social finance with their local constituents where an interest has been expressed. The support should be in a longer-term perspective and services could focus on the establishment of credit unions within TUs or at worksites, or explore the scope for supporting extension of microinsurance to TU members in collaboration with employers' organisations.

5. Design and delivery issues

a. It is recommended as matter of urgency that means are found by the EMP management to bring the MF4DW project to its completion; a wealth of information is being collected that should be published rather than go to waste. It is recommended that the RCT analysis is given less prominence and supplemented with more qualitative methods.

b. The MIIF must be better integrated in the SFP and EMPLOYMENT Sector. While the professionalism and particular culture of the project must not be compromised, an effort should be made to develop an effective internal communication strategy targeting the ILO, in order to promote the knowledge of microinsurance within the system.

c. A structured effort by the SFP to develop tools for financial literacy training and consumer education on social finance is recommended, drawing on the lessons from the MF4DW. In view of the explosive spread of internet and smartphones in most countries, and to remain relevant for the coming years, the approaches and tools for extending training should make use of cutting-edge electronic media to the fullest extent.

d. ILO appears to be the only actor in the microfinance community that specifically addresses occupational safety and health. This key DWA concern could be an area for expansion where ILO has a comparative strength that could usefully be applied in testing the feasibility of credit and insurance products that are suitable for small and micro-enterprises in areas such as OSH-friendly investments (credit for sanitary facilities for workers, workshop improvements), and insurance (property, accident, occupational diseases). These products should be developed in cooperation between SFP and SECSOC/OSH.

e. It is further recommended that the scanning of project designs for financial issues by PARDEV is improved through closer cooperation with SFP.

f. Finally, in view of the known difficulties in measuring the indirect impact of social finance in different ILO contexts, it is recommended that a study is conducted specifically to identify simple methods to monitor the effects of access to financial services in employment generation.

Important Lessons

ILO needs constantly to experiment with new approaches of working in order to keep up with the challenges of the 21st century, and social finance is one area where considerable innovation is taking place through the SFP flagship programmes. ILO's involvement in microinsurance has been a particularly effective means to achieve greater influence in the global microfinance environment than could be expected in view of the limited regular budget resources.

New (innovative) modes of operation are however very difficult to implement within the ILO's bureaucratic structures that do not easily accommodate different modalities than the standard TC project mode – which in turn also suffers from systemic weaknesses (donor dependency, too short implementation time, bureaucracy) that lead to delays and shortcuts. Long-term commitment is essential for major undertakings such as the MF4DW; pressure to cut the implementation from five to three years should have been resisted, as it is likely to put the project in jeopardy. The lesson being that it is better to drop an undertaking than to accept precarious conditions.

The delays and inefficiencies in programme implementation noted above are not limited to social finance nor are they caused by the SFP. They are systemwide and relate *inter alia* to the ILO structure; the thin field coverage in many countries; the recruitment procedures, composition and qualifications of staff; the very broad mandate with an associated thin spread of resources. It falls beyond the scope of this evaluation to examine these issues in any degree of detail, but lessons should be drawn to address these complicated systemic issues.

The increased emphasis on an office wide strategic policy framework concentrated around a few outcomes, combined with an increased donor emphasis on financing support to outcomes, is a logical way to streamline the organisation. However, for a small programme like the SFP, this orientation may make it more difficult to attract donor interest as SFP is now hidden in the SPF as an indicator. This could negatively influence the further development of the programme.

More needs to be done to make good practices in social finance known in the field. Finance is a specialised area that many ILO staff is not very familiar with, and SFP should make it a priority to actively promote its brand. Especially microinsurance is poorly understood as an integral part of social finance within the Decent Work Agenda, and there is apprehension among some about the concept, and about the unusual partners in the insurance industry.

Good Practices

It must be stressed "good social finance practices" vary according to the target groups and local conditions – one size does not fit all. What is relevant for prospective entrepreneurs may be inappropriate to internally displaced people, youth with short training, or trade union members. The SFP has had many studies done on good practices in different contexts, but never put them together in one volume, exactly because they are context-specific. However, recognising this and the fact that all interventions should be based on the facts on the ground, an attempt is made to summarise some general “good practices” in the following indicative and non-exhaustive list.

- Microfinance is part of the financial sector, it is not charity; it must be treated seriously by the client and the provider of the services for the benefit of them both.
- It is important to understand that the typical microfinance clients are poor and low-income people that do not have access to other formal financial institutions. Microfinance clients are often self-employed, household-based entrepreneurs. The poorest of the poor are not traditional microcredit clients because they lack stable cash flows to repay loans. These can include the destitute, bonded labourers, families who rely on the income from their working children, or people who cannot work due to sickness, disability or old age. In such cases, more appropriate means of support to them can be helping to organise them to use their own resources through savings and credit groups. Access to public programmes with cash transfers or food assistance may also be relevant here.
- When designing an intervention, it is important to invest in a good assessment of the situation and capacity of the target group to determine:
    - whether there is in fact a need to include a financial services component; if there is,
    - what products should be included, and
    - through what mechanism.
    - If in doubt – contact a social finance specialist for advice.
- Ensure that a “do no harm” principle is followed – access to financial services can also mean access to serious indebtedness.
- Promote market orientation, observe attention to financial benchmarks. Whenever possible, identify an existing partner organisation with sufficient capacity to deliver financial services in a professional way. Otherwise consider dropping the component.
- Avoid setting up new structures such as revolving funds as they are likely to be short-lived.
- Avoid creating special conditions for particular groups where possible – the same principles should preferably apply to everyone.
- Promote repayment schedules that correspond to people’s ability to pay, e.g. by following the agricultural cycle.
- In cases where access to finance is unavailable to certain groups (e.g. when MFIs are not willing to lend to start-up businesses, it may be necessary to provide special support in the form of a guarantee fund for newly trained youths. Ensure that the fund is used only as a last resort in cases of repeated defaults. Consult SFP on guidelines for the use of national youth guarantee funds.
- Promote the understanding of financial issues by microfinance clients - provide financial literacy training wherever appropriate.

1 Introduction

The ILO has conducted a thematic evaluation of its technical work to support national policies and practices on social finance[1] within the overall aim of promoting decent work. The purpose of this evaluation was to provide an impartial assessment and recommendations to support ILO management in charting future directions for the ILO's work on social finance. Please see the Terms of Reference for the evaluation in Annex 1.

1.1 Purpose, scope and clients of the thematic evaluation

The purpose of the thematic evaluation is organizational learning by:

1. Providing insights on how social finance as a thematic area is situated within the broader decent work agenda and how this manifests itself in specific technical support.
2. Identifying factors of success and constraints that can contribute to determining good practices to maintain and possibly replicate elsewhere in the ILO. This will be based on an assessment of the ILO's past and current programme of work in this area in the period 2005 - 2010, looking at various means of action and delivery mechanisms.
3. Providing insights into what works and does not work in the promotion of social finance, and why.

The present evaluation is thematic, i.e. social finance is treated as a theme across the ILO and is not limited to those ILO activities where the Social Finance Programme (SFP[2]) as the ILO focal point has been directly involved. Several activities/projects under the various employment or social protection programmes (including Technical Cooperation projects such as IPEC, AIDS, youth employment, enterprise development etc.) have a finance-related window without necessarily being directly associated with the SFP; these are also part of the theme and are therefore included in the evaluation.

Since the focus of the evaluation is on organizational learning the Office is a primary intended user. In addition to the SFP and the Social Finance network (SFN), this includes the many Departments, Units, and Offices at Headquarters and in the Field who are involved with financial issues that may benefit from SFP advice and services.

Other key intended users are the social partners. In November 2005, when the GB/ESP adopted the policy on social finance it also mandated the Office to undertake a review to assess progress made on the policy's implementation. The findings and recommendations of this evaluation will provide background information for a discussion in the Employment and Social Policy (ESP) Committee of the Governing Body on the subject of social finance.

A third set of users are policy makers, partners, organizations benefiting from ILO services and the various donors.

[1] See ILO Policy statement : Microfinance for Decent Work ; GB294/ESP/3, 2005
[2] "SFP" refers in this report to the focal point for social finance in the ILO as a unit – the Social Finance Programme – in the Employment Sector

The evaluation was conducted between March and September 2011. The Evaluation Team consisted of Erik Lyby as Team Leader, Komal Rana (India), Maria Rosa Moran (Peru), Massamba Diop (Mali), with Akustina Morni as research assistant in Geneva. Responsibility for managing the evaluation is with the Management Support Unit of the Employment Sector. The ILO Evaluation Unit provided technical support and oversight of the process.

The Evaluation Team wishes to extend its sincere gratitude to the many ILO officials, constituents and partners who contributed their time and insights to the evaluation. The analysis, conclusions and recommendations presented in this report, and any errors committed, are those of the Evaluation Team and do not necessarily reflect positions of the ILO or other of the organisations consulted.

1.2 Social Finance in the ILO

All ILO work on employment derives its current mandate from the Global Employment Agenda (2003) and the ILO Declaration on Social Justice for a Fair Globalization (2008). The latter, as well as the 1944 Philadelphia Declaration, expect the ILO to "consider... financial policies in the light of social justice". The Global Jobs Pact (2009) emphasizes the need to reorient policies governing and regulating the financial sector. It also underlines the importance of access to finance for enterprise and job creation.

The ILO Social Finance concept has evolved over some 20 years as a cross-cutting theme that touches upon employment, social protection, fundamental rights such as the prevention of child labour and bonded labour, and capacity building of social partner organizations. Social finance is also a critical issue 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. Financial services can help organize the working poor, particularly those in the informal economy. In recent years, microinsurance has become an important part of social finance and now accounts for a major share of SFP activities.

The ILO Policy on Microfinance was adopted by the Governing Body in 2005 and defines social finance as "*microfinance which is oriented towards decent work which is the unique angle of ILO's interest and involvement in this field*." The policy emphasizes the ILO as a global private-public partnership, and requests the office to engage through policy analysis and advice, markets and institutions. An Internal Circular (No 246) of 2006 gave instructions as to how the Office was to implement the Policy.

The Policy defines microfinance as "Financial services that the working poor need and demand, and include different types of credit, savings, guarantees, insurance, transfer payments, remittances and other transactions", and adds that "The rationale for ILO interest in and commitment to microfinance is decent work, i.e. the net social outcome in terms of employment, incomes and social dialogue. Microfinance that is oriented towards decent work is "social finance".

The policy also calls for "an effectively mandated, staffed and resourced focal point, the Social Finance Programme, and a framework approach for fund raising and resource mobilization".

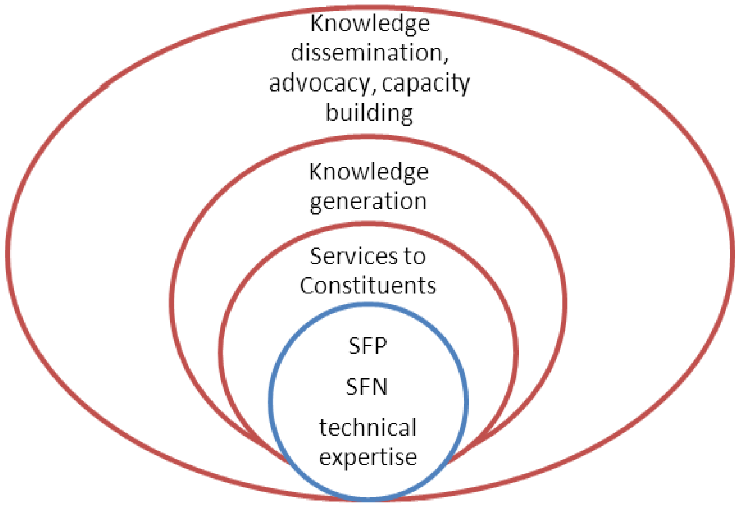
Implementation of the Policy takes place within the Strategic Policy Frameworks for 2006-2009 and 2010-2015 where the Office will provide services within three priority areas, namely:

- More employment
- Less vulnerability
- Stronger social partners

Access to finance is an obvious need within development of (informal and formal) enterprises; hence the SFP was initially placed in the Enterprise Department of the ILO. With increased focus on policy advice to constituents, SFP was later moved to the Employment Policy Department. The present status of SFP is as a relatively independent, cross-cutting unit within the Employment Sector, reporting directly to the Executive Director of the sector – but with considerable interaction EMP departments as well as beyond the Sector.

To operationalize the policy, the Office applies four main clusters of work that can be understood as interdependent "wheels" or concentric circles.

Figure 1: Social finance clusters of work



Social finance is the ILO's trademark of financial sector strategies that advance decent work. It should be noted that the title of the Mandate is in fact not *Social Finance* but *Microfinance* for Decent Work, which narrows the scope somewhat down from the sectoral focus. While microfinance is *one* important strategy within the ILO SF concept, and probably the best known, other strategies include socially responsible investment, promotional banking, worker-capital ownership schemes, SME finance, etc. A Mandate on Social Finance in this broader understanding might be in better accordance with the realities of the ILO's work on the financial sector than the present limitation to microfinance.

2 Methodology

The evaluation was carried out in three phases:

1. An inception phase that took place in April and May 2011 consisting of a desk review of available documents and websites, interviews at ILO Headquarters in Geneva, and the drafting of an inception report. The purpose of the inception phase was to determine the scope and methodology for the thematic evaluation at the level of the Social Finance Programme, the Employment Sector, other ILO Sectors, the Decent Work Agenda, the regional and field structures, the UN system, as well as the wider international environment in which ILO operates. The scope was defined so that it draws a sample of development activities that reflects a cross-section of ILO's involvement in social finance across the organization as well as within the broader international environment.

   The evaluability of different interventions was considered in the scoping exercise. Some important activities only started in 2008 or 2009, which means that they were not yet sufficiently mature to have produced very substantial outputs and outcomes; in these cases relatively little evidence exists at the time of evaluation upon which to make assessments on effectiveness. However, their relevance, designs and to some degree the efficiency of their implementation could be evaluated. However, in spite of these limitations, these activities are of an importance that makes their inclusion in the sample imperative for the full picture.

   The detailed methodology was developed during the inception phase. This included a review of activities in each region and deciding on the countries where country case studies were to be conducted. India, Indonesia, Ethiopia, Mali and Peru were selected for country studies.

2. A field study phase in June-July 2011. Consultants were identified and contracted and country studies were carried out in the five countries. A debriefing by the Team Leader at ILO-HQ took place after fieldwork; comments were taken in, and additional interviews conducted. Altogether some 165 formal interviews were conducted in the inception and field study phases, in addition to which a number of more informal group interviews and other interactions with MFI clients, SACCO members, and other ILO partners took place in the field. Please see Annex 2 for the list of people interviewed directly and Annex 3 for those interviewed by Skype or telephone.

   The distribution of interviews by regions is shown in the table:

Table 1: Interviews by region

Region	Country	Number persons
EUROPE	Switzerland	41
	Italy	2
	France	1
	Luxembourg	1
AMERICAS	USA	3
	Peru	26
	Chile	1

AFRICA	Ethiopia	17
	Senegal	4
	Mali	16
	Mozambique	1
	South Africa	2
	Tanzania	1
ASIA-PACIFIC	India	25
	Indonesia	15
	Thailand	8
	Philippines	1
TOTAL		165

3. Analysis, drafting and commenting phase. Five draft country reports and the present consolidated report were submitted for circulation by early August. Comments received were considered and included in the final reports which were submitted in early October 2011.

