



International  
Labour  
Organization

# CSR as Incentive for Business Innovation

CSR Forum 2013  
Associazione Bancaria Italiana

Rome, Oct 28, 2013

Innovative Finance for Social Justice

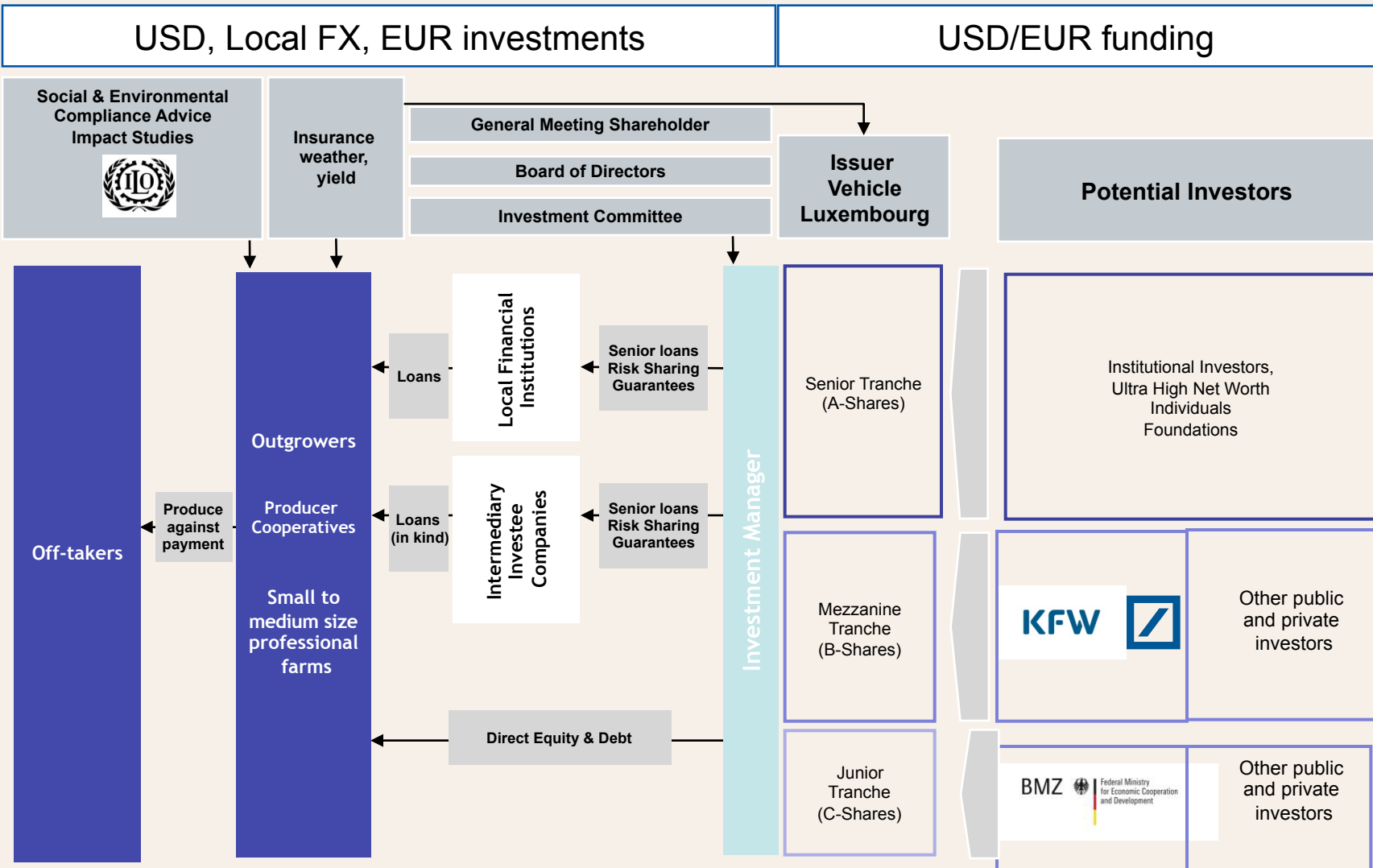
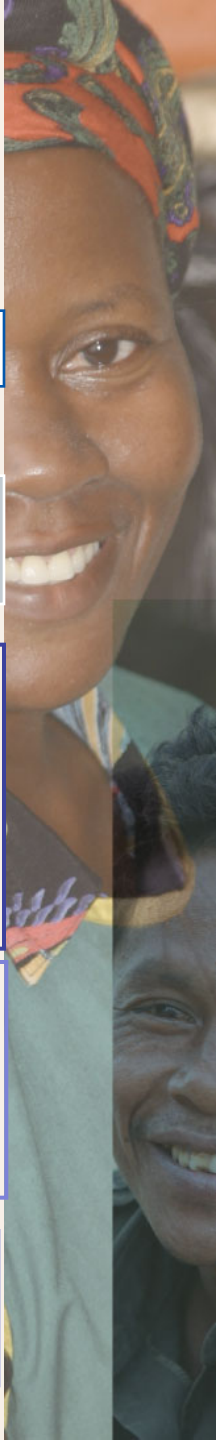


