USING MICROENTERPRISE INTERVENTIONS TO SUPPORT THE LIVELIHOODS OF FORCIBLY DISPLACED PEOPLE: THE IMPACT OF A MICROCREDIT PROGRAM IN IDP CAMPS IN LIRA, NORTHERN UGANDA

Karen Jacobsen, Anastasia Marshak, Akua Ofori-Adjei and Jane Kembabazi,
The Fletcher School and Feinstein International Famine Center,
Tufts University

INTRODUCTION: MICROFINANCE AS LIVELIHOOD SUPPORT FOR DISPLACED PEOPLE

The problem of how best to support refugees and internally displaced people in conflict zones and countries of first asylum continues to challenge aid agencies. As conflicts drag on, sometimes for a decade or more, many forcibly displaced people find themselves in 'protracted situations' unable to return to their homes, lacking the resources they need to survive, and with no solutions to their predicament in sight (Crisp 2002). One of the defining characteristics of protracted situations is the rapid decline in the supply of international humanitarian assistance, including food aid. The longer refugee camps persist, the fewer aid resources there are to be found, and the greater the economic insecurity. Income becomes an urgently pressing need, to buy firewood, for transportation, for rent, for bribes, and for school and hospital fees. Since there is little employment available – or land for farming and livestock – most people generate income through small enterprises such as petty trade and services (barbers, food makers, artisans, translators). But to start up or grow such microenterprises, cash or credit is needed, and aside from family or friends, displaced people have virtually no access to credit. Banks or microfinance institutions are not available to refugees and IDPs, and the difficulties of pursuing legitimate, non-exploitative livelihoods and sources of income constitute one of the most serious problems facing displaced people today. Some resort to moneylenders, or to illegitimate and dangerous livelihood strategies. If refugees settle amongst the local population, they receive little international assistance and must depend on the kindness of their hosts or their own enterprise. But since the early 1990s, host governments have increasingly required refugees to live in camps, and have created all kinds of restrictions and difficulties for refugees seeking to pursue livelihoods outside of camps. This is a violation of refugees' rights as set out in the 1951 Convention, and clearly UNHCR should be advocating to allow refugees to exercise their rights. However, the problem remains of how to support livelihoods inside refugee and IDP camps.

As aid agencies recognize the need to support livelihoods, different types of interventions are being explored. Livelihood interventions such as microcredit,

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income generating programs and voucher programs (Harvey 2005) can support a range of economic activities, including agriculture and microenterprise. These interventions seek to enable refugees and internally displaced people to increase their self-reliance, or at least to reduce their dependence on relief assistance. Microcredit is part of a range of microfinance services aimed at poverty alleviation, which include savings, microinsurance and small business training. The principles underlying most microfinance initiatives are based on the traditional Grameen Bank model (Turnell 2005).[1] One of these principles states that farmers, artisans and traders, i.e. those who are poor but not the poorest of the poor, are the most effective beneficiaries of microfinance. This has important implications for the use of microfinance in refugee or IDP camps, as it implies that it is not the most vulnerable who should be targeted for such initiatives. Yet relief agencies and UNHCR are particularly concerned with supporting those who are most vulnerable among the refugee population.

With the notable exception of Africa, microcredit initiatives have been employed in many developing countries as a poverty alleviation strategy, and (except in Africa) they have also been experimented with in IDP situations, a articular example being Azerbaijan, where the World Bank recently implemented an $11.5 million IDP Economic Development Support Project (Kvernroed 2004; World Bank 2005). In refugee situations, however, microcredit interventions have only been attempted by a handful of relief agencies. Not all observers agree that microcredit is an appropriate intervention for displaced people, for several reasons (Kuhlman 2002; Flowers 2003). One of the main problems is finding an appropriately trained implementing partner. Most for-profit microfinance institutions are reluctant to work with refugees and IDPs who are seen as bad credit risks. When relief agencies try to implement loan programs, the outcomes are often failures. In refugee camps, microcredit programs are often the first to be cut when aid budgets shrink, their objectives are often confused, and in general they are not well resourced, understood or evaluated. However, our knowledge and practice about the provision of microfinance to displaced people have improved in recent years, thanks to the lessons derived from agencies which have sought to apply and adapt 'best practices' to conflict settings and refugee situations. We now understand the necessary preconditions and best practices associated with implementing a microfinance program in the context of forced displacement (Gray 1997; Doyle 1998; Wilson 2002; de Klerk 2004; Stone 2005). These practices are not always followed, however, and many failures litter the humanitarian landscape.

