

BEYOND MAKING ENDS MEET: URBAN REFUGEES AND MICROFINANCE

Prepared for the Women's Refugee Commission

womensrefugeecommission.org

Master's Project
Master of Public Policy
Sanford School of Public Policy
Duke University

Abigail J. Sylvester
Candidate for Master of Public Policy, May 2011

Adviser: Jerry VanSant

April 2011

ACKNOWLEDGEMENTS

I would like to thank my master's project adviser, Jerry VanSant, for his constant feedback and guidance throughout this project. I learned a great deal from his wealth of knowledge and experience.

I would like to thank Professor Phyllis Pomerantz and Professor Sarah Bermeo for serving on my review committee and offering advice and guidance in the early stages of my work.

I would like to thank Jasmeet Krause-Vilmar from the Women's Refugee Commission for her leadership, guidance, contributions and patience as this project evolved and for whole heartedly including me in her work at the Women's Refugee Commission.

Finally, I want to thank my friends and former colleagues from the refugee community in Cairo, Egypt who inspired me to carry out this project and who continue to advocate for refugees worldwide. I'm grateful for their friendship, strength and optimism.

The author may be contacted by email at abigail.sylvester@gmail.com

TABLE OF CONTENTS

Acronyms and Abbreviations	iii
Executive Summary	iv
Chapter One: Introduction	1
Chapter Two: Background	5
A. Urban Refugees Are Becoming the Norm	
B. The Plight of the Urban Poor	
C. Challenges Urban Refugees Face	
D. The Role of UNHCR	
Chapter Three: Microfinance as a Livelihoods Approach	11
A. Microcredit and Microsavings for the Urban Poor	
B. Applying Microcredit to Urban Refugees	
C. Applying Microsavings to Urban Refugees	
Chapter Four: Institutional Analysis of UNHCR	18
Chapter Five: Options for UNHCR	22
Chapter Six: Implementation and Monitoring and Evaluation	34
Chapter Seven: Conclusion	38
References	39
Appendix A: Further Resources	43
Appendix B: Interview List	44
Appendix C: Options Considered But Not Recommended	45

ACRONYMS & ABBREVIATIONS

ASCA	Accumulating Savings and Credit Associations
BRAC	Bangladesh Rehabilitation Assistance Committee
CGAP	Consultative Group to Assist the Poor
DFID	UK Department for International Development
FINCA	Foundation for International Community Assistance
MFI	Microfinance Institution
NGO	Nongovernmental Organization
PRSP	Poverty Reduction Strategy Papers
ROSCA	Rotating Savings and Credit Associations
SIDA	Swedish International Development Agency
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
WRC	Women's Refugee Commission

BEYOND MAKING ENDS MEET: URBAN REFUGEES AND MICROFINANCE

By Abigail Sylvester

EXECUTIVE SUMMARY

The purpose of this paper is to determine the types of programs, partnerships and policies UNHCR should support to improve microcredit and microsavings for urban refugees in the informal economy. I set out to accomplish this purpose in partnership with the Women's Refugee Commission, an evidence-based advocacy organization that advocates vigorously for laws, policies and programs to improve the lives and protect the rights of refugee and internally displaced women, children and young people, including those seeking asylum—bringing about lasting, measurable change. Though independent, WRC often collaborates with UNHCR and other stakeholders to determine better practices and approaches for protecting refugees, especially women and youth.

There are approximately 10.5 million refugees worldwide, more than half of who live in urban areas and only a third in camps.¹ Refugees in protracted situations make up 68% of the refugee population, meaning they are not sure when or if they will return home. The average length of their displacement is 17 years, hardly a length of time appropriate for short-term, humanitarian interventions.² The trend of urbanization does not apply exclusively to refugees. More than half of the world's population lives in urban areas, 1.5 billion living in poor urban and slum areas.³

Urban refugees typically live in the same communities as urban poor. Both groups operate primarily in the informal economy, face bribery and harassment from police, and have inadequate social safety nets such as healthcare, education and housing. Women are particularly vulnerable to exploitation and gender-based violence under these circumstances. Refugees face additional challenges as they often do not have proper documentation, clear legal status or rights to work or movement as do their host neighbors. These challenges result in additional protection concerns and obstacles to generating an income and becoming self-reliant.