2.1 Data Collection and Analysis

The methods for collection and analysis of evaluative information include:

- Literature search (documents and internet sites)
- Desk review
- A Questionnaire survey on the Social Finance Network
- Key informant Interviews with ILO staff at HQ, ROAF, ROAP, ROAM, Country Offices and Decent Work Teams in five countries, as well as constituents and other partners (MFIs, NGOs, insurance companies, donors, consultants…). This includes phone or Skype interviews with key informants in four regions.
- Field visits to Addis Ababa, Adama, Dakar, Bamako, Lima, Bangkok, Jakarta, New Delhi, Mumbai, Hyderabad, Banswada.
- Analysis of all information collected, systematisation of quantitative data and triangulation of quantitative and qualitative information.

The selection of the five countries for case studies was based on the criteria that they should preferably:

- include the activities under the MF4DW and MIIF projects
- display a broad cross-section of ILO activities with a finance component
- demonstrate regional diversity and the different levels of development of social finance
- include activities that aim to demonstrate how SFP supports innovative research and advice on finance in the field

- include several major ILO programmes apart from SFP
- include initiatives in the priority areas of more employment; capacity building; knowledge generation and dissemination
- include activities targeting women.

The table indicates some key DWA areas that are represented in each of the five countries.

Table 2: Decent work areas in five countries

Country	MF4DW	MIIF grant	MIIF research /TA	Capacity building	MSME	Child labour	Youth emp	Migra-tion	AIDS	Risk manage ment	Women	Other
Indonesia	1	1	1	+	+	+	+	+	+	+	+	+
India	2	14	9	+	+	+	+	+	+	+	+	
Ethiopia	-	2	+	+	+		+	+	+			+
Mali	1	3	1	+	+			+	+	+		
Peru	1	2	+		+		+			+	+	

2.2 Challenges and Limitations

A challenge arises from the vastness of the universe to be covered, which makes it difficult to contain and explain. In the interest of establishing solid evidence, it was necessary for the thematic evaluation to focus on a (fairly large) sample of activities in the five countries (see annex 5) implemented over a period of five years, in many of which social finance has played a relatively marginal role. A number of project documents, progress reports, evaluations, etc. from other countries were reviewed in the desk study (see annex 16) in the effort to establish the universe, but with little possibility of triangulating for validity.

The thematic nature calls for an approach that is different from project or programme evaluations, where evidence can be established from an established logframe where implementation strategies, outcomes, outputs, activities and indicators have been established. In this case a logframe had to be constructed assembling the mandate and the areas of action around social finance. The discussion of social finance as a theme is situated at a rather high and generalised level where the direct linkages to specific evidence based on triangulation can be hard to demonstrate.

Activities from the earlier period (2005 – 2007) are more likely to be completed and their effectiveness in achieving their outcomes should be easier to assess, - however, the sources are often older documents on file that are incomplete, or the institutional memory may be weak (the expert has left). The latter part of the period (from 2008) saw an upswing in social finance with two large projects starting up – the Microfinance for Decent Work (MF4DW) and the Micro insurance Innovation facility (MIIF). Both of these projects are of an experimental nature where results will only show in the medium term (toward the end of 2011 and 2013 respectively). As they are both still on-going, most of the tangible and measurable results have yet to materialise.

Triangulation is a key instrument in the analysis of data. Information presented in publications, internal documents, or on websites cannot be accepted as evidence at face value but needs to be juxtaposed with knowledge or opinions from other sources. These sources are normally found outside the ILO (in international networks, or other external partners within the microfinance community), or inside the ILO at Headquarters or in the field. Information collected through interviews is the main method to corroborate or contradict written statements. Concrete evidence is therefore to a large extent derived from the country studies in direct interaction with responsible ILO officials. This made the selection of countries for study particularly important in the evaluation of social finance as a cross-cutting issue, as they would have to represent the universe as a whole.

As in all complex evaluations, a particular methodological challenge in this thematic evaluation lies in attribution: distinguishing between the impacts of particular means of action applied by the ILO vis-à-vis those of other actors. This is especially the case with mainstreamed (cross-cutting) issues such as social finance where quantifiable indicators rarely exist. Much of the SFP strategy has been on research (action research and academic studies) involving a wide range of partners. Attribution in this context looks more at the impact of an approach than on who is responsible for a specific output.

The SF concept itself has developed over the period under evaluation. The GB mandate is entitled "Microfinance for Decent Work" but does indicate in general terms the meaning of "Social Finance"[3] as the ILO brand within microfinance. The mandate is further elaborated into three priority areas for action in the Strategic framework 2006 – 2009, namely "More employment, Less Vulnerability, and Stronger Constituents", which together should contribute to the overall Decent Work Agenda. In practice, the concept has increasingly focused on access: "access to financial services", - access to credit for micro and small enterprises, reduced vulnerability through access to microinsurance, access to safe and affordable money transfers, etc.

The desk review and the subsequent interviewing revealed some confusion with regard to the use of terminology, especially the relationship between microfinance and microinsurance was often unclear. It is therefore pertinent to make explicit the definitions applied (in line with common international practices) in the evaluation. CGAP, the international microfinance network of which ILO was a founding member, has always insisted that microfinance forms part of the financial sector and therefore should be handled by finance professionals in a (financially and economically) sustainable manner, as opposed to seeing it as charity:

[3] "The rationale for ILO interest in and commitment to microfinance is decent work, i.e. the net social outcome in terms of employment, incomes and social dialogue. Microfinance that is oriented towards decent work is "social" finance. This emphasizes the finality and unique angle of the ILO's interest and involvement. Social finance is the ILO's accepted and recognized brand in this field, signalling its distinctive position and identity, and communicating to donors and the outside world in general the ultimate purpose of the ILO's conceptual and policy work on microfinance." GB294/ESP/3, 2005

> "Microfinance typically refers to a range of financial services including credit, savings, insurance, money transfers, and other financial products provided by different service providers, targeted at poor and low-income people."[4]

It follows from this definition that microcredit, savings, microinsurance and remittance transfers, as part of the financial sector, are all subsets of microfinance. Within this framework, Social Finance is microfinance that is based on the ILO's values and principles, and contributes to the expansion of decent work to the underprivileged. As a participant in a number of international networks (including CGAP), the ILO broadly subscribes to these principles but also tries to influence them in the direction of the DWA. The very broad nature of these concepts represents a particular methodological challenge.

2.3 Evaluation Criteria

The ToR for the evaluation state a number of evaluation criteria, namely the design, relevance, effectiveness, efficiency and impact orientation of ILO interventions in the field of social finance in a selection of countries and at the global level. The criteria follow standard definitions as per OECD-DAC.

2.4 Evaluation Framework

The evaluation framework is defined in relation to the mandate for social finance in the ILO as outlined in the 2005 ILO Policy Statement, as well as Internal Circular No. 246 of 2006 and the 2008-2009 Programme and Budget. The three objectives mentioned in the mandate are supported by eight outcomes. The table below shows the intervention logic between the objectives and the produced outcomes, against the means of intervention (approaches, tools), the inputs through which outcomes are expected to be produced (projects, programmes, advocacy, research…), and the indicators that can help in the assessment of the various stages of the processes.

The thematic evaluation looks at SF in the period 2005 – 2010, a time span in which the world witnessed the financial and economic crisis of 2008, and the microfinance sector (which expanded enormously during the same period) came under increasing criticism. The evaluation puts social finance in the framework of the financial and microfinance crises as found relevant.

The social finance universe is broad and so is the evaluation framework. It aims to cover initiatives by the SFP as well as many other ILO units at HQ, ITCILO and across the world, ILO's role in, and contribution to, international networks, placing it in a time perspective. The reference is the mandate as presented above against which the activities are evaluated and the value added through ILO social finance is assessed.

[4] http://www.microfinancegateway.org/p/site/m/template.rc/1.26.12263/#top

Table 3: Intervention logic

Objectives (as per mandate)	Outcomes (as per mandate)	Means of intervention	Main Inputs through:	Verifiable indicators
1. More employment	Analysis of the employment impact of microfinance;	Database Action research	DWCP MF4DW	Quality analysis results
	Successful experiences, policies that work at the domestic and international levels, good institutional practices: what has worked and why has it worked so well?	Knowledge generation & management Publications Tools devt.	MF4DW ITCILO TC (IPEC, AIDS, MIGRANT, COOP, youth employment, informal economy)	Experiences documented with evidence Policies developed and applied
	Policy packages involving microfinance, taking into account experiences in the "social economy", involving member-owned intermediaries such as savings, credit, and insurance cooperatives and generally giving due consideration to the particular socio-economic conditions of member States.	Influencing international networks TA	CGAP MIIF Micro insurance Network TC-COOP	Social dimension packages integrated into policies of member states
2. Less vulnerability	Facilitate the access of migrant workers to remittances, through financial literacy programmes, measures to reduce their costs and risks and leverage remittances for investment via links to micro lending programmes.	Participation in networks Finance education TA	MIIF Micro insurance Network TC-MIGRANT	Remittance programmes applied Migrants understand cost reduction measures
	Pilot test, disseminate and evaluate the impact of risk-coping and mitigating techniques for a more stable access of bonded labourers and other vulnerable groups to affordable and convenient savings, credit, insurance and payment facilities.	Innovation grants Academic research Tools devt.	MIIF A2II TC (IPEC, AIDS, OSH…)	Pilot tests carried out Vulnerable groups understand and have access to affordable finance

	Identify good practices that lead informal operators into the mainstream economy, taking into account the key role of property rights and access to collateral.	Action research Finance education Publications	MF4DW	Effective research results applied Good practices documented
3. Stronger social partners	Document policies that undermine microfinance markets and those that enhance competition; participate in the design of national microfinance policies and help governments to ensure good governance in MFIs, with regard to regulatory frameworks that protect small depositors and facilitate access to financial services.	Knowledge generation & management Publications Finance education	ITCILO SFN MF4DW	Policies documented Workers' and employers' organisations trained Governments take up regulatory measures
	Advise ministries of labour on the design and management of social funds, exploring the scope of linking debt relief to microfinance.	Economic research, TA	ITCILO SFN	MoL staff trained

2.5 Evaluation Questions

The evaluation addresses a number of key evaluation questions related to the criteria outlined above. The set of questions are listed below. The questions are juxtaposed with performance indicators and means of verification in Annex 4 below. A *performance indicator* is defined by OECD/DAC as: *"A quantitative or qualitative variable that allows the verification of changes produced by a development intervention relative to what was planned".* The majority of indicators are by necessity qualitative in an evaluation of this nature. The *means of verification* indicate the likely sources of information to be consulted such as policy and planning documents, project documents, evaluation and progress reports, and interviews with key informants.

Strategic fit/comparative advantage/relevance: Are we doing the right things?

- How does social finance fit into the ILO Decent Work Agenda? How well does it conceptually complement other programme areas? Analyze the strategic fit with regard to the broader development agenda for poverty reduction including the MDGs, and the promotion of gender equality.
- Did ILO-SF adapt its initiatives to the specific political, economic and social context of the different regions? What worked and what didn't—good practices and lessons for future?
- Are the objectives in keeping with real needs and priorities of the implementing partners (e.g. MFIs, research institutions, NGOs) as well as the intended beneficiaries? What is the extent of the fit or disjuncture and why?
- What is the ILO's comparative advantage in the area of Social Finance in terms of expertise, partners, potential to influence policy and how it contributes to the overall decent work mandate and to DWCPs in particular?
- How does the ILO's work on social finance fit within the concert of agencies and networks addressing social finance and social inclusion? And how does the ILO interact with the other main players in this field?
- What are the strategic priorities of social finance at the organizational level? How do these interact with strategic priorities at country level (DWCP)? How do they interact with the Strategic Policy Framework in the ILO?
- How does the programme's work on insurance, particularly but not limited to the Micro insurance Innovation Facility, contribute to the strategic priorities of the SFP?

Validity of design: Have we done things right?

- Is the ILO strategy and design of outcomes a strategic exercise with clear intervention logic? Do activities logically link to outputs and do the outputs link to the intended outcomes/objectives?
- To what extent are interventions monitored by indicators? And are they useful to measure progress? What strategies, if any, would have been more effective?
- Do we have measurable/verifiable indicators of our work on social finance?
- Does SFP apply clear performance criteria based on the 3 areas of work identified in the policy adopted in the ESP (more employment, less vulnerability, stronger social partners)?
- Is gender analysis a standard part of the design of SF interventions, and if so, are they of good quality?

Effectiveness: What outputs within major types of interventions have been produced and is the quality of these satisfactory? What is the relative effectiveness of the various interventions?

- What main results have been achieved between 2005 and 2010, and how have these contributed to the advancement of the work and development of thinking (innovativeness, changes in approaches…)?
- What is the scope and quality of tripartite participation and the challenges/constraints involved in terms of capacity building, capacity match, ownership of initiatives?
- What ILO mainstream or TC initiatives exist that have an important microfinance component? Is SF an integrated part of their logical frameworks and results/achievements? Did they involve expertise? (This is especially relevant for projects on migration, entrepreneurship development, informal economy, child labour and bonded labour projects, youth employment projects).
- How can we map the policy advice cases during the last 5 years? What have been the effects of these? Need to document our conclusions.
- What activities were undertaken in the field of advocacy, capacity building, knowledge generation and tools development? And what do we know of the results achieved?
- Are mainstreamed strategies (gender equality, ILS, social dialogue) integrated in SF interventions, and are they effective in achieving their objectives?

Efficiency of resources and effectiveness of management

- Do the outcomes justify the investments? (to be analyzed by main projects and overall (more strategically):
  - Have resources been allocated strategically?
  - Have management capacities been adequate?
  - Has governance facilitated good delivery?
  - Has there been adequate management and administrative support in the ILO?
  - Has the choice of partners been strategic?
  - Has cooperation with partners been efficient?
- Are efficient measures in place in the SFP in terms of work planning, implementation management, reporting and communication practices?
- Is the Social Finance Network an efficient means in the promotion and implementation of SF interventions?
- Has there been duplication with other ILO units or partner organizations?
- Does the cooperation between HQ and the field structure function in an efficient way?
- Were serious delays in delivery encountered?

Sustainability and impact

- What evidence do we have of SF interventions being sustainable in terms of national ownership? Does SFP apply an articulated exit/transition strategy?
- As a cutting-edge knowledge centre on social finance, how has SFP ensured effective capturing, awareness raising, access and interpretation of knowledge?
- Is evidence on social finance systematically collected and fed back into the further development of the programme?
- To what extent has social finance made a significant contribution to broader and long term development impact?
- What evidence do we have that key policy messages have been taken on board in ILO's collaboration with international partners? Are these messages evidence based?
- What are the realistic long term effects on poverty level and decent work conditions (what concrete evidence do we have of this)?
- Have any of the interventions/initiatives been up-scaled, replicated, or strengthened the enabling environment
- Are we aware of any unintended positive or negative impacts on women and men?

3 Findings

3.1 Mapping social finance

A complete mapping of the social finance universe in ILO over the period 2005-2010 has not been possible. However, a "social finance inventory" of on-going technical cooperation projects was prepared by SFP in 2011[5]. The inventory covers 653 projects active in 2011, out of which 161 had a social finance component. The inventory does not include the earlier part of our period and is based solely on review of project documents and does not include any progress reports or evaluations. Yet it does give useful indications of the scope of the activities as described by the project designers.

The present evaluation established an inventory of projects and other activities with relation to social finance for each of the five selected countries – please see Annex 5. Out of these a selection was made so as to cover as much as possible the following areas:

- Decent Work Country programmes
- Microfinance for Decent Work innovations
- Micro insurance, including innovation grants, fellowships, and capacity building
- Microfinance training: Making Microfinance Work; Boulder Institute MFT
- Social Finance as a cross-cutting issue in Technical Cooperation Projects.

3.2 Relevance

Microfinance has become a huge industry with many international networks and more than 10,000 MFIs globally[6]. The development community, including the UN and NGOs, is heavily engaged in supporting microfinance as a means towards poverty reduction. However, in the continued struggle for financial and economic sustainability, some MFIs have lost sight of the social side of their "double bottom line"[7]. This, together with the mushrooming of new, more commercially oriented MFIs, led to a microfinance crisis in 2010 with widespread accusations of exploitation of clients by the MFIs. The ILO's emphasis on the social objectives of microfinance puts ILO in a good position to assist the industry in getting its action right.

