Evaluation Summary

International Labour Office

Evaluation Unit

Independent thematic evaluation of the Social Finance Programme 2005-2010 - Cluster evaluation

Quick Facts

Countries: *Indonesia, India, Ethiopia, Mali, Peru*

Evaluation: *Nov 2011*

Mode of Evaluation: *Independent*

ILO Administrative responsibility:

ED/EMP/MSU - Social Finance Project

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Evaluation Team: *Jacaranda Consult*

Project Code: *GLO/07/08/GAT*

Donor: Covering GLO/09/01/LUX, Luxumeburg funding, Swiss Development Corporation trust funds (3m) and RBSA funds from Germany (6m)

Keywords: *Social protection, social finance*

Taken from the Executive Summary of the Report

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: i) The Decent Work Agenda which signifies ILO's special approach to microfinance; ii) 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 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 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.