Microcredit and microsavings are approaches that development actors are exploring to help protect and reduce poverty among urban poor, but urban refugees are often left out of these microfinance schemes. Refugees have expressed the need for microcredit to grow their informal businesses, and microsavings schemes to help establish financial security. Utilizing financial services could help many refugees achieve self-reliance. I identified four categories where UNHCR can support microfinance: partnerships,

¹ UNHCR, *Refugee Figures*, accessed September 27, 2010, <http://www.unhcr.org/pages/49c3646c1d.html>.

UNHCR, *UNHCR Policy on Refugee Protection and Solutions in Urban Areas*, September, 2009, p. 2.

² Dale Buscher and Jasmeet Krause-Vilmar, *Women's Refugee Commission Proposal for PRM Funding: Urban Displacement*, Women's Refugee Commission, July 15, 2010.

³ Anna Tibaijuka, "Adapting to Urban Displacement," *Forced Migration Review*, no. 34 (February 2010): p. 4.

programming, policy and evaluation and advocacy. I developed nine different options within these categories and analyzed them against three criteria: ensure political feasibility, consider UNHCR's financial limitations, balance refugee protection concerns with economic stability. I ultimately recommend all nine options for UNHCR to consider for implementation.

Partnerships

1. Strengthen and increase partnerships with international and national development actors and host government ministries to carry out microfinance programs.
2. Strengthen and increase partnerships between field officers, country staff, city officials and development groups to carry out microfinance programs.

Programming

3. Pilot microcredit and microsavings programs in select urban locations over longer project time horizons. Emphasize microsavings first and more broadly, and only apply credit to refugees who meet the appropriate criteria. Use both sustainable MFI models and subsidized and non-financial service models depending on the needs of the population in the pilot location.
4. Build the capacity of field officers, implementing partners and future MFI partners to successfully extend microfinance services to urban refugees.
5. Pilot guaranteeing loans for refugees who show potential to start and grow a scalable business and who could then hire other refugees and urban poor.

Policy and Evaluation

6. Allow UNHCR staff to commit funds to microfinance projects for up to five years before having to request an extension for project funds.
7. Rigorously monitor and evaluate not just the financial, but also the social impact of microfinance programs for urban refugees.

Advocacy

8. Lobby donors for increased self-reliance and livelihood funds intended to support and partner with existing MFIs, government agencies and development NGOs in order to offer more savings and credit options to refugees.
9. Continue advocacy efforts with host national and local governments and MFIs. Use messages of self-reliance and contributions to local economic development. The goal of advocacy should be to ensure an enabling environment for work and financial services for refugees.

UNHCR has issued guidance and explored microfinance previously in a limited number of ways. However, my recommendations apply specifically to urban refugees predominantly in non-conflict settings. UNHCR and development actors have tended to focus primarily on microcredit. However, credit should be applied cautiously to refugees who meet specific criteria. Microsavings is a more appropriate approach for a wider range of refugees, especially the poor and vulnerable who risk going into debt. The poorest and most vulnerable often need a graduation model of financial services. Another approach for the poorest requires the provision of social services like healthcare, education, business training, or one-time asset transfers alongside credit and savings.

Credit or savings alone is not the solution for refugees to protect themselves or grow their household income. Advocacy, policy changes and partnerships are necessary as UNCHR and WRC move forward in supporting microfinance programs for urban refugees in the informal economy.

BEYOND MAKING ENDS MEET: URBAN REFUGEES AND MICROFINANCE

By Abigail Sylvester

CHAPTER ONE: INTRODUCTION

This section explains the overall purpose of the paper and the research methodology I used to collect and synthesize data and information. I then provide background on the client and context in which the paper was written. Finally, I provide an explanation of the scope of the paper, explaining key concepts and parameters of the research.