This section examines the extent to which social finance initiatives remain valid to ILO policies, especially the Decent Work Agenda and the 2008 Declaration on Social Justice for a Fair Globalization[8]. It also looks at the relevance vis-à-vis national needs and/or policies; constituents' needs; and the needs of partner organisations and their clients. It includes the extent to which the approach is strategic and the ILO uses its comparative advantage.

[5] "Emerging practices in the use of social finance in ILO technical cooperation", by Gustavo Prepelitchi, August 2011

[6] The estimate is from 2006 – the number has increased considerably since then. Cf. ADA, "Les Midis de la Microfinance – La Microfinance : outil de lutte contre la pauvreté" programme brochure, October 2006, p.2

[7] The "double bottom line" refers to the social dimension of microfinance as a contributor to poverty reduction – not only must an MFI measure its success in terms of financial and economic sustainability (its economic bottom line that ensures its survival) but also in terms of the benefits it provides to the low-income clients (the social bottom line)

[8] http://www.ilo.org/wcmsp5/groups/public/@dgreports/@cabinet/documents/publication/wcms_099766.pdf

At the global level, the status of social finance in the ILO has been identified[9] in relation to the post-2008 global financial crisis as an opportunity to realise the principles of social finance faster and wider than could have been foreseen before by having brought the issue of social responsibility of financial institutions to the forefront of public attention.

CGAP and the other international fora in which ILO-SFP participates provide platforms for spreading the decent work message. The evidence collected through interviews with partners from these networks confirms that ILO is seen as a small but relevant and important player whose inputs are appreciated and meet an external demand. This is especially so with microinsurance as a relatively new area of microfinance. The advent of the MIIF in 2008 strengthened ILO's position in this field considerably and made ILO an important facilitator of insurance products and procedures suited to low-income people. In 2011, ILO is centrally placed in the microinsurance community.

The existence of an internal demand within the ILO for development of good financial practices that are clearly linked to the DWA is another indicator of relevance. The effectiveness and efficiency of the SFP to meet this demand is discussed below, but the findings of the evaluation team point to both a direct (explicit) demand from ILO field staff for support on social finance issues, and an indirect (implicit) demand arising from observed situations where SFP support would be relevant, but the knowledge about the subject by project staff is insufficient. Two areas where strong and direct internal demand was noted were demand from trade unions for assistance to develop their capacity to extend small-scale financial services to their members, and (related to this) a broad and expressed need for financial literacy training, or more specifically "client education" in the case of MFIs.

In terms of responding to constituents' needs, a variety of policy areas have been discussed in the ILC or GB since year 2000, as reflected in the following GB papers:

- Job creation through enterprise and cooperative development (GB.273/ESP/4/2)
- Employment and social protection in the informal sector (GB.277/ESP/1)
- ILO relations with Bretton Woods Institutions (GB.282/ESP/3)
- Microfinance for employment creation and enterprise development (GB.285/ESP/3)
- Promoting decent employment through entrepreneurship (GB.289/ESP/1)
- Youth employment (GB.297/ESP/4)
- The informal economy (GB.298/ESP/4)
- ILO strategy on promoting women's entrepreneurship development (GB.301/ESP/4)
- The financial and economic crisis: A Decent Work response (GB.304/ESP/2).

The relevance of social finance as defined in the mandate is strongly linked to the contribution it can make to the ILO Decent Work Agenda. Is it a useful means of addressing child labour, productive employment, and working conditions?

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[9] Balkenhol, B. (2010) *Think Piece: Social Finance – Effective Response to Needs in Priority Themes,* Social Finance Programme, ILO.

The linkages between social finance and the DWA have been subject to analysis and experimentation during the period under evaluation, and refinements have been made along the way. The most significant outcome of this search was the development of the Microfinance for Decent Work action research project[10] that was launched in 2008 with the purpose of assessing the impact of specific innovations to close "DW deficits". This project (which is in itself an outcome of the preceding conceptual work) cooperates with 16 MFI partners across the regions on DW issues such as job creation, informality, child labour, and occupational safety and health (see table 4 below for an overview and annex 6 for details).

The background to the project is summarised in a Concept Paper that discusses the role and potentials of MFIs to produce Decent Work results, as well as the challenges faced by MFIs with regard to becoming financially sustainable while at the same time keeping focus on the "social bottom line". The different types of MFI products (so far mostly limited to credit and obligatory savings) are considered in the light of what they may be able to contribute to the removal of Decent Work deficits. The analysis led to the formulation of an ILO strategy to bring about a change in the methodologies of MFIs that would "result in tangible alleviation of Decent Work deficits for their clients". The strategy was centred on the pilot testing activity to become known as MF4DW by which 25 MFIs were initially selected on a competitive basis to carry out action research through a diagnostic baseline survey to identify DW deficits, and then implement remedial action and document change through follow-up surveys. This would be a way to make microfinance distinctly more social and close to the SFP mandate. MF4DW became a flagship project of SFP with a clear focus on Decent Work. The project received funding from Germany through the RBSA mechanism in an amount of USD five million. However, due to the financial and microfinance crisis, as well as delays in start-up, the number of active MFI partners in the project was reduced to 16 by end 2010.

The project represents the largest investment and single most explicit attempt to explore the links between SF and the DWA and support them with empirical evidence. Through the choice of MFIs as partners to carry out the field research the project implicitly puts its focus on credit and (to a lesser extent) savings. The focus could also have been put elsewhere: By choosing other types of partners such as SACCOs, entrepreneurs' associations, trade unions, insurance companies, or training providers, the focus would have been very different. All of these could also have produced interesting and relevant knowledge, and could be considered topics for future investigations. It could be argued that a choice of that nature would have placed social finance within key ILO fields, hence would have had more potential for synergies and have been closer to the ILO's comparative advantage. However, within a context of MFIs mushrooming in all regions using a variety of lending practices, the choice of MFIs as partners with explicit focus on decent work was a sound and timely one as well. The subsequent microfinance crisis that showed over-indebtedness and social collapse among MFI many clients enhanced the social relevance of focusing the MF4DW project on MFIs.

Overall, in the period under review the SFP has been able to make strong arguments for the relevance of social finance policies and interventions in enterprise development, youth employment, social protection (through microinsurance), and social inclusion. The focus on MFIs in the MF4DW is a logical consequence of the analysis; it is also very timely in that the image of MFIs has suffered from

[10] Concept paper - Microfinance for Decent Work - Taking Action, 30 August 2007, SFP-ILO

accusations of them being exploitative rather than helping to reduce poverty. The ILO focus on improving MFI practices towards decent work should help them to develop means to strengthen the social side of their double bottom line, and hence make a positive difference for their clients.

3.3 Design

This section looks at the quality of the design of major initiatives and the extent to which it is logical and coherent. The initiatives include the MF4DW; the MIIF; and the integration of social finance in the Decent Work Country Programmes (DWCPs).

The Mandate

The 2005 mandate provides the overall framework for social finance and must be considered part of its design. No overall strategic plan exists for social finance for the period 2005-10 beyond the mandate and brief references in the P&B, supplemented with partial strategies for specific projects. The mandate states that "the suitable ILO intervention levels are with regard to policy analysis and advice, markets and institutions. It is at the macro and meso levels that ILO analysis and advice can best be brought to bear". The following challenges to be overcome for microfinance to contribute to decent work are outlined in the mandate:

- scale-up the access for the working poor to affordable financial services;
- integrate microfinance institutions into the domestic and international financial markets;
- improve policies in support of microfinance for decent work;
- advise and guide microfinance institutions to become and remain sustainable and competitive, trimming their own and their clients' transaction costs, develop innovative products and services like savings, housing finance, education loans and consumer finance and generally respond efficiently to changing demand and market conditions.

The mandate touches upon a wide range of ILO areas of work and calls for mainstreaming and cooperation across many departments and programmes.

Microfinance for Decent Work

Twenty-five MFIs were initially finally selected to carry out action research to identify decent work deficits and devise innovations to remove or reduce these, however, the number was later educed to sixteen. The detailed list of MFI partners with their location, approach and focus areas is in Annex 6, while table 4 gives a brief overview. To support the implementation of this project, six social finance specialists were employed by the SFP, with two of them being placed in the regional offices (ROAF and ROAP). The project was designed to be implemented over a period of three years (2008 – 2011).

Table 4: MF4DW innovations

Country	MFI Name	Type of MFI	Innovation	Links to Decent Work
Burkina Faso	Réseau des Caisses populaires du Burkina (RCPB)	Savings and Credit Coopérative	Training, awareness-raising and incentive to formalize	Informality
Cambodia	Angkor Mikroheranhvatho Kampuchea Co Ltd (AMK)	Licensed MFI	Training on financial education and research	Risk Management
Cambodia	VisionFund Cambodia (VFC)	Licensed MFI	Training on financial education	Risk Management
Honduras	Banco Popular Covelo (Bancovelo)	Bank, specialized in MF	Micro health insurance and client training	Risk Management
India	BASIX-BSFL	Non bank financial institution	Increasing productivity and work place safety through participatory safety education	Occupational Safety and Health
India	ESAF Microfinance & Investments (P) Ltd EMFIL	Non bank financial institution	SHRAM JOTI – Upholding the spirit of labour	Formalization
Jordan	Tamweelcom	Non bank financial institution	Kafâa (Efficiency) to improve performance, competitiveness and profit for microenterprises	Occupational Safety and Health
Kyrgyz Republic	Bai Tushum & Partners	Non bank financial institution	Reorganizing operations towards better job creation	Job creation
Mali	Nyèsigiso	Credit Union & Savings Cooperative	Reducing child labour by improving working conditions and productivity in agriculture	Child Labour
Nigeria	Lift Above Poverty Organization (LAPO)	NGO	School support initiative	Child Labour
Pakistan	National Rural Support Program (NRSP)	MF Bank	Social services targeting microfinance clients to reduce child labour incidence	Child Labour
Peru	Financiera Confianza	MF Institution	Risk management and microinsurance training	Risk Management

The MF4DW project falls in line with objectives 1 (More employment) and 2 (Less vulnerability) of the GB Mandate. The objective of the project is to bring about a change in the methodologies of MFIs that result in tangible alleviation of Decent Work deficits for their clients of these MFIs. To make the case and achieve this overall objective, the project would operate in four interrelated areas:

- generate knowledge about the effects of changes in the MF methodology on specific Decent Work outcomes;
- demonstrate empirically the business case and its limitation notably by monitoring costs and revenue over time;
- design incentives and generally build human and institutional capacity to create a permanent and sustainable basis for constant pro Decent Work innovations in MFIs;

- inform and advise social partner organizations and government in support of MFIs that go down the road of more Decent Work for their clients.

The project is expected to produce the following outputs:

- A Dictionary: Decent Work – Microfinance, Microfinance – Decent Work
- Microfinance for decent work: the business case – a publication addressed primarily to commercially oriented MFIs and banks
- A tool kit developed on the basis of the project experiences made, to generalize guidance, advice and hands-on help for any MFI that seeks a methodical gearing of its activities towards decent work outcomes.
- Country policy and regulatory codes: to initiate a dialogue with policy-making institutions to adjust the regulatory, fiscal and monetary environment for MFIs
- Case studies - good practices in product diversification and other changes in delivery techniques for more decent work outcomes.
- Dissemination of results, knowledge management - vehicles for exchange of experiences and mutual learning established.

The MF4DW Concept Paper provides a description of the MF4DW project, but without including a logical framework with stated assumptions, inputs, activities and expected outcomes. The initial time frame of five years was later reduced to three, which is very ambitious for the task at hand. In 2010, SFP submitted a proposal for a second phase (MF4DW II), basically to facilitate the econometric analysis and dissemination of results. This proposal included a logical framework. The logframe includes two assumptions that may be questioned, namely that "the timeline provided (18 months) is sufficient to observe, via the data, the changes at the client level and create the desired deliverables". Given the number of innovations, many of them to be carried out and rigorously monitored under difficult conditions by MFI staff with little training in research methods, with the econometric analysis to be done in Geneva, 18 months appears very ambitious. The second assumption is "that Randomized Control trials (RCTs) can be used by socially geared financial institutions to show the correlation between a social innovation and improved client well-being".

In the quest to find measurable indicators for development interventions, the RCT has become popular among some development practitioners[11] in recent years, and SFP has adopted RCT as the methodology for all the research carried out by MFIs under the MF4DW. The RCT methodology involves the identification by the selected MFI of two or three groups of similar size and in similar socio-economic conditions, of whom one (or two) would be treatment group(s) while another would be a control group. The decent work deficits are identified through questionnaire surveys after which an innovative activity (the "treatment") is designed and applied to the treatment group. This is followed up with two or three surveys at appropriate time intervals, using the same questionnaire. Changes in the responses are recorded by the MFI and sent to Geneva for "rigorous econometric analysis"[12].

[11] The so-called "randomistas"
[12] Concept Paper, op. cit.

The use of RCTs with development interventions in complex situations has been severely criticised[13] from several quarters, some of the main criticisms can be summarised thus:

- RCTs originate in strictly-controlled clinical laboratory research in the medical sciences; complex socio-economic situations with many external factors in rural settings in developing countries are outside any rigorous scientific control
- RCTs build on established hypotheses that they try to confirm by repeated identical trials
- Treatment groups and control groups can never be completely identical in the real world
- Using RCTs with communities often gives rise to ethical concerns
- The strictly controlled RCT approach is incompatible with action research where the researcher is part of the experiment.

This is not to say that MF4DW will not bring useful lessons to the ILO that can inform future action – rather it means that similar results could probably be achieved by a simpler and more cost-effective mix of research methods. The RCT results should be treated with some caution and not be accorded a scientific status that is not warranted.

The MF4DW in Mali demonstrates how the approach addresses a Decent Work Deficit – child labour – through a combination of training on different subjects.

Box 1 - CASE: Mali MF4DW

The Mali MF4DW project takes place in a particular agricultural area in Mali with a high incidence of child labour. It combines several different areas of relevance to the DWA.

The 'innovation' aims to reduce the incidence of child labour at the microfinance clients' household level. As part of the partnership with the ILO, the MFI has developed and delivered a training package, which combines training and sensitization on:

i) child labour issues,
ii) productivity
iii) working conditions and OSH in agriculture (the latter based on the ILO's WIND training programme that is also used in the MF4DW project with BASIX India).

The project combines child labour with other topics of interest to microfinance clients. A training focusing exclusively on child labour was not expected to be of sufficient interest to the microfinance clients.

The innovation was preceded by a baseline survey, and followed by periodic follow-up surveys. The Social Finance Programme analyses these data to find out whether the objective or reducing child labour has been achieved. The results from Mali can be compared to MF4DW results in Nigeria and Pakistan which also address child labour, and the experience with OSH can be compared to those from India and Jordan which deal with similar issues and use the WIND training materials. If there is sufficient evidence that the training has achieved the desired results, the SFP can advocate this approach both at the national level (by sensitizing policy makers, networks and other stakeholders) and through international fora.

[13] A prominent critic is the Michael Patton, former President of the American Evaluation Association. See for example his explanation of the AEA position: http://www.ifc.org/ifcext/sme.nsf/AttachmentsByTitle/MERandomizedControls.pdf/$FILE/MERandomizedControls.pdf
Criticism from a statistician's point of view can be found at: http://www.cgiar-ilac.org/files/publications/working_papers/ILAC_WorkingPaper_No13_Randomised%20Control%20Trials.pdf

The design of the MF4DW project is innovative but also very ambitious and unrealistic in terms of time and resources. The time needed for recruitment of new staff, selecting partners through an open process, making partners understand the DWA concept, discussing, training and handholding, was grossly underestimated (and the workload would have been even much greater had the number of MFIs not been reduced from 25 to 16). This type of design problem is unfortunately not uncommon but could at least partially have been avoided with a design based on a more realistic appreciation of the bureaucratic requirements in the ILO and the thin backup in the early stages, which often result in delayed start-up of the activities on the ground.

