

Livelihoods & Micro-finance in Refugee Camps

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The last ten years have witnessed the widespread acceptance of the multidimensionality of poverty that encompasses not just low income, but also vulnerability, insecurity and *voicelessness*. Very often, being a refugee includes all three dimensions, highlighting that refugees are not only without national protection, but also poor. If it is true that camps are a safety net in the emergency phase, it is also right that, as the years go by, refugees are prevented from enjoying those rights (freedom of movement and employment) that would enable them to protect their livelihoods.

Livelihoods security as an early component of a refugee emergency response

Refugee-generating situations are commonly defined as complex emergencies, involving an intricate net of often opposing and hostile political, economic and military forces. Unlike natural disaster, complex emergencies entail the deliberate creation of crisis. Refugee emergencies, in particular, threaten self-sufficiency of refugees, since they have left behind most of their assets and may have limited access to land, livestock, jobs and other sources of living during their time in camps.

But what is livelihood in such conditions, and why is it important in refugee camps?

A widely accepted definition of livelihood refers to the capabilities, assets and activities required for a means of living. For refugees hosted in camps, the livelihoods approach needs to be tailored to call attention to the vulnerability of people exposed to constant threats of violence and subject to new forms of risk that makes the pursuit of livelihood strategies much more difficult¹. In order to adapt this approach to conflict situations, the emphasis has been focused on the concept of vulnerability.

The definition of *livelihoods in conflict* developed by the researchers at the Feinstein International Famine Centre at Tufts University refers to

“the ways in which people access and mobilize resources that enable them to increase their economic security and thereby reduce the vulnerability created and exacerbated by conflict, and pursue goals necessary for their survival and possible return”.

According to this definition, the pursuit of livelihoods in conflict situations thus bases on three different elements²:

- 1) the main concerns of refugees and how they change over time (safety from violence, reducing economic vulnerability and food insecurity)
- 2) the availability, extent and combination of resources owned by refugees
- 3) the strategies used to access and mobilize such resources.

Notwithstanding the codifications made by researchers and practitioners, the international efforts usually focussed on the provision of the major necessities of refugees (construction of shelters, medical assistance, supply of water and food), frequently neglecting livelihoods protection.

Only during the past decade the importance of livelihoods has entered the issue of refugee assistance, playing a leading role in promoting self-sufficiency among the camp dwellers, and moving away from the former representation of refugees as vulnerable people entirely dependent on the external aid. According to a definition developed by Sue Lautze³, the concept of self-sufficiency entails

“the capacity of a community to either produce, exchange or lay claim to resources necessary to ensure both survival trough and resilience against life-threatening stresses”.

The focus is thus on the productive capacity of refugees and their contribute on the development of the areas where they are hosted. This is especially so in a large number of protracted refugee situations, where international agencies are seeking to provide assistance in addition to that required for the first stage of the emergency.

Micro-finance in refugee camps

Over the past decade there has been an ongoing debate about how to plan a conceptual framework able to merge the different priorities of providing humanitarian aid and preserving a sound standard of living also in exceptional circumstances like a refugee camp. At the moment, the varieties of additional support⁴ in refugee emergencies are often limited to current aid design, which usually divides responses into development and emergencies programmes. However, in recent years there has been many interesting attempts by international organizations, UNHCR first, to prioritise some of their limited resources to foster self-sufficiency and productivity, rather than the current near-exclusive focus on the short-term survival of the refugees⁵.

During the 1990s micro-finance programs have played an increasingly important role in the drive towards the economic self-reliance of refugees, and many humanitarian agencies have sought to review their policies in an attempt to create an effective transition between emergency relief and longer-term development. Micro-finance programs are meant to provide sustainable livelihoods, to revive the local economy and provide a boost to household economy, in order to create the means for further development.

Income generating programs implemented in refugee camps usually use two approaches. Most common are grants-based, in which inputs such as cash, capital equipment and raw materials are provided free. A less widely used approach, sometimes integrated with grants, is based on micro-finance in which a line of credit or a loan is provided for beneficiaries to start small businesses. Many practitioners argue that loans are better forms of aid than grants, because they break the “dependency cycle” associated with humanitarian aid by encouraging a responsible use of resources and because, through loan repayments, it is possible to enhance the volume of future clients.

Although the usefulness of micro-finance in post-conflict situations is broadly accepted, its implementation in refugee camps results much more difficult. The environment can constrain the financial production and hence the performance. In particular, the recent micro-finance literature points out four different issues affecting projects implemented in refugee contexts:

- 1) most projects are not targeted to the most vulnerable; the clients who are most likely to benefit from micro-finance are those already endowed with business expertise, and often enough resources to sustain themselves

- 2) many refugees are reluctant to set-up in business in the host country, because they think or hope to return home as soon as possible
- 3) refugees are situated in a relief environment, where implementing organizations are often doubtful to fully require the repayment of loans provided, so putting the sustainability of the project at risk
- 4) implementing organizations lack technical experience and/or expertise in micro-finance applied to refugee contexts.

