



Facts on Microfinance for Decent Work



International
Labour
Organization

“It is the responsibility of the ILO to examine and consider all international economic and financial policies and measures in the light of social justice.”

ILO Constitution
Declaration of Philadelphia

The ILO and Microfinance

The International Labour Organization (ILO) is the United Nations lead agency devoted to advancing opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.

Representatives of governments, employers and workers organizations come together at the ILO to jointly engage in shaping employment policies, overseeing labour standards and handling work-related issues.

This unique tripartite governing structure provides an ideal forum to support the extension of financial services to millions of low-income people in the developing world and to reduce poverty.

Microfinance makes a powerful contribution to decent work by providing opportunities for small investments in productive employment and job creation; and, through emergency loans, micro-savings and micro-insurance, it provides the means for people to manage risks.

Microfinance has impact in the following areas:

Income generation – Microcredit is a key element in promoting employment, helping people to start or expand income generating activities and thereby create jobs.

Empowerment of women – Microfinance improves women’s representation and position within households and communities.

Reducing vulnerability – Microfinance provides safety nets for the working poor.

What is the difference between microfinance and microcredit?

Microfinance comprises a range of financial services provided to the poor on a sustainable basis. Microcredit is a subset of microfinance.

“Microfinance is not just promises; there is evidence of positive impact on poverty via institutions that are fully financially self-sufficient... Poverty outreach and financial sustainability are thus the twin goals that make up the essence of microfinance”

Bernd Balkenhol – ILO/Social Finance

DECENT WORK

A better world starts here.

MICROFINANCE FOR DECENT WORK

Access to microfinance can reduce Decent Work deficits. Conditional loans, credit with education, incentives like interest rate rebates, linkages with social partners and NGOs as well as provision of microinsurance, combinations of financial services with conditional cash transfers, education, legal advice or health care provide effective means to reduce child labour, decrease vulnerabilities, raise awareness and improve working conditions.

The work on microfinance at the ILO is being carried out in partnership with the constituents – for example, with trade unions to improve the conditions of bonded homeworkers, worker banks and other such initiatives, and with employer organizations on issues such as start-up financing for new entrepreneurs, property rights and collateral.

The ILO Social Finance Programme coordinates action research programmes, accompanying 25 partner institutions to test adaptations to products, services and delivery techniques that result in tangible increases in Decent Work for their clients.

The ILO Microinsurance Innovation Facility

In the area of microinsurance, another subset of microfinance, the Social Finance Programme has partnered with the Bill and Melinda Gates Foundation and launched in 2008 the Microinsurance Innovation Facility.

By 2012, through its 50 grantees, the ILO's Facility is striving to provide risk protection to approximately 150 million low-income people worldwide and thus enable them to make informed choices on how to manage risk and to have access to a wider range of insurance products that provide better value for money.

The Microinsurance Innovation Facility aims to:

- provide grants to institutions to devise and test innovative approaches to providing better insurance products to the low-income market in developing countries
- support the development of technical assistance providers and encourage the demand for technical assistance
- support research on assessing the impact of insurance on risk management among low-income policy holders, and on identifying successful institutional models
- disseminate information and lessons learned to key stakeholders

Innovation Grants

Within a time span of 5 years (2008-2012), the ILO's Facility will provide up to 50 innovation grants, totalling US\$18 million through biannual requests for applications, focused mainly on Africa, Asia and the Pacific, Latin America, the Caribbean and the Middle East.

The grants - intended to help institutions develop new microinsurance products - will cover their start-up costs and some of the losses likely to be incurred during the project.

Priority is given to voluntary products for which there is a significant demand yet insufficient supply, covering health, life, agriculture and property.

For more information, please visit www.ilo.org/microinsurance or contact microinsurancegrants@ilo.org

- ❑ 1,4 bln people live on less than 2US\$ a day
- ❑ Nearly 10'000 MFIs operate worldwide
- ❑ Over 140 mln poor families served by microfinance
- ❑ 78 mln people insured in 110 poorest countries
- ❑ US\$40 bln small deposits
- ❑ US\$50 bln distributed in small loans

* Data as of 2006 – World Bank/ILO

Useful links

Global Information on Microinsurance

<http://www.ilo.org/gimi>

The MicroInsurance Centre

<http://www.microinsurancecentre.org>

Blue Orchard

<http://www.blueorchard.org>

Symbiotics

<http://www.symbiotics.ch>

Accion

<http://www.accion.org>

Grameen Foundation

<http://www.grameenfoundation.org>

Opportunity International

<http://www.opportunity.org>

Fondation pour Genève

<http://www.fondationpourgeneve.ch>

The Sustainability Forum Zürich

<http://www.sustainability-zurich.ch>

Swiss Microfinance Platform

<http://www.microfinanceplatform.ch>

Swiss Agency for Cooperation and Development

<http://www.sdc.admin.ch>

Consultative Group to Assist the Poor

<http://www.cgap.org>

Council of Microfinance Equity Funds

<http://cmef.com>

International Association of Microfinance Investors

<http://www.iamfi.com>

The MIX

<http://www.themix.org>

Microbanking bulletin

<http://www.mixmbb.org>

Women's World Banking

<http://www.womensworldbanking.org>

European Research Development Network

<http://www.eudnet.net>

Appui au développement autonome

<http://www.microfinance.lu>

Geneva Financial Center

<http://www.geneva-finance.ch>



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