Micro insurance

The Micro Insurance Innovation Facility (MIIF) was launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation in an amount of USD 34 million and additional funding from the Zurich Foundation and AusAID. MIIF seeks to increase the availability of quality insurance for the developing world's low-income families to help them guard against risk and overcome poverty. The Facility also applies an action research approach and collaborates with dozens of insurers and delivery channels to improve access to more valuable products to manage risks[14].

The contract with the Gates Foundation is based on the following agreed results framework:

Box 2 - Results framework - MIIF

Vision of Success and the Most Significant Result of this Grant	We have clearly identified the client and business value of microinsurance and have created a community of practice that improves the viability and effectiveness of reaching the poor.
Connection to Relevant Foundation Strategy	Financial services for the poor: asset protection and accumulation
Objective 1	Identify the Client Value Proposition(s) for Micro insurance: Determine how and under what circumstances microinsurance provides value to low income households
Objective 2	Build the Business Case for Micro insurance: Determine if there is a viable business case for offering microinsurance to low income households and what business models are sustainable
Objective 3	Build Micro insurance Community of Practice (COP): To establish a community of thought leaders in the microinsurance space committed to building the viability and effectiveness of microinsurance organizations, and producing and disseminating best practices and new developments.

[14] See MIIF website: www.ilo.org/public/english/employment/mifacility

Each objective has an associated set of outcomes, outputs and activities. The sequences are logical and correspond to what the Facility is doing.

As from April 2009, ILO has co-sponsored a new programme called "Access to Insurance Initiative" (A2II) together with the International Association of Insurance Supervisors (IAIS) and Micro insurance Network. The A2II is made up of several partners including CGAP, GIZ, Finmark Trust, UNCDF and other international organizations, the French federation of mutuals, insurance companies, foundations and development agencies.

The goal of the Access to Insurance Initiative is to enhance broad-based, demand-oriented and sustainable access to insurance for low-income clients, thereby growing financial inclusion in the insurance sphere. Means to achieve the goal include developing and implementing guidelines for insurance market regulations and supervision, in order to improve the access of the poorest people to this market. A2II also facilitates sharing of knowledge, experiences and information about the role of regulations and supervision in improving access to insurance. A2II has developed a tool for country diagnostics on microinsurance, and several countries have had diagnostics studies carried out, including Ethiopia and Zambia.

Having complementary objectives, the A2II is closely linked with the MIIF, and one MIIF staff member based in Addis Ababa is the Regional Coordinator for A2II in Africa.

Overall, the various ways in which microinsurance is being tested and knowledge is being accumulated and shared forms a coherent programme. Its objectives correspond quite well to Outcome 2 of the "Less vulnerability" objective of the GB Mandate.

Decent Work Country Programmes (DWCPs)

In March 2006, the GB approved an "Employment strategies for decent work country programmes"[15]. The strategy specifically refers to social finance in its para. 55:

> *"A number of initiatives will be led and supported by the Employment Sector as part of Office-wide work, such as crisis response, the InFocus Initiative on corporate social responsibility and social finance. The latter is in accordance with the document on the ILO policy statement: "Microfinance for decent work" that calls the Office to operationalize the ILO policy on microfinance and integrate it into the DWCPs."*

[15] GB.295/ESP/1/1: Employment strategies for decent work country programmes: Concepts, approaches and tools for implementing the Global Employment Agenda. "Vision" document on operationalizing the employment component of decent work country programmes.

About 42 DWCPs were formulated and implemented in part or in full in the period 2005 – 2010[16]. Most programmes were negotiated with the involvement of national ILO constituents, and as much as possible integrated in the UNDAFs.

The DWCP provides the framework for the ILO's work in a given country. Almost all DWCPs emphasize the same objectives as those of the social finance mandate – more employment, less vulnerability, stronger constituents – with adaptations to local conditions. However, while obvious linkages exist between social finance and youth employment, SME development, inclusive employment strategies, etc., the number of specific references to social or microfinance vary considerably in the DWCP documents – this in spite of SFP offering assistance to the formulation of many of them.

The evaluation set out to check the extent to which social finance appears in the DWCPs. This is not a proxy of the importance or popularity of social finance in the regions, as the relevance of social finance varies between countries between nothing and very high. However, the search gives an indication of the role of SF at the country level. Out of the 42 DWCPs examined[17], 32 do make some mention of social finance (please see details on SF recurrences in DWCPs in Annex 15). However, it is worth noting that 1) the highest numbers of references are found in the countries in South Asia and East Africa, in regions where microfinance has been established for a long time; and 2) that there is a clear concentration of references to micro- or social finance in the later part of the period (since 2008) as compared with the earlier part (before 2008). This would be an indication that while access to finance or insurance may (or may not) be implicitly understood as part of an ILO initiative, its role in practical terms, and the "good financial practices" that are recommended by ILO, were initially not as clearly understood – but also that the situation is improving. The assistance from SFP is mostly on-demand and depends on initiatives from the countries, and on the available capacity in the SFP at a given point in time – a capacity that has been strengthened since 2008 through the two TC projects.

It should be noted that the two major SFP initiatives, the MF4DW and the Micro insurance Innovation Facility, are recent arrivals on the stage, and there is no possibility of their results to directly influence the formulation of DWCPs in this time period, as they are both of an experimental nature where results will take time to materialise. However, with their wide outreach and high level of activities it would be unlikely if they would not be reflected in future DWCPs.

Cross-cutting Issues

Social finance as a cross-cutting issue signifies the inclusion of a component or activity in a project context with essentially different (broader) objectives such as women entrepreneurship, youth employment, etc. When designing projects, good practice on social finance prescribes a process for first

[16] 6 DWCPs in Africa, 14 in Asia-Pacific, 10 in Europe and Central Asia, 6 in the Arab States, and 9 in Latin America. http://www.ilo.org/public/english/bureau/program/dwcp/countries/index.htm
[17] Please see Annex 12 for the recurrences of "social finance" or "microfinance" in the 42 DWCPs.

determining whether there is a need to include a financial services component, and if so, what products should be included, and through what mechanism. Reviewing a selection of project documents shows a number of cases where project designers decide in advance what to do, rather than doing the research on the ground to find out what people really need and the best way to fulfil that need. This corresponds to the experience expressed by SFP. Such cases should in principle be picked up through the PARDEV scan, however, that does not always happen.

Gender as a cross-cutting issue does not figure high in the documents reviewed, whether produced by SFP or other ILO units. There are many ILO projects that target women entrepreneurs, women self-help groups, or women as the main (or sole) clients of MFIs. However, no cases were seen to include a gender analysis – i.e. looking at the different needs and situations of men and women in a specific context, and designing interventions accordingly. Projects seem to be based on the simplistic assumption that all women are vulnerable and need empowerment, hence no need to analyse the consequences for the men when gender roles change, for example in connection with women's increased access to employment and finance. Similarly, microinsurance targeting women may also influence family dynamics, positively or negatively. Project designs should as a standard include gender analysis to identify any positive as well as negative consequences of an intervention on women and men.

3.4 Effectiveness

Effectiveness is defined as the extent to which specified objectives and planned outcomes have been met or are likely to be met. In the case of social finance this means how ILO has managed to fulfil the objectives specified in the 2005 mandate given by the Governing Board in terms of more and better employment; reducing vulnerabilities; influencing policies and practices of MFIs; creating capacity of MFI managers; strengthening constituents.

The section is divided in four parts. First comes the ILO's involvement on the international scene, mainly championed by SFP. This is followed by the mainstreaming of social finance as a cross-cutting issue in ILO Technical Cooperation (TC) projects. Capacity development being a major objective is dealt with in the next part, and finally the two direct project interventions by SFP – the MF4DW and the MIIF are reviewed.

International networks and policy advice

ILO has provided advice to governments on microfinance regulation in West Africa and SADC, and to Ministries of Labour in Eastern Europe on wage guarantee funds and remittances. ILO helped shaping new policy frameworks on MFIs and banks in Romania and Serbia, and national microfinance policies in Africa and Asia. ILO also reviewed the impact of financial sector reforms in four countries in Africa and provided advice to ministries of finance and central banks. With the recent A2II, advice on standards for microinsurance has become an important factor, with activities having started in Zambia and Ethiopia.

Some of the advisory activities take place within the broader "One UN" framework or the UNDAFs. The role of ILO as a champion of microfinance is not always seen by other UN agencies that also have their own approaches and methodologies in the same field. However, positive examples can be found such as in Ethiopia where ILO is taking the lead on microfinance in the Joint UN Programme on Gender Equality and Women's Empowerment. Another case is the ILO-IFAD-FAO initiative which is not specific to social finance, but includes social finance elements.

ILO has bilaterally worked with UNCDF and UNHCR on policy formulation for microfinance within their programmes. A microfinance policy for UNHCR was recently completed with SFP technical assistance and adopted by UNHCR. The policy gives clear guidelines as to what should be promoted and what avoided in UNHCR projects – such as market orientation, "do no harm" principle, attention to financial benchmarks, delivery by professional MFIs, services not to be restricted to refugees but include the surrounding communities, avoid confusion with cash transfer modalities, and discourage revolving funds as they will easily mutate into grants. This is useful, as UNHCR works in many refugee camps through NGOs who have their own funding and procedures that are often not in compliance with the good MF practices promoted in the new policy.

As a founding member of CGAP, the main donor consortium in microfinance, ILO has actively participated in it and in other international networks over the years. This includes notably in the CGAP Working Group on Micro insurance that became in 2009 established as the Micro insurance Network, currently chaired by the ILO, which brings together stakeholders from the donor organisations, multilateral agencies, international non-profit organisations as well as insurance professionals and microinsurance experts. ILO has in these fora contributed to shaping some guiding principles and in promoting good practices[18], as well as to holding conferences and publishing books and papers. Closely related to this is the SFP involvement in the Access to Insurance Initiative.

The composition of the Micro insurance Network is such that different cultures with different languages, views and values meet and discuss, primarily the corporate world seeing microinsurance as a market with considerable commercial potential, and the development community for whom it is rather a means towards improved conditions with less vulnerability to financial shocks for the poorer segments in society. Positions are reported to be quite far apart in some cases. The ILO's Decent Work Agenda is seen as part of the latter position, however with the MIIF as a mediator, the ILO is in fact instrumental in working with large insurers at practical solutions to insurance product development suitable for low-income households, thereby tending to build bridges between the commercial and social concerns.

In addition to these organisations and networks, SFP has established relationships with academic and research institutions in Geneva, Milan, Vancouver and Brussels. SFP also cooperates in other

[18] While some scope for discussion and disagreement remains in the microfinance community, the Good Social Finance Practices promoted by the ILO are still close to those presented by CGAP in publications and on the Microfinance Gateway website. A summary of ILO Good SF Practices is attempted in the concluding chapter of this report.

international networks on socially responsible banking and investment such as the Microcredit Summit Campaign, the Social performance Task Force and the G20 Global Partnership for Financial Inclusion.

Mainstreaming social finance in ILO Technical Cooperation

The evaluation also looked in some detail at 31 TC projects with a social/microfinance component, or at least with some link to finance, – 10 projects in Mali, 5 in Ethiopia, 3 in Peru, 7 in Indonesia, and 6 in India. Some of the main findings across the sample are very briefly summarised below.

Table 5: Summary of findings - TC projects

Activity focus	Financial aspects	Findings
Capacity building – trade unions	SACCOs Financial literacy training	Popular, mostly short workshops, long-term engagement advisable
Employment policy	Access to finance Insurance regulation	Cases of good partnerships with constituents Participation in international networks successful
Social protection/ reduced financial vulnerability	Micro insurance – life, health, property Financial literacy training	Myriad of MI experiments often with "unusual" partners (large-scale insurance corporations), ILO inputs mostly of strategic nature, innovative in development of insurance products suitable for low-income people. Financial literacy in demand, part of most efforts to reduce vulnerability
Youth employment	Guarantee funds common Financial literacy training	Mostly vocational training/skills development with or without BDS/financial training. Guarantee funds often deemed necessary to secure access to finance for youth but the results vary between success and failure. Cases of "revolving" funds were observed.
MSME development	Links to MFIs, BDS Financial literacy training	The financial aspect varies from non-existing to a major component. SIYB, GET Ahead training common according to the capacity of trainees.
Women entrepreneurship	SACCOs, BDS, MFI links Financial literacy training	Focus on organisation of women entrepreneurs, help form SACCOs. Otherwise supported as other MSMEs. Impressive results but needing long time to mature. Long-term partnerships exist. Cases of "revolving" funds observed.
Cooperatives	SACCOs Financial literacy training	As for women entrepreneurs.
People with disabilities	MFI link, guarantee fund SACCOs	ILO one of several supporters, main successes through training and linking with MFIs.

Labour migration	Financial literacy training Microcredit training	Helping migrant families to plan for the use of remittances at home, setting up small businesses. Good financial literacy programmes observed.
L-B infrastructure	Access to finance for contractors	Most training of contractors and foremen is technical, but BDS training also occurs. Not a major component
HIV&AIDS	Financial literacy training	Working with PLWHA, assisting in reducing financial vulnerability through training. Also working at policy level for inclusion of HIV/AIDS patients
Forced and child labour	Access to cash transfer programmes Financial literacy training	Working with families mostly belonging to the poorest, the option of microloans is not obvious; group formation with a view to establish credit unions has been tried with mixed results. Instead ILO supports families to get access to government cash transfer programmes. Financial literacy training is popular and relevant.
Indigenous people	LED approach, guarantee funds SACCOs Financial literacy training	Group formation at community level for small-scale production and trade is common, new structures are being established with mixed prospects for sustainability. MFI links difficult to forge, guarantee funds necessary, some do not last long.

The spectrum included projects focused on access to finance for trade union members, employment policies, social protection, youth employment, SME development, women entrepreneurship, cooperatives, people with disabilities, migration, labour-based infrastructure, HIV&AIDS, forced labour, child labour, and indigenous people. The selection included stand-alone as well as regional ILO projects and ILO participation in joint UN projects.

The importance of social finance differs a lot between the projects. While some youth employment projects focus on education and training with little emphasis on linking directly with MFIs (such as EAST in Indonesia), there are others that try (with varying degrees of success) to support access of trained youth to finance through setting up guarantee funds with MFIs. However, many ILO projects focus almost entirely on training and measure their success on the number of people trained rather than on how many get jobs (tracer studies are not conducted as many projects are small and of a pilot nature). Other projects such as those on women entrepreneurship support the generation of internal resources through savings and credit unions; while others again (e.g. IPEC) links families at risk to national safety nets. In short, the practices vary significantly between projects and countries, and overall the specific contribution of social finance within these is not always well documented, nor analyzed.

A wide variety of training programmes are used in ILO TC projects, some with strong linkages to finance. The SIYB business development programme is used extensively, but also the GET Ahead programme which has been found better suited to audiences with low literacy/entry qualifications. Other programmes in use are WIND (for the agriculture sector), WISE (for small businesses) and WISH (for home-based workers). Training materials developed by these programmes are in some cases adapted to meet the local needs of microfinance clients, e.g. GYB-SYB materials in the Philippines. The SCORE programme uses its own training approach to promote cleaner and more sustainable SME development.