The Alchemy Project began in 2001 as a research program to explore whether microcredit and other income support interventions were viable approaches for supporting the livelihoods of forcibly displaced people.[2] In 2004, a national NGO, the Ugandan Women's Effort to Save the Orphans (UWESO) became an Alchemy partner and began implementing a microfinance program in two IDP camps near the town of Lira, one of the worst affected regions of the northern Uganda conflict zone. The Alchemy Project sends graduate student interns each summer to help UWESO understand the impact of the program. This article was written by the Director of the Alchemy Program with the help of three Alchemy interns who worked in the Ugandan program in 2004 and 2005. We describe the UWESO program, and how we sought to evaluate and analyse its impact on the livelihoods of IDPs in the camps.

CONFLICT AND INTERNAL DISPLACEMENT IN NORTHERN UGANDA

Since 1986, the Lord's Resistance Army (LRA), led by Joseph Kony, has waged an insurgency in northern Uganda, using camps in southern Sudan as a base for attacks on civilians and government forces. LRA attacks and counter-insurgency measures by the Government of Uganda (GOU) have displaced nearly 95% of the ethnic Acholi population in Gulu, Kitgum, Pader, and Lira districts. LRA tactics against civilians include burning and looting villages, raping, killing, maiming and abducting adults and children for the purposes of forced conscription, labor, and sexual servitude. Ugandan government counter-insurgency tactics have included forcible relocation of rural communities into designated sites and restrictions on the northern population's freedom of movement (USAID 2005). All this, in addition to the constant pressure of looting and cattle raids by Karamojong pastoralists in eastern Uganda has contributed to a humanitarian crisis that now spans 19 years. Northern Uganda's agrarian economy, education system, and healthcare infrastructure have been largely destroyed, Acholi culture eroded, and a constant state of fear instilled among the population (Global IDP Project 2005).

In March 2002, improved relations between the GOU and Government of Sudan led the GOU to launch 'Operation Iron Fist,' sending the Ugandan army, the Uganda Peoples Defense Forces (UPDF), to disable LRA camps in southern Sudan. The humanitarian situation in northern Uganda deteriorated as LRA forces expanded their operations, from the northern Acholi sub-region to the eastern Langi and Teso sub regions. According to the Global IDP Project,[3] 80 percent of the population in the north is displaced, with numbers more than tripling in two years: from 450,000 in early 2002 to nearly two million as of mid-2005 within the districts of Gulu, Kitgum, Pader, Lira, Apac, Soroti, Katakwi, Kaberamaido and Adjumani. Displacement is partly a result of the GOU strategy to relocate people into "protected villages" which are much like IDP camps. However, as a protection strategy this has failed in remote rural areas where the rebels continue their predation, now on the camps rather than the villages. By contrast, the urban IDP camps are fairly safe with higher levels of UPDF protection (Global IDP Project 2005).

Lira district and the IDP camps

Lira district experienced intermittent raids by the LRA throughout 2002, and the intensity and frequency of attacks increased from November 2003, causing massive population movements from rural villages to Lira town and other trading centers. Estimates of IDP numbers vary. As of March 2004, UNOCHA claimed there were 293,922 IDPs in Lira district (UNOCHA 2004), but according to a census conducted by the district government on April 30, 2004, there were 73,169 households affected by displacement, making for a population of 372,989 IDPs. The movement of displaced people into IDP camps was correlated with a worsening of poverty across northern Uganda, and the population is struggling to meet basic needs for food and shelter. In late 2004, there were promising signs that the conflict was easing, but in February, 2005, the expiration of the limited ceasefire led to a resumption of hostilities. Security deteriorated through 2005 in the Acholi sub-region, especially in Pader and Kitgum districts, but in the southern Lira District, relative peace has prevailed following the combined efforts of the UPDF and local militias. The relative calm has encouraged some IDPs to move closer to their homes to enable access to their farmlands. According to the district officials, an estimated 60,000 IDPs from Lira municipality have returned to rural camps closer to their villages of origin.

As of July 2005, there were three IDP camps near the town of Lira: Bala Stock Farm, Starch Factory Camp and Erute. Camp residents are mainly from the northern sub-counties of Lira and to a smaller extent Gulu and Apac districts. All camps have a leadership elected by the camp population. In Bala Stock Farm the camp population is divided into 9 blocks, each headed by a leader. Starch Factory Camp has one leader and a committee of four individuals for each group.

As citizens of Uganda, IDPs have the same rights as the residents of Lira district. They can work and own property, have freedom of movement, and have full access to school, health, and other social services. The proximity of the two camps to Lira town and the low levels of insurgency have reduced the security concerns of the IDPs, allowing them to be highly mobile, and they travel frequently to neighboring towns to trade. According to interviews with IDPs and local NGOs, tensions between the IDPs and the local Lira population are negligible. The IDPs often work on the farms of local residents, who in turn use the markets and "hotels" (restaurants) in the camps. The IDPs in the three camps are somewhat economically integrated into the Lira town community.