# ILO and its Social Finance Programme

- ILO is a Specialised UN Agency
- ILO's vision is «decent work for all»
- ILO Social Finance Programme:
  - >20 years
  - Origins in microfinance
  - Expansion of work areas:
    - microinsurance,
    - financial education,
    - access to finance in industrialised countries,
    - responsibility of large-scale finance
  - Two examples of business innovation:
    - Collaboration with investment fund on social impact of investments
    - Action research on impact of microfinance innovations



# Collaboration with Africa Agriculture and Trade Investment Fund (1)



# Collaboration with Africa Agriculture and Trade Investment Fund (2)

## Lessons learnt:

- Utmost importance of systems to identify and manage S&E risk
- Internal S&E capacity building strategy linked to HR / performance management
- There are no short cuts (e.g. indirect financing of smallholder farmers)
- Compliance as a continuous process
- Technical support to improve S&E shortcomings



# Microfinance for Decent Work Action Research (1)

- ✓ Action Research Programme
- ✓ Timeframe: 2008-12
- ✓ 16 partner-MFIs worldwide

## GOAL:

To measure the impact of innovations on the welfare of microfinance clients

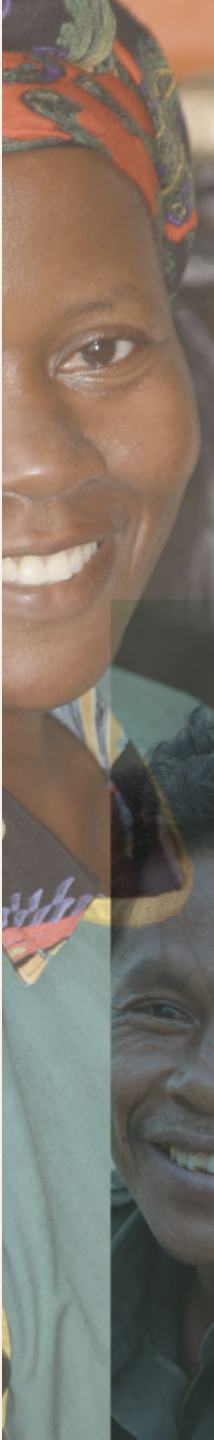


# Microfinance for Decent Work Action Research (2)

Results from a diagnostic survey with almost 5000 clients:

- Child labour (5-14 years) constituted 5% of total employment created
- 11% reported dangerous working conditions or injuries
- 54% of client's business activities informal, 41% paid taxes
- 8% reported cross-borrowing and 14% had repayment issues
- 43% reported large unforeseen expense in preceding year (main reason: accident, illness)
- Only 2-3% used a form of insurance to cover unforeseen expenses