The target groups for the training differ according to the project focus – some target MFI management, teachers, foremen, while others work directly with low-income groups. An area that is attracting increasing attention, and where a strong demand appears to have developed, is basic financial literacy training, which is relevant in relation to youth employment, informal and small business operators, migrant families, the working poor, and many other groups of importance to the DWA. The ILO-SFP has developed training materials in this field in a few countries and is now extending the experience and materials to other countries (e.g. from Cambodia to Indonesia). No global ILO approach to this area in the context of decent work has been developed so far, although the needs are recognised to be considerable.

The recent Social Finance Inventory[19] showed that about 25 % of all on-going ILO technical cooperation projects have social finance component. It also showed shortcomings in the designs of some projects – no plan or budget for exploring the local financial market, no selection criteria of local partners, no considerations about sustainability of financial schemes, etc. The present evaluation found through field studies that the degree to which the good practices in social finance that have been established by the SFP over the years are observed and integrated in TC projects depends to a large extent on two things – the availability, interest and professional (financial) background of staff locally with a mandate to promote social finance. And secondly, on the links between such staff and the SFP in Geneva or in the region. Many project staff – CTAs and others – have little knowledge of the work coming out of SFP; hence they concentrate on the main focus of their project, be it in vocational training, infrastructure development, or child labour and, if need be, develop their own solutions to finance within their projects.A challenge, identified by the Social Finance Programme, is when ILO project staff members postpone the implementation of the financial component of their project, either due to unfamiliarity with the topic, due to late start of the project, or for other reasons. At the time when the SFP is approached for advice, there is often no time for a thorough assessment of needs and gaps in the market. There is also a common tendency to skip the assessment stage in order to save time and resources. As a result, many (financial) interventions are based on assumptions and pre-fixed ideas, rather than on knowledge of good SF practices and a sound analysis of the situation on the ground.

Whereas partnerships with the MFIs in the MF4DW project would seem to be an efficient way of reaching out to the target population, this approach also has presented challenges. It has in many cases been difficult to engage the financial institution in the research process. Research is not a core business of an MFI, its field staff are not used to administer questionnaires and the senior staff is not used to supervising field research and feed the results into an analytical framework. However, the MFI option was chosen over one involving local research institutions as responsible partners for the research part. It is intended that once a particular innovation has proven to have a positive impact, the same innovation can be replicated elsewhere, without repeating the same data collection process. In such a case, it can be tested in a particular MFI, quantitatively evaluated then rolled out without the heavy research component. It is too early to know if this will happen.

[19] See footnote 5 above

TC projects are backstopped by the responsible Country Offices. The staffing levels of the CO[20]s differ a lot, from fairly strong to weak or non-existent in countries with no local ILO office. The larger offices have a selection of international and local specialists that reflect most of ILO's focus areas. However, only a few offices have specialists in social finance and depend on outside expertise in this field. The awareness in social finance of specialists in COs is found to be generally quite limited. In a few cases (e.g. Indonesia) a specialist has developed interest and competence in social finance, which is supported by the CO management, and is reflected in the project portfolio as well as in the design of the new DWCP.

As mentioned, performance indicators in most projects are limited to counting the outputs in terms of numbers of people trained, members in SACCOs, amounts of funds disbursed, etc. As a cross-cutting issue, the contribution of social finance is just one of several interlinked elements and difficult to measure with any degree of certainty.

Capacity development - constituents

The Programme and Budget (P&B) 2008-2010 included a Joint Immediate Outcome on Microfinance for Decent Work, namely to: <u>Increase the participation of constituents in the formulation of financial policies</u>. The performance indicator was "the number of cases in which constituents participate in developing or applying microfinance policies, social funds or credit schemes that benefit the working poor or other vulnerable groups". The target was set at 25 cases, and the subsequent ILO report which is based on a self-assessment, came to 24, i.e. very close to the target. In 14 cases, the ILO-SFP delivered training sessions on migrant labour remittances or assisted in developing trade union action strategies. In 9 cases, ILO-SFP organised workshops on trade unions' response to the global financial and economic crisis. SFP also delivered training on trade unions' role in creation and management of credit and savings mutual funds for their members. And finally, SFP provided capacity building to the Central Bank of Indonesia. The report also states that "more than ever before, workers' organisations requested ILO assistance to improve their capacity to attract members through better access to financial services".

The interest from trade unions to access the services of SFP was confirmed in the present evaluation; it is considerable and increasing. On the other hand, most unions have little capacity to internalise the good practices to which they are being exposed by the ILO, and to build their own capacity to extend support to their members in getting access to finance, to form SACCOs, or to develop insurance products that are suitable to the membership. The interest is high but the base to build on is low. It is therefore relevant to ask to what extent the short workshops organised by ILO are an effective means to help unions to build the capacity that will allow them to support their members in the long run and without the ILO. It would seem that partnerships based on long-term plans would be required to achieve these goals.

[20] A country office can be combined with a Decent Work Team and cover several countries. For example, the ILO office in Dakar covers 15 countries; CO Lima covers five countries; and CO Delhi covers five countries…

Capacity development – microfinance practitioners

Based at the International Training Centre of the ILO in Turin, Italy, ILO is running two training programmes in microfinance. These are the training-of-trainers Making Microfinance Work (MMW)[21] targeting MFI middle managers, and the Boulder Microfinance Training Programme held in Turin every year in July-August. SFP makes regular contributions to the courses in Turin on remittances, financial education, SME and cooperative finance.

Unlike the Boulder programme, MMW training takes place in the home country of the participants. The ILO gives certification to trainers having achieved the targets set for the MWW at three levels – the Master Trainer (able to train new MMW trainers), the Accredited Trainer (able to give MMW training on his/her own) and Associated Trainer (able to teach MMW together with and Accredited Trainer). By end 2010 the programme had produced 4 Master Trainers, 46 Accredited, and 38 Associated Trainers. Please see Annex 9 for details on the certified people and Annex 11 for the MMW courses held between 2005 and 2010 by year and number and nationality of participants.

The MMW training is appreciated by the trainers interviewed in this evaluation. The course materials were good and the ILO training consultants were excellent. However, the course is costly and not easy to market in many developing countries. There can be a problem of access for many MFI managers who have problems taking out the time to attend full-time for two weeks at a time – the result being that sometimes the participants do not belong to the key target group of middle managers, as the MFI sends staff with lower levels of responsibility. Gender issues, and financial literacy training was not well covered and should be given more attention (which apparently is happening in the new Volume II). Overall, the course is good, but it should be better marketed, as the competition for the time of MFI managers is hard – there are many other interesting courses on offer with universities and other training institutions, geared to the same clientele.

ITCILO hosts the International Edition of the Boulder Institute of Microfinance. The MFT course is delivered in English, French and Spanish. Between 2005 and 2010, the Boulder programme had trained 1,586 people, 1,033 males and 553 females (please see Annex 10 for details). Upon completion, the participants receive a certificate of participation from the Boulder Institute. The course benefits from a highly qualified faculty and has a good reputation. No participants from this course could be interviewed in this evaluation, so triangulation with the information from ITCILO was not possible.

The two training programmes were evaluated in 2009[22], drawing on interviews with MMW and Boulder MFT alumni in six countries. The findings of the impact evaluation broadly correspond to those of the present evaluation. It found that a majority of alumni from all countries in the sample gained new ideas and insights and increased their ability to do their jobs, but also that the benefits vary a lot according to the level of experience and authority of the participants. This would suggest a need to explore ways to address different participant profiles in course content and approaches.

[21] Funding provided by the USAID, AGFUND and the EU
[22] Impact evaluation of Training Programmes in Microfinance (2005 – 08). ITC-ILO Jan. 2010

The participatory and experimental learning methods, the international reputation of the Boulder MFT, the professional MMW training manual, and the experience and competences of the trainers were found to give ITC-ILO a comparative advantage among other microfinance training programmes offered to the industry. The MMW ToT has caused a multiplier effect in the countries where it has been delivered in that accredited trainers conduct courses on their own.

However, as also mentioned in connection with our interviews, the marketing of the MMW has been limited and the programme is not well-known. In fact, the Boulder MFT alumni interviewed did not know about the MMW in their own countries, in spite of themselves being managers in the industry. The impact evaluation therefore recommends that the two programmes are seen as more complementary and steps be taken to increase interaction, inter alia by ILO country offices to convene and connect alumni from both programmes to share experiences at the country level.

The high costs of the programmes which makes them less accessible to participants from developing countries has been noted and is repeated by the impact evaluation as an issue to be addressed.

In addition to these established training programmes at ITCILO, the SFP has also produced a number of printed tools for capacity building and knowledge dissemination, including the following:

- Protecting the poor: A microinsurance compendium
- Guarantee funds for small enterprises. A manual for guarantee fund managers
- Making insurance work for microfinance institutions: A technical guide to developing and delivering microinsurance
- Microfinance and public policy. Outreach, performance and efficiency.
- Introduction to microfinance in conflict-affected communities. A training manual
- Leasing for Small and Micro Enterprises. A guide for designing and managing leasing schemes in developing countries.
- Making microfinance work. Managing for improved performance.

The tools are useful for programme managers in the field, as they give answers to many issues in microfinance that tend to re-emerge in different situations. Unfortunately, interviews carried out in the evaluation indicate that they are less well-known by the potential users than they should be.

Microfinance for Decent Work

MF4DW started too late to have produced tangible outcomes within the period under evaluation. Baseline surveys had been carried out by the MFIs by end 2010, and follow-ups were underway but no analysis had been possible at the time. One result however, is that Decent Work has been put on the agenda in many countries and MFIs have related directly to the DWA in their applications to become implementing partners of the MF4DW. Some observations on MF4DW innovations visited by the evaluation team members are recorded in Box 3.

Most of the MFIs did the baseline surveys in 2010 and have prepared the first follow-up. Meanwhile all the survey results have been sent to SFP in Geneva for entering and analysis. This takes time and on some cases the questionnaires for the follow-up surveys were prepared before the results of the initial analysis were known. The MFIs work closely with SFP on the interpretation of the surveys and on any logistical arrangements.

Box 3 - MF4DW innovations in India, Mali, Indonesia and Peru

- In India (Maharashtra), *ESAF* is working for the formalisation of their clients who are not yet registered by helping them get registration cards. District Corporation workers welcome the registration card which gives them certain privileges. Street hawkers who get cards from the Municipal Council see no advantage in the innovation and do not register. ESAF will need to facilitate the relationship with the Council for this to work.
- Also in India (Andra Pradesh) the MFI *BASIX-BSFL* applies the ILO action-oriented training approach WIND (Work Improvement in Neighbourhood Development) to train farmers to implement small improvements in their farms and homes with a view to have better working conditions, a more hygienic environment, and use ergonomically adapted work practices. Andra Pradesh was at the heart of the microfinance crisis in 2010 and all extension of microcredit as well as repayment has come to a complete standstill.
- In Mali, the MFI *Nyesigiso* implements a training and sensitization programme which aims to reduce child labour among their clients. The training combines information on child labour with sessions on productivity and working conditions for clients and family members that operate in the agricultural sector.
- In Indonesia, an innovation with the *Bank of Indonesia* has recently started (2011). It works with an MFI and aims at reducing over-indebtedness among MFI clients.
- In Peru, the MFI *Financiera Confianza* is introducing a new microinsurance product to protect clients against economic chocks and minimize their vulnerability. *Financiera Confianza* has introduced a client training on risk management in two of its branches, and an insurance product with the goal to establish a “preventive culture” among clients. Some problems seem to arise from the mixing of credit and insurance products.

Micro insurance has assumed an important place within the provision of comprehensive microfinance services. The ILO has been involved in microinsurance for a long time, since 2008 through its flagship project, the Micro Insurance Innovation Facility. By the end of 2010, the MIIF had approved 39 innovation grants, and sponsored 36 fellowships and 27 academic research studies and 12 longitudinal studies. In addition, support to Consulting and Capacity Building had been provided to the following organisations:

Box 4 - MIIF Consulting and capacity development support

Country	Name of organization	Participation in Micro insurance
Cote D'Ivoire	La Fédération des Sociétés d'Assurances de Droit National Africaines (FANAF)	Insurance association
Lebanon	Commercial Insurance Company (CIC)	Risk carrier
Ecuador	Red Financiera Rural	Distribution channel
Haiti	Alternative Insurance Company (AIC)	Risk carrier
Bangladesh	SAJIDA Foundation	Distribution channel
India	The Centre for Insurance and Risk Management (CIRM)	Industry enabler / think-tank
Burkina Faso	Union des Assurances du Burkina Vie (UAB Vie)	Insurance association
Kenya	Kenya Orient Insurance	Risk carrier
Namibia	Financial Systems Development Services AG (FIDES)	Distribution channel
Kenya	British American Insurance Company Ltd. (Britak)	Risk carrier

Please see Annex 7 for innovation grantees by region and type of insurance, Annex 12 for details on MIIF partners, and Annex 8 for MIIF milestones in 2008 and 2009.

The MIIF is on track towards achieving its objectives as set out in the agreement with the Gates Foundation. Research and innovation grants are focused on the three main issues:

1. Client Value, i.e. which products are suitable for low-income people in different circumstances
2. Building a Business Case for Micro insurance, i.e. assist insurers to identify products and procedures that make commercial sense for them to invest in

3. Build a Micro insurance Community of practice, i.e. bring stakeholders together in discussion and cooperation.

A particular focus has developed on the subject of delivery channels; while MFIs, who have established contacts with their clients, would seem obvious deliverers of insurance products to the same people, this is proving difficult as the MFIs do not easily mix their credit operations with a new role as insurance agents – see Box 5 for a case study. MIIF with its partners are now investigating other alternatives such as utility companies. However, this again would limit the outreach to those (urban) residents who make use of the utilities. Hence the search continues.

Box 5 - CASE: Micro insurance delivered through an MFI

TAMADERA - Savings and protection for a prosperous future

Innovation Grantee: ALLIANZ Life Indonesia

Type: Product design; Product: Life - endowment

Type of Distribution Channel: Microfinance institution

TAMADERA has the objective to assist low-income people in systematically accumulating funds for their children's education, while protecting these funds from daily risks such as death or illness. TAMADERA is a voluntary group micro-endowment product. It combines systematic savings with insurance. Weekly contributions are made of USD 1 and are paid over the course of five years, after which contributions are returned in full. During the entire payment period, TAMADERA provides life insurance and extra benefits in the form of critical illness or hospital cash coverage. The product is being piloted for a year before full scale up. As part of the innovation, electronic data capturing through smart phones will be tested starting 2011 to increase process efficiencies.

ALLIANZ carries out the trial with TAMADERA also with an ILO grant of USD 35,000, which is mostly used for impact research and some electronic devices. In addition to the ILO grant, ALLIANZ has also received a grant from the Ford Foundation of USD 72,000.

The product appears to be popular. It is being delivered through an MFI (Vision Fund) that specializes in microloans to women groups who are also the potential TAMADERA clients. The role of ALLIANZ is to register clients, process claims, and pay the clients. All information is through the ALLINAZ database, and there is no direct contact between ALLIANZ and the client. As the margins on each insurance policy are very small, the TAMADERA scheme will only balance economically when in due course the number of clients goes very high.

In spite of considerable interest by clients, there have been many lapses in the weekly payment. This is serious, as after only two weeks' failure to pay the client is expelled from the programme and loses her insurance cover, and the premium paid so far is returned minus 15 %. However, many of these apparent defaults actually hide a high rate of non-compliance by the MFI loan officers to report in time for the system to be up to date, meaning that the client will be seen as defaulter by ALLIANZ, even if she has paid in time. Loan officers are faced with time constraints, and having the role of insurance agent added to the main task of administering the credit scheme, are reported as the main reasons for the poor compliance. Unless these human-related problems are overcome, or a different distribution channel is found, TAMADERA may not live long.