All the camp residents have access to humanitarian assistance in the form of food and non-food aid provided by international relief agencies, including the World Food Program, Médecins sans frontières, and Christian Children Fund. However, their displacement has limited IDP access to key economic resources like land and credit. While most of the IDPs have land in their home villages, few can afford to purchase land in the camps. IDPs in Starch Factory camp do not have access to land, but Bala Stock Farm camp is located on what was once a government agricultural research station, and the IDPs are allotted land for farming after registering with the Local Council.

Under Uganda's Universal Primary Education policy, primary education is free, and both Bala Stock Farm and Starch Factory Camp have learning centers for primary education. Secondary school is more of a problem. Like the locals, IDPs who can afford it send their secondary school-age children to boarding schools, but this is a luxury few IDPs can afford and most IDP children do not progress beyond primary education. The desire for children's education is one of the most widely expressed needs in the camp. In particular, the education of formerly abducted children has suffered; many missed key periods of schooling, have outgrown their grade level upon return to the camps and are unable to return to school. There are few resources for formal education and/or vocational training for former abductees. There are no 'catch up" programs to facilitate reintegration into the educational system, and as a result, they are vulnerable to recruitment by the Local Defense Units or the UPDF.

Health conditions in the camps are generally poor with high incidence of disease. The camps are congested, and there are inadequate sanitary facilities (li-mited water points, and inadequate waste disposal). Health care is limited and often difficult to pay for. UNICEF provides free immunization clinics for children and MSF has established therapeutic feeding centers to cater for malnourished babies. There are relatively high levels of rape, sexual abuse and prostitution, but it is not known whether these rates are higher than outside the camps, nor do we know whether the rate of HIV/AIDS infection is higher than outside the camps. The HIV/AIDS prevalence rate in northern Uganda is said to be 11.9%, which is double the national rate estimated at 6.2% (Wallis 2004).

In terms of security, compared with the rural areas including the rural IDP camps, the urban camps near Lira are relatively safe from rebel attack as the UPDF is mobilized near them. Inside the camps, residents reported relatively few security concerns and low levels of crime. Each of the camps has a camp security committee, chosen by the community and mainly comprising IDPs, and facilitated by the Local Defense Units. The committee is responsible for resolving internal disputes. Gender-based violence and sexual exploitation are believed to be widespread in the camps, although there is little verifiable information as victimized women are reluctant to talk about their experiences. A few women we interviewed said they knew of women who had been attacked and raped at night in the camps, mostly around the places that sell local brew. These women were unable to seek legal redress as the camp authorities do not distinguish between harassment/rape and consensual sex or prostitution.

Obtaining credit in the camps is difficult. There are no banks or storage facilities for goods or money. Only a few private banks such as Stanbic and Centenary Bank have branches in Northern Uganda – the conflict-affected region is considered too risky an investment. Although there are several microfinance institutions, including FINCA Uganda, operating in Lira, they seldom give loans to non-salaried workers, and until the UWESO program began, they would not provide credit to IDPs because they are seen as transient, with no collateral, and a high credit risk.[4] A few people in the camp, including a salaried schoolteacher, were able to obtain a loan from Stanbic Bank or from FINCA. Although there are probably moneylenders in the camps, none of the IDPs we interviewed indicated they knew of one. Several IDPs said they were members of informal rotating credit groups, known as Chai (Tea) groups, but the extent of these is not known.

Without access to credit, the IDPs pursue a range of income generating activities. Many people in the camps, especially women, trade services, such as repair services for bicycles (the main means of transportation in Lira town and the rural areas), or products such as prepared food. However, this trade barely covers subsistence, and even then not everyone has the means to trade. One way in which the desperation over lack of income is manifest is prostitution. The internally displaced population is clearly in need of support to help them generate income to cover their basic needs.

UWESO'S PROGRAM TO SUPPORT IDPS

The Uganda Women's Effort to Save Orphans is a non-profit NGO concerned with improving the lives of orphans by empowering local communities to meet the social, economic and psychological needs of these children. It was started in 1986 as an initiative by women of Uganda, led by Janet Museveni, wife of President Yoweri Museveni, to provide food, clothing and blankets to orphans in war-torn areas and return children to their extended families. With the HIV/AIDS epidemic, UWESO began to provide welfare to AIDS orphans. In 1996, UWESO began the Savings and Credit Scheme (USCS), targeted at foster families looking after needy orphans, with area coverage in Gulu, Lira, Soroti, Kumi, Masaka and Mbarara. Along the lines of the Grameen Bank model, the credit scheme consists of group loans combined with intensive training. The scheme uses a 'solidarity group' methodology, in which loans are given to individual group members, but each member of the group guarantees the repayment of all funds borrowed by their cluster. Each group consists of 5-7 members, and each group belongs to a cluster of maximum 10 groups. It is preferred that groups existed prior to entering the program – having been formed for educational, economic, cultural or social purposes – rather than being artificially created for the purpose of obtaining a loan. Pre-existing social groups are seen as leading to stronger credit groups.