In view of such difficulties, many micro-finance projects have been curtailed in recent years, judged as failures. These opinions are often based on the financial success of the program (e.g. repayment rates), rather than on how they influence the economic security of the community. The consequences of deliberately injecting cash and credit into a refugee camp have not been properly evaluated. Even if a clear picture of the impact (positive or negative) of micro-finance on the economic security of refugees and their host communities is lacking, many case studies represent a valuable evidence showing its effectiveness in preserving a sustainable livelihood, provided the projects are part and parcel of an enabling environment, where the needs and potentials of refugees are fully included in national development plans to eradicate poverty.

Three success stories

An example of the impact of a refugee micro-finance program is the soap manufacturing venture in Kakuma camp⁶, on the Kenya's Sudan border. A group of 5 refugees formed a soap manufacturing business. They soon understand their soap products had a limited market in the camp, as there was a general UNHCR soap distribution to all refugees in the camp every month. In order to sustain their business, they approached an Ngo, the International Rescue Committee for support through its micro-finance program. This helped them, increase output and improve the quality of soap which soon met the requirements of the Kenya Bureau of Standards.

A small number of successful grants were extended also to Congolese refugees in Basse camp⁷ (Gambia) as a mechanism for income-generation. Small amounts of capital, usually less than US\$30, would be given to the refugees to purchase materials or equipment to start a small business. The Red Lion Bakery is an example of the success brought about by assistance of UNHCR. Prior to fleeing Sierra Leone, the owner had previously been employed as a baker, but the war and atrocities in his country forced him to flee to the Gambia.

The baker had been a beneficiary of a funding for a micro-enterprise and he used the funds to purchase materials needed for an oven and bread baking. As demand increased in and around the camp, he hired and trained other refugees to work with him. The small amount of capital granted to him allowed him to utilize his skills and improve the livelihood security of himself and others. Most refugees indicated that this money was used for seeds, tools or foodstuffs, showing how such activities have positively impacted also on their food security.

An other successful example is the Home Gardening Project (HGP)⁸, launched in 1999 in Nepal to improve refugee households' access to food rich in micro-nutrients through the production of vegetables. The HGP was launched in two Beldangi camps⁹ (Nepal), with technical support from Helen Keller International.

Following its success in these camps, the project had expanded to other six by 2001, with Nepal Red Cross Society and Lutheran World Federation as the providers of the technical support. The HGP recycles empty World Food Program vegetable oil containers for use in planting vegetables. Participants are selected from the poorest families and from user-groups, which receive training in growing various all-year-round varieties of vegetables and fruits. The yearly budget for the gardening programmes approaches US\$40,000 for the current phase (2003-2004). The home gardening projects have helped to promote the availability of different varieties of vitamin-rich food, with a particular focus on green leafy vegetables with the highest concentration of vitamins. Household yields can in fact provide up to 100 kg of additional vegetables per family per year, depending on the size of plot available.

Micro-finance and refugee self-reliance

Many case studies recognize the usefulness of micro-finance in refugee camps: income-generation and loan schemes do instill new professional skills in refugees, permit them to enjoy a limited degree of financial autonomy and introduce money into a poorly monetized environment.

However, given the prevailing conditions and the movement restrictions, anyone confined to a refugee camp is automatically independent upon some form of external aid; in order to foster refugee self-reliance and the promotion of sustainable livelihoods, micro-finance programs are not sufficient. To be successful, they need to be supported by other targeted interventions, such as business training and, most importantly, an enabling environment. Government restrictions on refugee mobility, for instance, directly influence market access for refugee products, and may therefore constitute a much bigger obstacle than the cost of financing. Micro-finance needs to be developed and implemented in a comprehensive understanding of what constitutes the most feasible path for self-reliance. Any one of the numerous regulatory requirements (such as work permits and business licenses) for refugees living in camps can very easily destroy the prospects for what otherwise may have been a sound livelihood strategy .

¹ ACORD, (1995) *Development in Conflict: the Experience of ACORD in Uganda, Sudan, Mali and Angola*. London

² Jacobsen, K. (2002) *Livelihoods in Conflict: the Pursuit of Livelihoods by Refugees and the Impact on the Human Security and Host Communities*. Expert Working Paper. Feinstein International Famine Centre at Tufts University. Massachusetts, USA.

³ Lautze, S. (1997) *Saving Lives and Livelihoods. The Fundamental of a Livelihoods Strategy*. Feinstein International Famine Centre, Tufts University. Massachusetts, USA.

⁴ Overseas Development Institute (ODI), *Supporting Livelihoods in Situation of Chronic Political Instability*. Report of the Planning Workshop held on 12th February, 2001 at Avonmouth House, London.

⁵ Bakewell, O. (2002) *Refugee Aid and Protection: Working in Parallel or Cross-Purposes?* New Issues in Refugee Research, Working Paper No 35. UNHCR, Geneva.

⁶ Arafat, J. (2000) *A Beneficiary Based Evaluation in a Protracted Refugee Situation - A Review of the UNHCR Programme in Kakuma, Kenya*. Evaluation and Policy Analysis Unit – UNHCR, Geneva.

⁷ Conway, C. (2004) *Refugee Livelihoods. A Case Study in the Gambia*. Evaluation and Policy Analysis Unit - UNHCR, Geneva.

⁸ FAO (2000) *Planting Hopes in Refugee Camps in Tanzania* on www.fao.org.

⁹ WFP/UNHCR, (2003) *Joint Assessment Mission Regarding Assistance to Bhutanese Refugees in Nepal (25 August – 9 September 2003)*. Rome and Geneva.

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