MIIF has established a comprehensive website as a forum for information exchange and discussion. A communication strategy has been developed with defined target groups, to set the framework for the exchanges. The website is kept up-to-date with the most recent research papers and discussions and is used for holding webinars among registered members. In addition to publications and videos, the website provides Emerging Insights which are bite-sized lessons from microinsurance practitioners, allowing them to link directly up to issues of their particular interest.

Overall, social finance has contributed to the achievement of the three objectives it was set out to meet, although mostly in an indirect manner that was difficult to monitor in context settings where other social goals dominated. This is typically the destiny of cross-cutting issues. In the case of social finance, the contributions to *more employment* exist but cannot be measured. Given the types of TC projects in which social finance is an element, the contribution is stronger with regard to *less vulnerability* in relation to child labour, HIV&AIDS, cooperatives, etc. In spite of a number of initiatives, the contribution to *stronger constituents* appears the weakest of the three.

3.5 Efficiency

Efficiency is the relationship between the inputs (human, material, financial) and the specified results in terms of resource use. This includes the extent to which management capacities and arrangements support the achievement of results, as well as the technical efficiencies in terms of the kinds of expertise the Office has invested in and how adequately this is meeting internal and external demand (see previous discussion of demand under 3.2 relevance).

Implementation capacity

The activities of the SFP may be divided into three categories:

- SFP-led initiatives that may be big, like the MIIF or MF4DW, usually HQ-based
- SFP-supported activities (SF as a cross-cutting issue): projects led by other departments that include a sizeable social finance component, sometimes resulting in heavy workload for social finance experts
- Focal point function: providing advice to other departments on how to use social finance effectively, or advising them not to include a social finance component.

Many ILO programmes make use of the focal point function of SFP capacity “on demand” in their projects; other programmes make little or no use of SFP assistance, even in cases where the potential of social finance is obvious. This confirms the point that knowledge of the work of SFP, and of the ILO positions on social finance in general, is uneven across the organisation and depends on the particular interest and background of individuals. This weakness in efficiency is linked to the limited staff resources in SFP.

The on-demand Focal Point function is complicated for SFP as it is reactive, responsive, something that cannot be planned for (often requests come with urgent deadlines), and without an explicit funding mechanism. This internal advice is a very important part of SFP work that ought to be a core function, implemented by RB staff; however, much of it falls on SF specialists funded under TC projects – who were employed to do something else, which will in turn suffer when they fall behind schedule due to high demand from other programmes.

The core team at the SFP is very small – only two professional and one general service positions are funded by the ILO regular budget. The recent achievements of SFP are to a large extent due to the added staff resources through the two major TC projects: the MF4DW which is due to end in 2011, and the MIIF that has been granted a no-cost extension to the end of 2013. The capacity to continue or to expand on the accomplishments will rely on human resources becoming available through increased donor funding. This makes the whole operation quite vulnerable.

The composition of staff by gender at the SFP shows that so far the two regular budget posts have been filled by men; however, in the full team including TC staff, women professionals outnumber men. At the level of implementing SF in the field there is an approximate gender balance. Overall, the contribution of women to SF programme development and implementation is high.

As mentioned above, the capacity to implement social finance as a cross-cutting issue based on good ILO practices in other programmes also varies with the interest and background of individual specialists and programme officers in the field. Knowledge of the specific ILO version of microfinance does not penetrate throughout the organisation. As a means to improve this, the Social Finance Network was created.

The DG circular no. 246 of October 2006 calls for the establishment of an Office-wide Social Finance Network (SFN) mandated to help integrate financial inclusion into DWCPs to enhance constituents' efforts in job creation, reduction of vulnerabilities, and empowerment. As of April 2011, there were 73 members of the SFN with 32 in Geneva, 3 in Turin, 15 in Africa, 9 in Latin America, 13 in Asia-Pacific, and one in Europe.

In order to get an impression of the efficiency of the Network in directly contributing to the social finance mandate, a questionnaire survey was carried out by the evaluation team. The questionnaire is attached as Annex 13 with some of the main findings in Annex 14. In addition to this, interviews were carried out with SFN members at their duty stations in connection with the five country studies.

The response rate to the questionnaire was 28 per cent, i.e. 21 out of 73 SFN members returned the questionnaire, of which 13 were in Geneva, one in Turin, and 7 in the field. Of the 21, 14 had been members for more than a year and 4 did not know they were members. Respondents generally found

SFN is useful/helps the ILO in achieving its mandate, and some made recommendations to strengthen its functions further (especially amongst the regional and country offices). However, the low response rate, supplemented with interviews with SFN members in the field indicates that the Network is not well known and is not important to many people although they are considered to be members. On the other hand, when asked about better ideas for integration of social finance across the Office, many saw SFN as useful and no one came up with a better formula or solution. A breakdown of the current SFN membership by programme and region is shown in the table:

Table 6: Social Finance Network membership by region

Departments and programmes	Geneva HQ	ITCILO Turin	Field
SFP	17		
INTEGRATION	1		
SEED	1		America (1)
IPEC (2)	2		America (2)
DECLARATION	1		
COOP	1		Africa (2)
ILO/AIDS	1		
ACTRAV (2)	2		
SKILLS (2)	2		
PROGRAM	1		
PARDEV	1		
LED	1		
SOCPOL	1		
ACTEMP			America (1)
ENTERPRISE			Asia (2)
Youth Employment			Asia (1)
ITCILO microfinance training		3	
CO directors, deputies, TC/CTAs, National Programme Officers			29

The breakdown merits some comments about composition and size of the network. More than half of SFN members are posted at HQ level, which allows good opportunities for synergies. However, given the relevance of SF for employment promotion through enterprise development, it is notable that the Enterprise Department and Employers' Activities at Headquarters are not represented as SFN members. Only two of the thirteen ENTERPRISE specialists in the field are SFN members.

Some members at HQ see the SFN function as more informative than as something that requires their active participation. In view of the importance of microinsurance as part of SF, Sector 3 is not well represented with only one SFN member. And linkages to some central functions are not the most relevant – while PARDEV is particularly important as clearinghouse for project proposals, the PARDEV staff member appointed to the network is not the one actually performing the vetting function.

The SFN coverage in the field is a mix of very relevant and interested staff and others whose functions are only peripheral in the SF context. It is important that Country Directors and Deputy Directors are well-informed about new developments in social finance, but their broad scope of work mostly leaves little space for direct engagement in the area. Among CTAs struggling with the implementation of technically complicated projects, social or microfinance often only forms a very small part of the portfolio. In addition, the nature of technical cooperation is such that there is a large turnover of staff, leading to a constant need to educate new people, and a loss of institutional memory.

Many delays were encountered in the implementation of projects, whether implemented by SFP or by other ILO programmes. Examples include Ethiopia, where an innovative project on solid waste management was planned to include access to microfinance by trained waste collectors to enable them to buy improved equipment – but the transfer of the credit funds from Geneva took so long that the project had ended before they turned up; consequently no credits were extended to the waste collectors, the equipment was not purchased, and the skills imparted through the training programme was not used. In Peru, the Inclusive Creative Industries project, implemented jointly with other UN agencies, was delayed by 10 months.

Another example relates to the MF4DW where "The administrative arrangements for the RBSA put in place 6 months after its approval and the time consuming negotiations with the 5 regional offices on roles and responsibilities further delayed implementation."[23] The examples of delays are many and point not only to bureaucratic snags but also to disagreements about authority between the players, typically between Headquarters and the Field.

Delays can be detrimental to the achievement of objectives. There are many reasons for the delays and some of them are systemic. Bureaucratic procedures, internal competition, HQ/Field relations, mismatch between the tasks at hand and the staff to implement them are among the reasons. In many ILO units[24] an important DWA item is dealt with by one or two professionals, often resulting in a standstill with no action being taken for weeks when the person is on mission, leave, or attends big events such as the ILC. This thin coverage is a major factor in delaying progress and affecting negatively the image of the organisation.

The efficiency in implementation depends on other factors as well. Strong local partners as with some NGOs and MFIs can implement efficiently with ILO taking an advisory role. The presence of an ILO Regional Office, or a well-resourced Country Office, or an SF Specialist can make a lot of difference on

[23] MF4DW progress report for the period January 2008 – October 2009
[24] - this is not so much the case at the moment when SFP still has significant additional staff on TC contract

the efficient implementation of projects in a country. The time perspective is also important – many projects have suffered from short time horizons and unrealistic expectations to the time needed to start up. In the case of strengthening constituents (as training trade unions in microfinance), a longer-term perspective is clearly needed if real capacity is to become established.

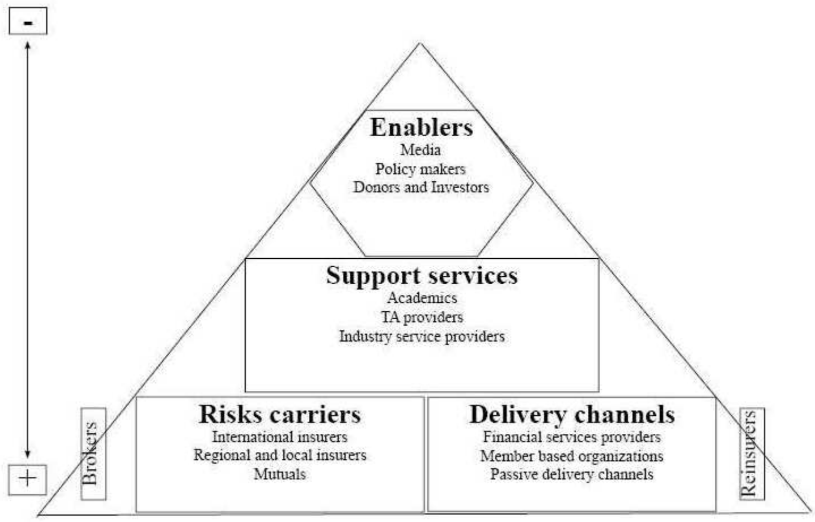
Communication and Knowledge Management

The MIIF boosted microinsurance in ILO and allowed setting up a team of 10 professionals to implement the project with sufficient resources to make a real difference and move the learning curve in this specialised field. The project has produced an elaborate communication strategy that ties the partners and activities together in a coherent and practical framework. The Facility website is well-designed and used, as mentioned earlier, unlike the SFP website which is much less user-friendly and informative. Knowledge is therefore managed in a professional and analytic way, especially with as regard to microinsurance.

The MIIF communication strategy looks at three target groups as described in the following drawing. The project is mostly focusing on the bottom level "as providers and delivery channels have the power to make things change and increase access to microinsurance for low income people. The Facility is also interested by the second segment as it supports actively the activity of the main target groups". The risk carriers are mostly large insurance corporations, while the delivery channels include MFIs, post offices, utility companies, etc. Hence the emphasis on product development (risk carriers must see a business opportunity suitable to them) and testing different delivery channels for their suitability as "microinsurance agents" in the field.

The communication strategy also divides stakeholders in a different way and suggests means to address each of them. They are the "champions", the "interested parties" and the "uncommitted". The "uncommitted" category includes trade unions and employers' associations; trade unions are even mentioned as being in opposition to the concept of microinsurance.

Figure 2: MIIF Target groups



The strategy further mentions that it should also focus on internal communication issues, internal being understood as within the ILO, in Geneva and field offices, and within the team itself. However, no specific communication activities are targeting the ILO internally. The focus is 100 % on the insurance industry and reflects the weak insertion of the MIIF in the ILO – weak knowledge in the team of, and commitment to, the DWA, and weak knowledge (or scepticism) of microinsurance throughout the ILO structures.

The strategy sets 4 main communication goals:

1. building the credibility of the Facility
2. collecting and sharing knowledge
3. inviting decision makers to action
4. establishing internal processes to facilitate the success of the Facility

These goals can all be met in some way by collaborating with other experts at ILO HQ and in the field. This is especially important and relevant to units under the Employment Sector (POLICY and ENTERPRISE) and to the Social Protection Sector. While knowledge is very well managed by the MIIF, the relative isolation of the facility from the rest of the ILO represents a set of missed opportunities.

Organisational Setup

As mentioned earlier, the Programme and Budget 2008-10 articulated a Joint Immediate Outcome on “Microfinance for Decent Work” to reflect the cross sectoral mandate, integrating work on credit, savings, insurance, and transfers carried out by the entire Office. And the Declaration, which was adopted by the ILC only four months prior to the outbreak of the financial and economic crisis in October 2008, calls for a social dimension to globalisation and reconfirms the four strategic objectives of the ILO. Implementation of the Declaration would be through *streamlining its institutional practices to* *improve effectiveness and efficiency, with special mention of the Strategic plan 2010-2015 and the Programme and Budget proposals for the coming years as means towards achieving this end*.

In 2010, the ILO Governing Body adopted the Strategic Policy Framework (SPF) as the strategic orientation and medium term planning document for the period 2010-2015. The Social Finance Programme mandate now appears under Outcome 1 of the SPF: "More women and men have access to productive employment, decent work and income opportunities", as Indicator 1.2: "Number of member states, with ILO support, national public authorities adopt social finance policies that encourages decent jobs and services to the working poor through local financial institutions ". ILO units need to report on the outcome in ILO implementation report to the Governing Body.

The strategic framework, by reducing the place of social finance from an outcome to an indicator of achievement of the much broader "employment outcome", and in putting all emphasis on policy and regulation, may not provide the best platform for the efficient promotion of social finance, and may also reduce the opportunities for resource mobilisation. While good national policies and regulatory frameworks are indeed important, their implementation on the ground is more often than not the biggest challenge. The pressure from below, to which social finance makes important contributions in many ILO programmes, is crucial for the policies to become effective. This dimension seems not to have been taken sufficiently into consideration in the strategy.

Two external evaluations also addressed efficiency issues of the ILO with regard to social finance.

In 2010, the Bill and Melinda Gates Foundation carried out an evaluation of the MIIF which also dealt with institutional capacity. The evaluators found that the Facility had made excellent progress in becoming an effective grant-making organisation, hiring highly qualified staff, supporting efforts to create viable microinsurance products, and building effective partnerships with outside organisations. The hosting of the MIIF at the ILO was seen as good due to the global outreach and respect it enjoys. However, the report also states that *"While being part of the ILO was an initial advantage when the Facility was formed, and continues to provide some key benefits to the Facility, it also brings with it the baggage of an ingrained bureaucratic culture, complex organizational politics, and administrative hurdles. On balance this seems more of an impediment to the Facility than a help."* The evaluation recommends that *"The Facility should separate from the ILO and become an independent organization, while retaining a strategic alliance with ILO. This would require a clear agreement that outlines the nature of the relationship and the role each party would play".*

The SFP replied to this recommendation that *"It would also be possible to make the argument that the Facility needs to become more integrated into the ILO to better leverage the assets of the organization, especially the field offices. Where we have a good relationship with the field offices (e.g. Indonesia, Philippines) it makes our lives much easier. Instead of pulling away from the ILO into some sort of strategic alliance, we need to do a better job demonstrating to the country and regional offices, and to other ILO departments, how the Facility contributes to the ILO's strategic objectives."* This position is supported by the findings of the present thematic evaluation.

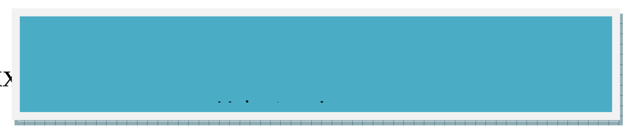
In 2009, a SmartAid evaluation was carried out by CGAP. The SmartAid methodology assesses an agency's performance in microfinance by nine indicators. ILO received only 44 out of 100 possible points, meaning that it has "partially adequate" systems to support microfinance. The best results were in "strategic clarity", "staff capacity" and "knowledge management", whereas "accountability for results" scored very low. This last point covers issues such as checking all programs and projects for microfinance components, using performance indicators, and conducting portfolio reviews. Basically, the SFP mandate and the DWA were seen as assets, while the way in which microfinance is integrated in the ILO systems was found wanting.