The program begins with training, which is required to participate in the program and occurs before loan disbursement. Eight weekly training sessions for each group cover the rules governing the USCS program, as well as elementary banking, bookkeeping and credit principles. Group officers (e.g. chair, secretary, and treasurer) are selected by group members. The members are expected to identify and qualify the individual businesses that will generate the cash flow necessary to repay the loan. Each group establishes its own rules, usually imposing fines or restricting future borrowing privileges for those who do not comply. After the loan disbursement, deposits and payments are collected at weekly "Cluster" meetings, which are also used for training sessions of various types. Compulsory saving serves as additional security for loans. Savings can be withdrawn only when all outstanding loans of the group have been cleared. The savings are not deposited in UWESO's bank account, rather each group/cluster establishes its own account at a local bank and the group savings accounts can also be used for collecting individual voluntary savings from group members.

By 2004, the USCS was a well-established microfinance service, with regular monitoring and supervision by the portfolio manager from headquarters. There was a Branch Office in Lira, with clusters in the surrounding rural areas. UWESO staff is familiar with monitoring and evaluation practices and evaluation is taken seriously, for example, in 2004 there was a monitoring mission by two consultants from Kenya.

Modifications of the USCS scheme for the Alchemy IDP Project

In 2004, with a small grant from the Alchemy Project, UWESO decided to pilot an extension of the Savings and Credit Scheme (USCS) to two IDP camps near Lira: Bala Stock Farm, then with a population of 10,582, and Starch Factory with a population of 4,433. UWESO was well positioned to do this. It had nine years of experience with micro-finance and a good reputation and credibility with the rural population in the north. The office in Lira had continued to provide services to the people until the security situation led to clients fleeing from rebel attacks. Some of those former clients now lived in the camps and were among the first to apply for loans under the new project. After explaining the USCS scheme to the IDPs through public rallies in the camps ("community sensitization"), UWESO commenced training.

The IDP pilot program was structured like the regular USCS, except for a few modifications. Whereas the regular USCS targeted at least 80% women, this was changed to 100% for the IDPs because, as explained by UWESO staff members, UWESO wanted to make the pilot project a success, and this was more likely to occur if the program worked with women. According to UWESO, the program's success depends on group coherence, and men tend to dominate the group dynamic often in a negative way. The program began with two women clusters, with plans to include men after the first loan cycle (Kembabazi and Ogbamichael 2004). Group formation was mainly determined by pre-displacement relationships, and was based on business relations, and reputation in the village of origin. In order to address both the relatively greater subsistence needs of IDPs and the greater credit risk they posed, the new program adapted loan terms and savings requirements. The mandatory savings rate was reduced from 20% in the regular USCS program to 10% for the IDP clients, and the loan amount was limited to a flat US$60, i.e. capacity to repay loan was not used as a determinant of loan size as in the regular program. One addition to the IDP program that was unrelated to microcredit was the incorporation of HIV/AIDS sensitization into the training curriculum. This was done as part of the HIV/AIDS integrated district program, a USAID/CDC funded program, which was started in 2004 to strengthen the organizational response to the HIV/AIDS epidemic.

Since the project began in 2004, a total of 183 loans have been disbursed to 120 IDP clients in two clusters, over two loan cycles. As of March 2005, the program's loan repayment rate was 100% for the Starch IDP cluster, and 99% for the Bala IDP cluster. According to the Lira District Manager, the IDP program has a higher repayment rate than USCS programs in other parts of the country. He credits the success of the program to a strong emphasis on training, and strict financial management. The manager also attributes success to the high value the IDP clients attach to credit, the groups' sense of ownership, and the clusters' ability to formulate their own enforcement rules and disciplinary actions against defaulters.

ASSESSING THE IMPACT OF THE MICROCREDIT PROGRAMS ON THE LIVELIHOODS OF IDPs AND REFUGEES

There are three levels at which a microfinance program can affect livelihoods: the household, the individual client, and the wider camp community. At the household level, if a microcredit program leads to increased economic security, this can in turn enable household members to pursue a wider range of livelihood options, including education, new investments, more viable repatriation options and so forth. At the individual client level, even if the client's financial security does not increase, participating in the program can potentially increase her human and social capital by boosting self-confidence, augmenting skills through training, enhancing social standing in the community and strengthening economic networks. At the camp level, a microcredit program can potentially affect the economic context or risk environment in which everyone pursues livelihoods. A microcredit program can enhance the credit culture or savings' culture of the camp through demonstration or spillover effects, or the program can contribute directly to the growth and diversity of the camp economy by stimulating the market.