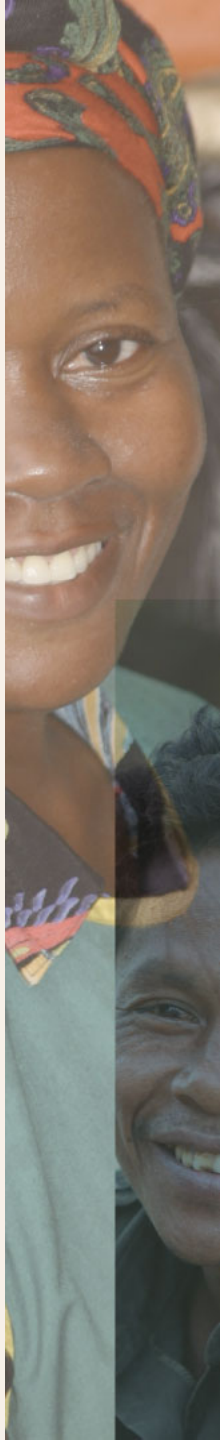
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# Microfinance for Decent Work Action Research (3)

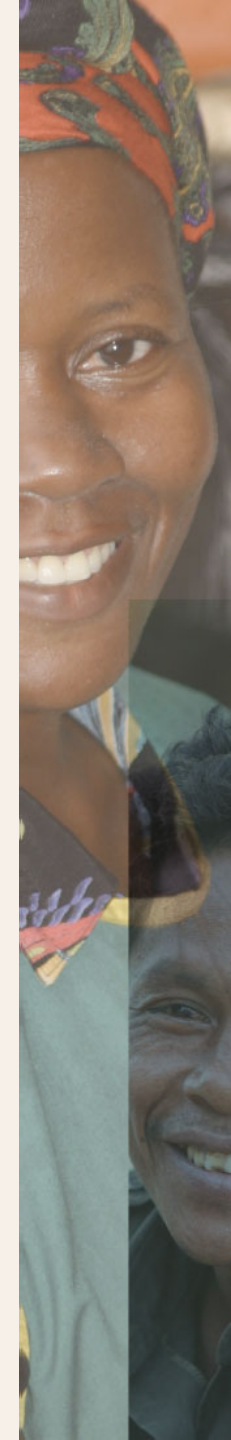
## Why to engage?

- **Enhance social impact**
  - Achieve social mission (create more and better jobs)
  - Fulfil sustainability standards (DFIs)
- **Improve the FI's business**
  - Demand for services (loan for work improvements)
  - Client retention
- **Reduce credit risk**
  - Formalization
  - Safety at work and productivity
- **Avoid negative publicity e.g. child labour**



# Microfinance for Decent Work Action Research - Innovations

<b>Formalization</b>	<ul style="list-style-type: none"><li>• Awareness raising and client sensitisation to benefits</li><li>• Business development services</li></ul>
<b>Occupational Safety and Health</b>	<ul style="list-style-type: none"><li>• Client training on good working conditions and agreement on improvement plan</li><li>• Specific loan product for work improvements</li></ul>
<b>Job Creation/ Women Empowerment</b>	<ul style="list-style-type: none"><li>• Organisational restructuring: new SME lending window</li><li>• Client training on women's empowerment</li></ul>
<b>Risk Management/ Overindebtedness</b>	<ul style="list-style-type: none"><li>• Insurance products: multi-risk for business loan clients, health, credit life</li><li>• Leasing product</li><li>• Financial education</li><li>• Client risk management training</li><li>• Entrepreneurship training</li></ul>
<b>Child Labour</b>	<ul style="list-style-type: none"><li>• Modification of existing microinsurance product</li><li>• Awareness campaign</li><li>• Client training to increase production productivity</li></ul>





# Microfinance for Decent Work Action Research - Exemplary Results

## Child Labour (health insurance innovation)

- **7% decrease in child labour**
- **5-6% lower risk of children involved in hazardous occupations**
- **Average hours worked reduced 2.5 to 3.5 hours per week**

## Risk Management

- **22% decrease in borrowing to repay another loan (emergency savings)**
- **7% decrease in repayment difficulties (emergency savings)**
- **13% perception of lower barriers (entrepreneurship training)**
- **22% increase in ability to save for emergency expenses (risk management and insurance education)**



# Further information

[www.ilo.org/socialfinance](http://www.ilo.org/socialfinance)

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