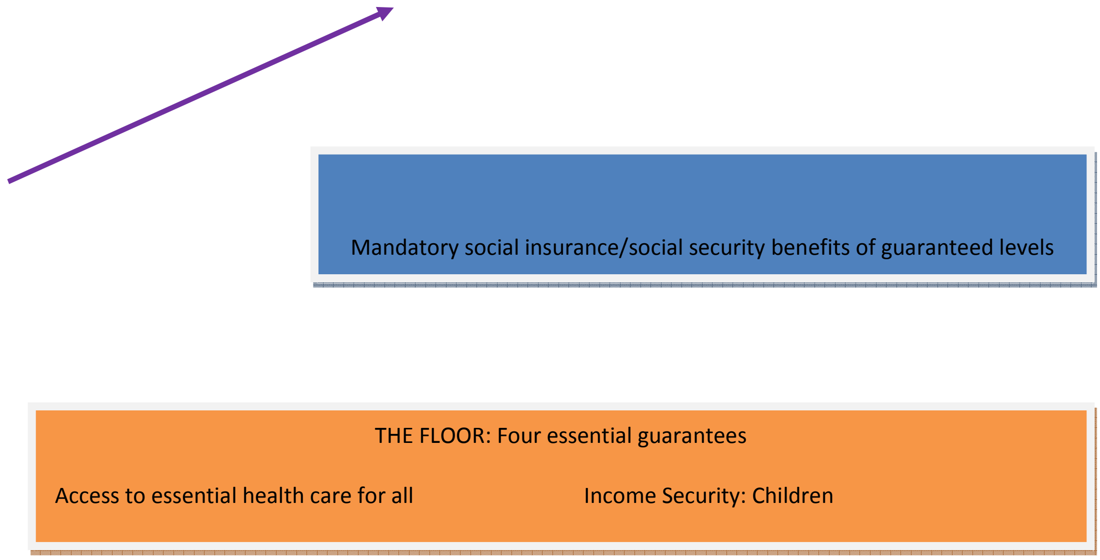
The SFP has been part of the ENTERPRISE department, and later of the EMPLOYMENT POLICY department, but now enjoys a relative autonomy outside these departments, placed as a unit in the Employment Sector and reporting directly to its Executive Director. The moves of the unit over time were due to discussions about the unique nature and need for flexibility of the SFP, but also the obvious role of microfinance in enterprise development, in the development of employment policies, and as a cross-cutting activity. The place of the Focal Point as the champion of social finance in the ILO remains an issue to be addressed.

Efficiency also depends on the <u>institutional capacity</u> to carry the programme forward. This raises the question of the institutional home for the SFP, which is simultaneously oriented towards employment generation and social protection (insurance), hence touching upon two of the ILO strategic pillars. The question is relevant and timely in view of the ILC 2011 deliberations on social protection and the initiative to prepare an ILO Recommendation on the Social Protection Floor for presentation to ILC 2012. There are two challenges. The first one is to ensure that microinsurance is properly understood in the context of the Recommendation – not as part of the Social Protection Floor itself which consists of four essential guarantees that governments should provide for their citizens, but as a relevant supplement. The ILO social protection floor concept is a ladder with a floor plus two steps, as depicted below. Micro insurance can be part of the two upper steps, and the MIIF emerging evidence should be applied to make the case of its appropriateness to the working poor.

The ILC Committee paper on social protection makes the point clear that *"strategies to extend social security are closely associated with employment policies. Member States should therefore pay particular attention to building an economic and social framework that is conducive to sustainable enterprise creation and growth of decent and productive employment".* The main point made here by the Committee is the close link between social protection and enterprise creation and growth. A challenge remains for strengthening the links between ENTERPRISE and SECSOC for better integration of microinsurance in the ILO social protection policy and practice, and steps should be taken to that effect.

Figure 3: The social protection ladder





The ILO Global Campaign to Extend Social Security to All

Overall, the efficiency of the delivery of social finance policies and practices is uneven – a lot is going on in microinsurance, and many ILO staff members make competent and dedicated contributions to promoting good practices within social finance in the various programmes. However, there are still efficiency issues to be addressed with regard to lack of knowledge in the system, to operational capacity and procedures, and to the institutional setup.

3.6 Sustainability

Sustainability here refers to the capacity of individuals, organisations, institutions, companies and governments to continue to maintain the results of an intervention that includes social finance after its conclusion, or to take ownership of policy and programme lessons learned.

The major initiatives – MF4DW and MIIF – are too recent for an informed assessment of their potential sustainability to be made. The same applies to several other projects reviewed in the five country studies. In addition, the sustainability of social finance as one component within a larger context is also difficult to assess in isolation from sustainability of the wider context. However, with these provisos, some statements are in order.

In Peru, the country study finds the projects, except one joint UN project for which it is too early to assess, to have good potential for ownership and sustainability. In India, the participation of trade unions in the post-tsunami livelihoods recovery project had added to the potential for sustainability, while in the IPEC project the constituents had not yet reached a level of ownership that would make long-term sustainability likely. Most of the projects in Indonesia are well-integrated into national structures which would be an indication that a capacity to become sustained exists. In Mali, a lack of financial resources to ensure the continuity of the interventions was noted at the decentralized level, together with difficulties to reach the microfinance sector which might be able to provide solutions. In Ethiopia, there are good prospects for sustainability in projects with partnerships with strong implementing organisations such as organisations for women's entrepreneurship and people with disabilities. Microcredit services to trafficked women in Moldova were found by an evaluation team to have survived for several years, which is an indication of interest and ownership.

The choice of partners to deliver financial services can be important for the sustainability. In the selection of financial service providers, a (less professional) savings and credit organisation may be preferred by designers or implementers of projects above a professional and more sustainable financial service provider. A bias among some ILO project staff against working with sustainable financial institutions has been reported to exist, as these are being perceived as expensive. Some ILO projects then prefer working with low-cost financial service providers who may offer cheaper services, yet they may collapse within a few years, due to underpricing/subsidizing of their services. In the short run the project may achieve a particular goal (access to low-cost financial services), yet this may be at the cost of sustainable access to finance for the target group, and hence sustainability of the financial component of that project.

The ILO is engaged in many pilot projects with short timeframes. Unfortunately, the lessons learnt in a pilot phase are often not used in a larger implementation programme, and may easily be lost.

Although it is premature to assess the results of the MF4DW, the project has special concerns with regard to sustainability. The delays in the start-up have been noted earlier, and the complexity of the approach that was not properly foreseen, have created a situation where the project is due to close in 2011. In principle, this would mean the loss of six social finance specialists and thereby the possibility to conclude the research, and collect, publish and disseminate the results of the experiments. Basically, the investment may be lost. Steps are currently being taken to explore ways of extending some contracts, but the overall situation is highly precarious.

The skills produced through the MMW and Boulder training programmes extend to many countries, and the selection of trainees from the microfinance industry would contribute to ensure that the messages are spread out and sustained over time. Although some problems have been associated with attracting the most relevant of MF managers have been noted, the quality of the course is sufficiently popular to suggest sustainability of the results. The effect of the cascading approach is still limited due to the small number of trained trainers who are certified to teach on their own.

Is Social Finance as a subject matter sustainable? Microfinance has grown in all regions over the period 2005 – 2010, and there has been a development of the understanding of social finance by ILO staff in many TC programmes. Experience on what works and what does not has built up through trial and error, and often with the help of the SFP. However, the high turnover of TC personnel on short-term contracts also means that some of the accumulated experience is lost to the organisation.

ILO's participation in international fora has been appreciated by the partners who were contacted during the evaluation, who keep pointing to two areas of comparative advantage of the ILO, namely the

Decent Work concept, and the cutting edge work in microinsurance. It will be important for the ILO to sustain this work in the longer term.

The SFP itself has been successful in attracting donor funding that has allowed the Programme to sponsor relevant and innovative investigations into areas of key ILO concern, and to participate and influence important international networks. To keep up a similar level of activity in the medium and longer term, additional donor funding will be needed. This makes the operation of the focal point basically unsustainable.

3.7 Impact orientation

Few evaluation reports exist to document the impact of social finance within a broader development context. As a cross-cutting issue, it tends to be dealt with as one tool of many in a big toolbox. No particular intended or unintended positive or negative impacts on women or men can be detected with certainty.

The mandate for social finance calls for impact assessments in two specific ways:

An outcome to contribute to the objective “More employment” is stated as: *“Analysis of the employment impact of microfinance”*. It is notoriously difficult to measure any number of jobs created as a consequence of improved access to finance. Determining the causality is a hard methodological challenge. The MF4DW is an attempt (apparently the only one) to approach this challenge through various interventions, not all of which are geared towards *more* jobs. The results remain to be seen.

There is also an impact-related outcome towards the objective “Less vulnerability”, namely: *Pilot test, disseminate and evaluate the impact of risk-coping and mitigating techniques for a more stable access of bonded labourers and other vulnerable groups to affordable and convenient savings, credit, insurance and payment facilities*. This is more in line with the nature of MF4DW interventions and that project should be able to throw some light on the extent to which they give MFI clients access to better microfinance facilities. The MIIF innovation grants should also make important contributions towards findings new ways to facilitate access to microinsurance for vulnerable groups.

4 Conclusions

The period 2005 – 2010 saw a pronounced sharpening of the ILO social finance profile. The 2005 GB mandate lent authority to the particular ILO definition of microfinance as “social”, covering a variety of financial services demanded by the working poor such as credit, savings, remittance transfers, various guarantees, and insurance. The period also witnessed a substantial increase in activity by the SFP as the Focal Point, boosted by the expansion of human resources towards the end of the period with the advent of two major TC projects, the MF4DW and the MIIF. The financial and economic crisis that started in 2008 and led to the loss of millions of jobs, as well as the mounting criticism of MFIs for being exploitative, emphasised the need for regulation of the sector and protection of the low-income microfinance clients. The relevance of ILO social finance and decent work became clearer in the light of these crises, and the demand for ILO services grew accordingly.

<u>The strategic fit</u> of social finance in the overall ILO policy frameworks has been strengthened; however, a backlog in terms of practical implementation continues to exist. The integration of social finance as a natural ingredient in employment promotion and social protection in the Decent Work Country Programmes is uneven, although improvements have been noted towards the end of the period. Social finance is a cross-cutting issue in many ILO TC projects, but good SF practices are not always followed, as discussed in 3.4 “Effectiveness” in this report. This reflects the knowledge and understanding of social finance at the field level, which is still too dependent on the professional background and interest of individual ILO staff members. The social finance concept has not yet sufficiently penetrated the ILO structures.

The ILO’S <u>comparative advantages</u> lie in particular in two areas, namely:

3. The Decent Work Agenda which signifies ILO's special approach to microfinance;
4. Micro insurance as a "new" area of microfinance that attracts attention from many quarters.

ILO remains a minor player on the vast international microfinance scene. However, interviews with a number of ILO/SFP international partners have pointed to these two areas as those where ILO can add value to the broader global efforts as a special social brand. The Decent Work dimension attracts sympathy from the wider development community, while the microinsurance is also of interest to the commercially oriented business society. ILO has, with the support of (especially) the Gates Foundation, managed to place itself at a central place in the microinsurance development context.

Although ILO made contributions to the G-8 meeting on the financial crisis and within the G20 Partnership for Financial Inclusion, it was not at the macro-economic level that ILO had a strong impact. The significance of the crisis was more by drawing the international attention to the plight of those who lost their jobs and property as a consequence of the collapse of parts of the banking sector – which gave impetus to the need for more socially responsible approaches to financial services such as those within the Decent Work concept.

<u>The relevance</u> of social finance at the strategic level has therefore been fairly clear in the period under evaluation. And the SFP has met the challenges with relevant responses, namely the MF4DW and the MIIF which correspond to the needs as well as the comparative advantages. The project experience at the field level has been more mixed, but the country studies confirm that, overall, social finance has been taken in as a relevant tool in most of ILO's TC field projects.

The <u>designs</u> of SF interventions differ with the scope. The MF4DW project was not as such based on a clear logical framework, but it includes a standard research design based on the RCT approach to all the 16 innovations, which should provide for the possibility of comparison. The MIIF includes a results framework with objectives, outcomes and activities. The Access to Insurance Initiative has designed a tool for country diagnosis on microinsurance which has been applied in several countries. The objectives of A2II correspond to Outcome 2 of the SF Mandate: "Less vulnerability". The inclusion of social finance into DWCP designs naturally differs according to the national contexts.

In general, quantitative success indicators for social finance are absent[25] from the design of TC project interventions where SF is one cross-cutting tool among others. This is not surprising as social finance is rarely if ever the only contributing factor to an outcome; instead its impact, when there is one, is indirect, as in the case of "More employment" which is notoriously difficult to measure in terms of jobs created. The *specific* impact of social finance in a context with skills development and various business development services is obviously hard to establish, but more work is needed to document the contribution of access to finance. The analysis must be made within a multi-stage framework: Firstly, to find out how many enterprises survive over time after an intervention, and how they have performed in

[25] The MF4DW is the exception to the rule in that it specifically tries to measure change through a quantitative approach, the RCT

terms of sales and additional jobs. This would require reliable tracer studies to be carried out after say, two years. Secondly, an assessment of the (mostly local) market demand for the goods or services produced or traded by the enterprise, and how this has influenced its performance. Thirdly, the role of microcredit in the business performance (amounts, timeliness, ability to repay). Fourthly, identification of important external factors having influenced performance. And fifthly, a comparison with similar enterprises without the same access to credit. Studies of this more comprehensive nature would take time and should be conducted by professional researchers. They would build on a combination of quantitative and qualitative data, and the samples would be smaller than those of the MF4DW. However, they could come up with results that were precisely targeting the contribution of finance to the "More employment" objective, and would be at least as robust and probably more cost-effective as the RCT approach.

There is scope for improvement in the design of interventions. In general, quantitative success indicators and quality control measures for social finance are few in the design of TC project interventions, especially where SF is one cross-cutting tool among others, and any attention to the assessment of impact rarely exists in the documents. The rationale for making decisions about whether a finance component should be included and if so: how, are often not expressed in project document. Risks (external factors that can disturb or destroy an intervention) are often not considered, or if they are, then in overly optimistic ways. The lead time to start up a project or other planned activity is typically underestimated, often leading to long delays and serious problems to arrive at completion, or even complete failure to deliver useful results.

The effectiveness of social finance interventions should be seen as the extent to which they together contribute to the achievement of the 2005 GB mandate: more employment, less vulnerability, and stronger constituents. The interventions fall in three categories: capacity building of constituents and other partners; mainstreaming social finance in the ILO; and activities originating directly from the SFP as the Focal Point, especially the MF4DW and MIIF.

The P&B 2008-09 target number of cases in which constituents is involved in MF policy formulation was reported to have been almost met (24 cases against 25 planned). Most of the interventions were of a short-term workshop nature for which the capacity development potential is limited. However, the interest in social finance from (especially) trade unions is high as a means to extend services to their membership. This is an area with potential for strengthening.

Tripartite participation in the planning of SF interventions is not common, although a good number of TC field projects with an SF window work with Ministries of Labour, trade unions or more rarely, with employers' organisations. Most of the work is with individual organisations rather than with national associations. Financial institutions and insurance companies, as well as the UN system, are the more common partners. Capacity building efforts have been made at many levels of which the MMW and Boulder Microfinance Training Programme stand out. Both programmes have achieved high international acceptance; on the flip side they are considered to be quite expensive for the wider spread in developing countries by the former trainees met by the evaluation team.

Training of partners in social finance issues is also a key activity in most of the 31 TC projects examined in the evaluation. A foreseeable conclusion is that short one-off workshops have limited effect. The duration of a partnership, and the initial capacity of the partner organisation are the most important factors in long-term capacity development. Intermediate partner organisations with a mandate and capacity to support for example women entrepreneurs, people with disabilities, PLWHA, or migrants' unions are able to benefit from ILO technical advice and other support. They are often better placed to generate capacity than the ILO itself as the implementer of training.