Our research focused on the household level, seeking to understand the USCS program's impact on household economic security. We used the household economy portfolio model (HHEP) which attempts to measure change in the set of human, physical and financial resources and the set of production, consumption, and investment activities of the household (Chen and Dunn 1996). According to this model, participation in a credit scheme can improve the strength of a household's economic portfolio by 1) increasing the household's human, physical and financial resources, and 2) strengthening and diversifying its production, consumption, and investment activities. Human resources include the time, labor power, and skills of household members. Physical resources include tangible items at the disposal of the household members such as land, buildings, tools, raw materials, inventory, or equipment. Financial resources include cash and other forms of liquid savings. Household economic activities fall into three types:

(a) income generating activities such as trade or farm labor;
(b) consumption activities which are the satisfaction of material wants and needs through the provision of items such as food, clothing, medical services, liquor, ceremonies, and amusements. Consumption activities play a critical role in maintaining the health and vigor of the household members; and
(c) investment activities, in which household resources are used to enhance the resource base and thereby create additional income in future periods. Investment activities result in the acquisition of property (land, housing), physical stores of wealth (jewelry, livestock), financial stocks or interest bearing accounts (savings accounts, money loaned out), productive assets (sewing machine, truck, inventories), strengthened social networks, or improvements in human capital through training or education. Durable consumer goods such as bicycles, stoves, and refrig-

erators, which are used in income generating activities or household maintenance activities, can also be considered as investments.

Each of these activities can potentially be strengthened either directly through access to microcredit which enables growth in a microenterprise and profits, or indirectly, by participating in a program such as the USCS, which also provides training and related economic opportunities such as networking. It is important to note that a widely recognized problem with assessing impact is attribution. In our case, can we confidently say that it was the program that led to changes in the household economic portfolio (if we find them)? We tried to address this problem by triangulating our methods so as to gain the perspective of the community on how they saw the connection between the program and changes in their own economic situation. In exploring the impact on the household, we also learnt about the program's impact on individual clients, and on the broader camp environment.

Methodology

We used both quantitative and qualitative methods to explore the impact of the USCS program on the household economic portfolio. From June to August, 2004 and 2005, graduate student interns from Tufts University worked with UWESO to track the experience of IDP clients against a comparison group of non-clients. In June 2004, soon after the program began, we conducted a baseline survey of clients and a smaller comparison group of non-clients. The comparison group was drawn from the 'pipeline', i.e. they were qualified for the UWESO program (and therefore in similar economic situations as the clients) and in the initial phases of the eight-week training, but had not yet received a loan. In 2004, this comparison group was drawn from the same two camps as the clients, but in 2005, the comparison group was drawn from a third camp, Erute, because the program was about to start there. In 2004, the baseline survey covered 55 IDPs in the two camps, of whom 44 were UWESO clients and 11 non-clients. In 2005, 74 clients and 29 non-clients were surveyed. Of the 2005 client sample, 47 people had been in program for more than six months, and of these, eleven had been included in the baseline survey in 2004.

The baseline and follow-up surveys consisted of a three-page structured questionnaire, administered in English by an Alchemy intern or sometimes an UWESO employee, with the help of a translator who was usually an UWESO employee, or sometimes an IDP. Our questions concerned demographics, household structure, economic activities, and client attitudes towards the program. This was not an independent assessment – one of the goals of the Alchemy partnership with UWESO was to build research and assessment capacity through working closely with UWESO staff. It is possible that interviewee responses might have differed had UWESO not been present, however, while recognizing this possible source of bias, we do not believe the interviewees were systematically seeking to hide the program's impact from UWESO.

We also used qualitative methods, including focus groups and in-depth interviews, to explore our questions more deeply, and to probe the problem of attribution, that is whether and how the program itself (rather than other variables) affected household economic security. Qualitative methods allowed us to explore the impact of the program both on individual clients' livelihoods and on the broader camp environment. Interviews were conducted with a sub-set of clients, and with non-client IDPs and other key informants including branch managers and loan officers from local microfinance institutions, government district officials, and UWESO staff and branch executive committee members. The impact of the program on the implementing capacity of the UWESO Lira Office was also explored, but is not reported here.

Strengths and weaknesses of our methods

The strength of a survey is that it potentially yields data that provide statistical evidence of the economic impact of a microcredit program on household economic security. However such a survey requires a sensitive and well-calibrated instrument in addition to skilled interviewers. This is particularly a concern when it comes to measuring income, which is notoriously difficult to capture especially in poor communities. One difficulty with a survey is reliance on self-reported measures. We measured household consumption by asking about recent expenditures on food and non-food items, including "luxuries" such as meat, bottled soda, or a radio. Investment in housing was measured by asking about purchases of improved roofing and flooring materials. We were unable to conduct systematic checks on household consumption or income patterns, and for privacy reasons, were not able to check our respondents' savings records. Measuring these kinds of changes is particularly challenging in the case of people who are recipients of aid, who might have more incentive not to reveal household economic activities and resources. We cannot be sure of the validity of the self-reported measures we used in our baseline survey. One of the measures that troubled us most was income. We initially sought to measure monthly household income, but the difficulty of obtaining a valid and reliable measure of household income, problems with the data collection and the weakness of the resulting data, led us to jettison the income variable in our final analysis. Somewhat more reliable self-reported measures were savings levels, asset base, and consumption. Clients' responses about their perceptions of the program's effect on their household resources and activities are probably better measures of impact than those that try to measure actual changes in income.[5]

The total sample of IDPs, both clients and non-clients, is not representative of the larger camp population, and cannot be used to derive camp population estimates. At this writing, no known studies of the Lira IDP camp population are available. Our sample contained a number of selection biases relative to the rest of the IDP camp population. First, almost all our sample comprised women, since this was UWESO's target group. Second, the UWESO program selects clients that are relatively more entrepreneurial than other IDPs. It is also possible, although we did not study this, that the clients had relatively more resources to start with than the rest of the camp population. With forced displacement, all groups experience loss of assets, but some will be able to retain more assets than others. These bias concerns coupled with our small sample size mean our findings are not statistically significant, however, the direction of findings suggests some avenues for future research.

FINDINGS

In this section we report our findings about changes in clients' household economic portfolio, and some preliminary findings on the program's impact at the individual level and at the level of the broader camp community.

Table 1 shows some demographic characteristics of the survey respondents in 2004 and 2005. The 2005 sample tended to be a little older, but in both years, the samples were evenly split between those in the under-30 and in the 30-50 year old range. In terms of education, half of the samples in both years had no formal schooling, and a third had some primary school. Household size appeared to increase in 2005, from a mode of 5 and a range of 1-10 in 2004, to a mode of 8 and range of 4-12 in 2005. This increase could reflect a higher number of orphans being taken into households – in 2005, out of 103 households, 25 included orphans – but we did not study this. All households had children, with the number ranging from 2 to 14, and an average of six children per household. Housing consisted mainly of mud huts with grass-thatched roofs, which most of the IDPs constructed themselves. Those who did not build their own huts either rented housing or resided with family members.

Table 1: Age, Education and Household Size of respondents (Lira IDP camp residents)

	2004 Clients and non-client N=24	2005 Clients and non-clients N=103
Age		
Under 30 yrs old	45.8%	38%
30-50 yrs old	54.2%	48%
Over 50 yrs old	0.0%	14%
Education		
No Formal Schooling	54%	50%
Some Primary	33%	30%
Completed Primary	12%	19%
Size of Household		
range	1-10	4-18 members
mode	5	8
No. of Children		
range	n/a	2-14 children
mode	n/a	5

As shown in Table 2, before coming to the camps, most respondents reported that their main economic activity was farming. In the camp, however, there is limited access to farmland and farming activities are restricted to casual labor (digging, ox-ploughing and winnowing) outside the camps on Lira residents' farms. As with refugee or IDP camps elsewhere (Jacobsen 2005), the IDPs in the Lira camps have undergone a 'livelihood shift', and small businesses or micro-trade now surpass farming as the main source of income. More than half the respondents reported small business and trade as their main economic activities. These included buying and selling produce, fish, baked goods, beer, essential commodities (charcoal, salt, sugar, soap, matches, paraffin, bicycle spare parts), and operating small restaurants or bicycle taxis.

Table 2: Occupation of respondents before and after becoming IDPs

Occupation	2005 respondents (N=76)	
	Before becoming IDPs	After becoming IDPs
Farming	71% (54)	18% (14)
Small business	22% (17)	56% (43)
Other	7% (2)	25% (19)

Impact of the USCS Program on household economic portfolios

As described above, we explored whether participation in the USCS program had strengthened clients' household economic security by examining changes in household resources and economic activities as set out in the household economic portfolio model (Chen and Dunn 1996). Our data were not robust enough to allow us to report our findings on income. We interviewed 47 clients who had been in the program for more than 6 months (62% of the 2005 client sample). Of these, 19 (40%) were from Bala Stock Farm and 28 (60%) from Starch Factory Camp. Most joined the project when it began in 2004, and were entering their third loan cycle.

Most (90%) of the clients used their loans to either start or expand a small business. A small number gave the loans to their husbands to establish or expand his business. Most clients (92%) said they had generated profits from their loans, and as shown in Table 3, most clients used their profits for consumption smoothing, i.e. they increased both the type and quantity of food and non-food items used by the household. While few clients or non-clients could afford "luxury" household items, such as meat, chicken, and soda, a slightly higher proportion of clients appeared to consume these desirable items more regularly than non-clients. Some 12% of clients reported that they had purchased materials to improve the quality of their houses (cement for floors and corrugated iron roofs to replace thatch), compared with none of the non-clients. More than 70% of clients purchased household assets, and of these, the most frequently purchased item was a bicycle.