As already mentioned, the ability of TC projects to integrate good SF practices depends on the interest and background of the implementing personnel, the degree to which this happens therefore varies a lot.

ILO-SFP has assisted governments with advice on microfinance regulation and plays a role in joint UN fora. However, many statements from international partners show that the ILO is generally not understood as the cutting-edge expert on microfinance in such contexts, but rather one among several. ILO has in some cases placed itself as the lead in joint UN groups, and bilaterally ILO has helped UNHCR to develop a microfinance policy for refugee situations. ILO's role in CGAP is constructive and has included critical points based on ILO values that deviated from common CGAP understanding, thereby exerting influence. The contribution by ILO in setting up the Micro insurance Network and the A2II, as well as playing a central role in these fora, is an important SFP outcome.

The momentum resulting from the financial and microfinance crises points to a need for two complementary approaches, one upstream and one downstream. Upstream is the need for governments to provide better protection for their citizens vis-à-vis the financial sector, be it large, medium or micro-scale. ILO has a role to play as the advocate for the working poor. Downstream, the losses faced by many workers and employers were related to their limited knowledge of the financial contracts they entered into. The SFP has promoted work on financial literacy or consumer education for specific groups in a number of specific countries, but no major, structured programme has been developed as yet. The messages contained in the training materials in use are correct (tips on how to save, think ahead, avoid expensive money-lenders, etc.); however, the presentations tend to be very theoretical and in printed school-book formats. They could be more attractive (and probably more efficient) by being modernised and correspond better to the 21st century by making used of more contemporary means of communication. The rapid expansion of the internet and mobile phone technologies to all countries provides a basis for the widespread use of computer-based, interactive communication that appeals to many people and especially the young. The demand for financial literacy training is high, as is its strategic importance for the poor. The development of comprehensive financial literacy packages that took into consideration not only the existing level of technological development but also what can be expected in the next 5 – 10 years would be more interesting and ensure long-term durability. Such development would be at the centre of the ILO's social approach to finance and could be a future priority area.

The MF4DW has put the DWA on the global microfinance map. The MIIF has developed strong partnerships all over the World. However, both projects are of experimental nature, and tangible outcomes cannot to be expected within the time frame of this evaluation.

Although indirectly as a cross-cutting issue, social finance is considered to have contributed to many outcomes under its mandate. Strongest is the relationship with the "Less vulnerability" objective, since this is where the highest concentration of activity is found. The contributions of SF components to "More employment" in TC projects are difficult to document and more indirect, and the direct link to "Stronger constituents" is the weakest.

SFP has invested substantial human and financial resources to implement the GB mandate as faithfully and effectively as possible, notably by ensuring that the strategic objectives that make up the Decent Work agenda are fully taken account of. The Mandate states that "it is at the macro and meso levels that ILO analysis and advice can best be brought to bear"; however, the evidence rather points to the meso and micro levels, where ILO is working directly with organisations and companies, as those where most of the action is placed. Rather than criticising this "deviation" it may make sense to reconsider the mandate in the light of the many achievements that have in fact been made. In a possible revision of the mandate it should also be made clear in the title that the subject is social finance rather than microfinance in general.

In terms of institutional efficiency, the SFP core team is too small to carry out the mandate, and the achievements made are to a large extent due to donor-funded projects, especially the MF4DW and MIIF that have increased the number of social finance specialists by 14 professionals. The high degree of donor-dependency makes the operation vulnerable; unless it can be maintained at somewhat similar levels there is a risk that the goals will need to be significantly reduced.

Delays in implementation have been frequent in the activities under evaluation, thereby hampering progress towards planned outcomes. Some cases were noted where investments were lost due to delays. The MF4DW also saw initial delays which, together with unanticipated complexity of the start-up phase, have led to a situation where the contracts of the professional team are running out long before any of the 16 innovations have come to maturity and comparisons can be made; hence without additional funding to keep staff on the team to finish the job, the whole investment may be lost.

The MF4DW research is using the RCT-approach combined with action research. Strong criticism against RCTs in development settings has been raised by prominent development researchers; its appropriateness to produce robust econometric output should be questioned and the results treated with caution.

Overall however, the relationship between the human and economic resources used and the results achieved is in most cases considered as being reasonable; the strategic direction of resource flows have corresponded with the needs, the ILO comparative advantage, and have contributed to fulfilling the SF mandate.

There is a need to better integrate social finance in the ILO field structure. The SFP has a special responsibility to deal with the apparent limited knowledge of SF in many TC projects and Country Offices, as well as perceptions by some that social finance is a Headquarters project. The point is how to strike a balance between the specialist knowledge available at the Focal Point and the knowledge of the specific local conditions which the field structure is better placed to understand. One size does not fit all – clearly the microfinance environment in India is very different from that in Mali, as is the one Peru from that in Ethiopia. These differences call for flexible and varied approaches based on shared understanding and strong cooperation between the SFP at HQ and the field offices. The Social Finance Network has played less of an integrating role than anticipated. The low return rate of questionnaires to the evaluators by SFN members, as well as the associated interviews indicates that the network, as it functions, is not the most effective tool for integration.

The MIIF is efficient but functions in relative isolation and should be brought into the overall policy framework of the ILO. In spite of some cultural differences between the more commercial microinsurance environment and the social orientation of the ILO there are many indications that there is scope for a better integration between them to become more of one coherent programme.

The sustainability and impact of the two main SF interventions are difficult to assess at the present time, partly due to the shortage of indicators in the designs. The training programmes are well-established and have produced enough candidates to make sustainability of the outcomes likely in the concerned countries. The many partnerships in which the SFP engages contribute to making ILO messages known and sustained in the wider context. The MIIF has a well-developed communication strategy, and its various conduits are being used by the partners as participants in web-based discussions. However, the absence of internal communication within the ILO is problematic. The MIIF knowledge management strategy is impressive in its design, however beyond the monitoring of the website and recurrent contacts with partners through meetings and electronic media, there are no clear indicators of how efficient the strategy is.

The increasing incorporation of social finance in DWCPs is an indicator of sustainability through the ILO structure and on to the constituents and other partners.

The lack of attention in the project designs, the relatively short duration, and the slow implementation of many SF interventions are threats to sustainability. The choice of partners is important for sustainability; in this regard, SFP has been smart at the global policy level by placing the ILO together with some of the most important organisations within microfinance.

5 Lessons Learned

ILO needs constantly to experiment with new approaches of working in order to keep up with the challenges of the 21st century, and social finance is one area where considerable innovation is taking place through the SFP flagship programmes. ILO's involvement in microinsurance has been a particularly effective means to achieve greater influence in the global microfinance environment than could be expected in view of the limited regular budget resources.

New (innovative) modes of operation are however very difficult to implement within the ILO's bureaucratic structures that do not easily accommodate different modalities than the standard TC project mode – which in turn also suffers from systemic weaknesses (donor dependency, too short implementation time, bureaucracy) that lead to delays and shortcuts. Long-term commitment is essential for major undertakings such as the MF4DW; pressure to cut the implementation from five to three years should have been resisted, as it is likely to put the project in jeopardy. The lesson being that it is better to drop an undertaking than to accept precarious conditions.

The delays and inefficiencies in programme implementation noted above are not limited to social finance nor are they caused by the SFP. They are systemwide and relate *inter alia* to the ILO structure; the thin field coverage in many countries; the recruitment procedures, composition and qualifications of staff; the very broad mandate with an associated thin spread of resources. It falls beyond the scope of this evaluation to examine these issues in any degree of detail, but lessons should be drawn to address these complicated systemic issues.

The increased emphasis on an office wide strategic policy framework concentrated around a few outcomes, combined with an increased donor emphasis on financing support to outcomes, is a logical way to streamline the organisation. However, for a small programme like the SFP, this orientation may make it more difficult to attract donor interest as SFP is now hidden in the SPF as an indicator. This could negatively influence the further development of the programme.

More needs to be done to make good practices in social finance known in the field. Finance is a specialised area that many ILO staff is not very familiar with, and SFP should make it a priority to actively promote its brand. Especially microinsurance is poorly understood as an integral part of social finance within the Decent Work Agenda, and there is apprehension among some about the concept, and about the unusual partners in the insurance industry.

6 Good Practices

It must be stressed "good social finance practices" vary according to the target groups and local conditions – one size does not fit all. What is relevant for prospective entrepreneurs may be inappropriate to internally displaced people, youth with short training, or trade union members. The SFP has had many studies done on good practices in different contexts, but never put them together in one volume, exactly because they are context-specific. However, recognising this and the fact that all interventions should be based on the facts on the ground, an attempt is made to summarise some general "good practices" in the following indicative and non-exhaustive list.

- Microfinance is part of the financial sector, it is not charity; it must be treated seriously by the client and the provider of the services for the benefit of them both.
- It is important to understand that the typical microfinance clients are poor and low-income people that do not have access to other formal financial institutions. Microfinance clients are often self-employed, household-based entrepreneurs. The poorest of the poor are not traditional microcredit clients because they lack stable cash flows to repay loans. These can include the destitute, bonded labourers, families who rely on the income from their working children, or people who cannot work due to sickness, disability or old age. In such cases, more appropriate means of support to them can be helping to organise them to use their own resources through savings and credit groups. Access to public programmes with cash transfers or food assistance may also be relevant here.
- When designing an intervention, it is important to invest in a good assessment of the situation and capacity of the target group to determine:
  - whether there is in fact a need to include a financial services component; if there is,
  - what products should be included, and
  - through what mechanism.
  - If in doubt – contact a social finance specialist for advice.
- Ensure that a "do no harm" principle is followed – access to financial services can also mean access to serious indebtedness.
- Promote market orientation, observe attention to financial benchmarks. Whenever possible, identify an existing partner organisation with sufficient capacity to deliver financial services in a professional way. Otherwise consider dropping the component.
- Avoid setting up new structures such as revolving funds as they are likely to be short-lived.
- Avoid creating special conditions for particular groups where possible – the same principles should preferably apply to everyone.
- Promote repayment schedules that correspond to people's ability to pay, e.g. by following the agricultural cycle.
- In cases where access to finance is unavailable to certain groups (e.g. when MFIs are not willing to lend to start-up businesses, it may be necessary to provide special support in the form of a guarantee fund for newly trained youths. Ensure that the fund is used only as a last resort in cases of repeated defaults. Consult SFP on guidelines for the use of national youth guarantee funds.
- Promote the understanding of financial issues by microfinance clients - provide financial literacy training wherever appropriate.

7 Recommendations

1. Strategy

a. The GB Mandate lent authority to social finance as part of the DWA, but an update may be considered in view of the evidence from activities in the period under evaluation. It is recommended that a five-year strategy for social finance (as opposed to microfinance as entitled in the 2005 mandate) is developed based on the two comparative advantages: the DWA and microinsurance, in time for a presentation at the 2012 ILC.

b. The strategy should take into consideration the lessons from the present evaluation and provide a comprehensive framework for integration of the various identified elements. It should be developed by the management of the Employment Sector in cooperation with Social Protection and should clarify and update the ILO vision for Social Finance. The essence of the strategy should be developed into an unsophisticated and widely recognisable brand that ILO would be known for. SFP should develop the brand and use it in internal communications in the ILO as well as in its continued participation in global networks.

c. The strategy should also include “a framework approach for fund raising and resource mobilization” as directed in the SF Mandate. This could include organising a meeting for European donors (possibly in Germany as one interested donor country) focusing on job creation and decent work, and exchange of experience between bilateral and multilateral organisations. It is further recommended that the cooperation with the Gates Foundation be strengthened; one among several possible means towards such a strengthening could be to invite Bill Gates to address the 2012 ILC on microinsurance in the context of the Social Protection Floor. Side events at the ILC are another possibility to consider.

2. Social Finance business model

a. It is recommended that the SF business model be reviewed with a view to ensuring that good practices in social finance are made better known to ILO staff working on projects at Regional and Country Offices, in order to ensure that ILO talks with one voice and bad SF practices are avoided. SFP should prepare a set of guidelines on Good SF Practices for internal use across the ILO HQ and field structure. This should be followed up by presentations in connection with regular planned meetings at sub-regional or regional level and should include representatives of constituents who could benefit from being better acquainted with ILO’s expertise in social finance.

b. The current staffing level at the SFP Focal point falls short of the “effectively mandated, staffed and resourced focal point, the Social Finance Programme” mentioned in the 2005 Mandate. This is a threat to sustainability and makes the efficient implementation of strategies and policies overly dependent on external resources. It is therefore recommended that senior management, in spite of known resource constraints, considers the allocation of regular budget resources to bring the core human resource base of SFP closer to the mandate through the addition of an additional professional staff member.

3. Synergies

a. It is recommended that a system for coordination between ENTERPRISE and SOCSEC is set up with a view to synchronise the approaches on microinsurance over time. As a first step, a joint effort should be made to conceptualise microinsurance in the context of the Social Protection Floor, with a view to present a paper to the GB meetings in 2011 and 2012 where deliberations on the Recommendation will take place in preparation for the ILC 2012.

b. It is recommended that efforts are made to develop better synergies between the SFP, the ENTERPRISE Department, the Social Protection Sector, and the field offices. The Social Finance Network needs to be revitalised, expanded and relaunched, and its composition should be reviewed to ensure that the Enterprise Specialists in the field as well as other relevant staff become included in the SFN. A platform along the lines of the one created by the MIIF may be set up to facilitate an exchange of experiences, a place for asking questions and advice to specialists, ensuring that active SFN membership gets recognized in performance appraisals, and ensuring that the mandate gets better defined as part of the SF strategy. It is further recommended that possibilities are explored to establish posts as Regional Advisers on Social Finance. It is also recommended that COs engage in staff development in social finance in close collaboration with SFP.

4. Strengthening Social partners

a. It is recommended that strategies are developed by COs for capacity development within social finance with their local constituents where an interest has been expressed. The support should be in a longer-term perspective and services could focus on the establishment of credit unions within TUs or at worksites, or explore the scope for supporting extension of microinsurance to TU members in collaboration with employers’ organisations.

5. Design and delivery issues

a. It is recommended as matter of urgency that means are found by the EMP management to bring the MF4DW project to its completion; a wealth of information is being collected that should be published rather than go to waste. It is recommended that the RCT analysis is given less prominence and supplemented with more qualitative methods.

b. The MIIF must be better integrated in the SFP and EMPLOYMENT Sector. While the professionalism and particular culture of the project must not be compromised, an effort should be made to develop an effective internal communication strategy targeting the ILO, in order to promote the knowledge of microinsurance within the system.

c. A structured effort by the SFP to develop tools for financial literacy training and consumer education on social finance is recommended, drawing on the lessons from the MF4DW . In view of the explosive spread of internet and smartphones in most countries, and to remain relevant for the coming years, the approaches and tools for extending training should make use of cutting-edge electronic media to the fullest extent.

d. ILO appears to be the only actor in the microfinance community that specifically addresses occupational safety and health. This key DWA concern could be an area for expansion where ILO has a comparative strength that could usefully be applied in testing the feasibility of credit and insurance products that are suitable for small and micro-enterprises in areas such as OSH-friendly investments (credit for sanitary facilities for workers, workshop improvements), and insurance (property, accident, occupational diseases). These products should be developed in cooperation between SFP and SECSOC/OSH.

e. It is further recommended that the scanning of project designs for financial issues by PARDEV is improved through closer cooperation with SFP.

f. Finally, in view of the known difficulties in measuring the indirect impact of social finance in different ILO contexts, it is recommended that a study is conducted specifically to identify simple methods to monitor the effects of access to financial services in employment generation.