Clients also used their profits for investment, mostly in children's education (68% used their profits to pay school fees or buy school supplies), and a few to expand their business or add another business (12%). Notably, 3 client women (7%) said that participation in the program had enabled them to buy land, which they intended to use as an investment activity. The land could be used for farming and would be a source of income.

The savings requirement of the program appears to have significantly affected savings levels. In 2005, 83% of our clients reported they had savings, compared with 67% of the baseline sample a year earlier, and 52% of non-clients in 2005. Clients had more than double the average savings levels of non-clients. Clients' average savings was 54,600/= Ugandan shillings (US$33), with a range of 1,000/=to 300,000/=. Non-clients had an average savings level of 25,900/=. (US$17). The savings requirement also meant clients were exposed to the formal banking system. 41% of client respondents said they have savings in the Cluster Bank Account, and of these, 23% had additional savings in personal bank accounts. Another 25% indicate that they keep their savings at home.

Table 3. Savings and Consumption of Clients and Non-Clients (2005)

		Clients N=48	Non-clients* N=29
Do you have any Savings? Percent answering YES *(frequency)*		83% *(40)*	52% *(15)*
Average savings in US dollars *(Std Deviation)*		$33 *(16)*	$17 *(16)*
Did you purchase these items in the past week? Percent answering YES *(frequency)*	Chicken	19% *(9)*	0% *(29)*
	fish	54% *(25)*	62% *(18)*
	meat	50% *(24)*	28% *(8)*
	drinks	13% *(6)*	10% *(3)*
Have you used cement or iron sheeting to build your house? Percent answering yes *(frequency)*		12% *(6)*	0% *(0)*
Able to purchase productive assets	Bicycle	69% *(33)*	21% *(6)*
	Clock	14% *(7)*	0% *(0)*
Able to purchase consumer durables	New clothes (includ. school uniforms)	94% *(45)*	69% *(20)*
	Blankets	50.0 *(24)*	41% *(12)*
	Radio	69% *(33)*	14% *(4)*
	Sponge mattress	46% *(29)*	28% *(8)*
	Beds	40%*(19)*	17% *(5)*

* Note: the 2005 comparison group of non-clients came from a different camp (Erute) than did the 2005 clients, and cannot be seen as a 'control' group. However, the different economic achievement of the two groups illustrate what was possible for those who had access to the loan program.

In sum, most client households were able to add physical resources including tools, inventory, or equipment for their businesses, and in a few cases, even land. All the clients increased their financial resources in the form of savings. In terms of their household activities, as expected with very poor people, clients used their profits mainly to engage in consumption smoothing, i.e. they purchased household items that made life more comfortable and possibly safe –concrete floors and tin roofs, mattresses, radios. Some of this consumption is also investment in human capital. For example, purchasing school uniforms means children can go to school, and diversifying household diets enhances food security. Some household items, such as bicycles, are also investments when they are used to support the microenterprise.

Impact of the USCS Program on individuals

As with many microenterprise programs, the USCS program consisted mainly of female clients. Did participation contribute to their empowerment? At the individual level, the program added to clients' human capital by increasing skills through training. All clients said they had gained a new or enhanced set of skills such as book-keeping. All respondents were positive about the benefits of the compulsory training, and when asked what they found most useful about the program mentioned in particular the business skills and savings aspects. As a test to explore how much the clients valued the training, the survey asked whether they would be willing to pay about two dollars for additional training.[6] Of our 47 clients, 41 (88%) were willing to pay; they said they wanted more training in business skills and management, and refresher courses.

In interviews, many clients said the program had boosted their self-confidence, knowledge and leadership skills. This confidence on the part of clients was also referred to in interviews with non-clients, who recognized this as a sign of their neighbors' success. Clients reported that the program had helped restore their sense of dignity and self-worth. This was also reflected in their desire to seek higher loan amounts, and in their confidence in applying to microfinance institutions operating in the Lira area.

Impact of the USCS Program on the microenterprise environment of the camp

Did the impact of the USCS program extend beyond the clients to the rest of the camp? This issue was not a focus of our research, but individual and group interviews as well as direct observation by the authors allowed some insights that could be followed up by more research. The program appeared to have some 'spillover' effect on the microenterprise culture of the camps, particularly by contributing to the growth of a 'savings culture' as non-clients who want to participate in the program become aware of the savings requirement. Both clients and non-clients increased their exposure to formal banks and their knowledge of business practice. The practice of rotational banking by the cluster members exposed clients to the local banking facilities, and led to increased interaction between IDPs and bank staff. It is possible that as more clients keep their savings with banks rather than under their mattresses, other camp residents will too. Clients' acquisition of business skills from both the training and their business experience has contributed to the growth of sustainable business enterprises and the diversification of businesses and income sources in the camps. Based on these observations, we surmise that despite its small size, the program has contributed to improving the 'business culture' and economic vibrancy and of the camps.

One potential effect of the program, which would be worth further exploration, is its effect on clients' movement out of the camps. In interviews with the Lira District Local Council, the Chief Administrative Officer said one major achievement of the USCS program was that by enabling the IDPs to generate income in the camps, it lowered their need to return to their home villages to search for income, which is often combined with great security risks. He said the program also facilitated a gradual and sustainable return of the IDPs by ensuring access to credit when they returned home. As of 2004, district officials and WFP had no plans for an organized return program beyond the provision of resettlement kits. Hence, the kind of support UWESO is offering is very crucial (Kembabazi and Ogbamichael 2004).

Possible negative consequences

Our research of the USCS program did not identify any widespread problems for the IDPs, but if microenterprise services continue to be provided, careful attention should be paid to ensure problems do not arise. One possibility is that as client women become more economically successful they will be burdened with more obligations to those who don't have resources. For example, 'child-loading' occurs when families, and especially women-headed households, that are doing relatively better than others in the community are asked or expected to take on additional family responsibilities including orphans – a serious, under-resourced, and under-researched problem in refugee and IDP camps.

CONCLUSIONS AND RECOMMENDATIONS

Our data suggest that despite its short duration, the USCS program has improved clients' household economic portfolio in terms of both increased resources and strengthened activities. There are also preliminary indications that spillover effects of the program were positive for the microenterprise culture of the IDP camps. However, the small scale and short duration of the program meant it was unlikely to have had much effect on camp-wide problems of poverty and lack of income generating resources. We believe that our findings point to the need for such programs to be 'scaled up' so as to reach more displaced people. Certainly the demand for microcredit is growing in camps. Should microcredit programs be funded, the following lessons from the UWESO program might be worth noting:

1. Programs for refugees and IDPs should include a graduation mechanism, such that clients who establish good credit histories can be referred to other MFIs or banks either in the region or after they return to their places of origin. Linking to traditional MFIs or banks can ensure that a client with a sound credit history can access larger loans. Returnees who have access to credit are much more able to begin the process of reconstructing their livelihoods. UWESO began the IDP program by working with the local bank in Lira and thereby ensured that the bank became aware of the IDPs' credit history.
2. The success of a microcredit program for both refugees and IDPs is increased when it is implemented by a locally known and trusted organization with experience in micro-finance services. UWESO's good

reputation with the rural population throughout the country and specifically in the north was a key factor for the success of the project.

3. Importance of training. One of our strongest findings was clients' expression of the need for further training and refresher courses. In other cases (notably in Zambia), the Alchemy Project found that many clients sought the training even more than the loan itself (Schlapkohl 2005). This suggests that even if loan programs aren't possible, a business training program, which is more easily implemented, could make a strong contribution to displaced people's ability to pursue microenterprise.

UWESO's microcredit program is an important pioneer of livelihood support for IDPs, both in its willingness to risk providing microcredit to IDPs, and in its desire to understand the outcomes. UWESO is one of the few national organizations in Africa currently seeking to provide microfinance services and business training to IDPs in a conflict zone. UWESO's IDP program is conceived, designed and implemented by a national organization (not an international NGO), and is based on adapting the successful format of an existing loan program for nationals. Donors would do well to support these kinds of efforts by national organizations, especially those that seek to ensure that positive consequences are supported and that problems are identified and addressed. Attempts to understand the impact of microfinance programs on the livelihoods of displaced people are few, and more such attempts are needed. The work of the Alchemy Project at Tufts University has made some contribution to the methodology and findings of this kind of evaluation, and we are keen to collaborate with others in taking this exploration forward.

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Notes

[1] For a description of the Grameen Bank's credit delivery system, see: www.grameen-info.org/bank/cds.html

[2] The Alchemy Project, which began with a generous grant from the Alchemy Foundation, is based at the Feinstein International Famine Centre at Tufts University. For more on the AP, see www.famine.tufts.edu.

[3] Now called the Internal Displacement Monitoring Center, at http://www.internal-displacement.org/8025708F004CE90B/(httpCountries)/04678346A648C087802570A7004B9719?OpenDocument

[4] The limited access to credit was confirmed by a survey conducted by Alchemy interns and UWESO to determine the activities of MFIs operating in Lira. See Jane Kembabazi, Akua Ofori-Adjei and Specioza Namakula. "Assessment of Microfinance Institutions Working in Conflict Areas: Case Study of Lira District." Alchemy Report. August 10, 2005. www.famine.tufts.edu

[5] These perception questions were phrased as follows: "How in your view did the UWESO Project contribute to your asset base?" "How did you use the loans you received?" and "How did you use the profits?"

[6] We asked: "If we charged 3,400Ug Sh for the next training workshop, would you pay to attend?"