A. Statement of Purpose

The purpose of this paper is to determine the types of programs, partnerships and policies the United Nations High Commissioner for Refugees (UNHCR) should support to improve microcredit and microsavings for urban refugees in the informal economy.

Development actors use microfinance to reduce poverty among some of the poorest urban communities. Urban refugees often live in these same areas, but are rarely included in such activities. UNHCR is dedicated to a policy of self-reliance for refugees and has dabbled in microfinance activities, but could expand and strengthen this approach. The country and city contexts vary, requiring UNCHR to adapt activities and partnerships accordingly. This paper explores program possibilities, the necessary partnerships to support microfinance activities and the policies that UNHCR may need to adapt or create to support these efforts. Much of the guidance draws on existing development expertise and lessons learned from microfinance for the urban poor, as well as some of the existing literature on microfinance for refugees in camp settings.

B. Research and Methodology

The Women's Refugee Committee (WRC) sent a team to Kampala, Uganda in 2010 during September and October to conduct a field assessment involving community focus groups and household interviews with urban refugees. The team also interviewed local refugee and Ugandan business owners and entrepreneurs in various markets, municipal officials and NGOs that interact with refugees. The focus groups and interviews with refugees were meant to offer a more complete picture of both the livelihood challenges refugees face and the coping strategies they use to survive.

The ultimate recommendations from this report are intended to apply globally, not just to Kampala. In order to handle the variance across context and between refugee groups, examples from the Kampala assessment are coupled with reports, evaluations and case studies from other urban areas to illustrate how activities and partnerships need to be adapted.⁴

⁴ See Women's Refugee Commission, *The Living Ain't Easy: Urban Refugees in Kampala*, March 2011, for a full report from the field assessment.

WRC staff and I also collected data through extensive desk research and interviews with development and refugee experts and organizations that have adopted livelihood approaches in urban settings. The purpose of the interviews was to better understand microfinance within the development approach to poverty alleviation. We also wanted to gather lessons learned and understand ways microcredit and microsavings need to be adapted for urban refugees. I used a snowball sampling method to identify experts, starting with WRC's own network and identifying authors of key urban refugee literature. I asked each of them who I should speak to for further information and data.

Drawing on existing literature, UNCHR documents, case studies, evaluations, interviews and the Kampala field assessment, I synthesized the problems that UNCHR faces in supporting microfinance for urban refugees. I then developed possible solutions and weighted them against important criteria and stakeholder interests. Finally, I made a series of recommendations for UNHCR as they move forward in implementing the 2009 Urban Refuge Policy and supporting livelihoods.

C. Client

The Women's Refugee Commission (WRC) is an evidence-based advocacy organization that advocates vigorously for laws, policies and programs to improve the lives and protect the rights of refugee and internally displaced women, children and young people, including those seeking asylum—bringing about lasting, measurable change. The WRC's Livelihoods Initiative aims to promote systemic change in policy and in practice at both the global and field levels focused specifically on effective livelihood programs and women's economic empowerment as a tool to mitigate vulnerability to gender-based violence.

In 2010, WRC received funding for a yearlong project from the U.S. State Department Bureau of Population, Refugees and Migration to assess the economic needs, coping strategies, livelihood possibilities and protection issues that urban refugees face. In collaboration with UNHCR Geneva, the project includes assessments in three cities (Kampala, New Delhi and Johannesburg) and extensive desk research and interviews with various local, national and international stakeholders and experts. Ultimately, WRC will produce several reports and guidance for UNHCR, NGOs, donors and practitioners to better promote livelihood strategies in urban areas.⁵

This paper, focused on microfinance, is one component of the overall project. UNHCR is the intended audience and end-user of the policy, partnership and program recommendations, as WRC acts as an intermediary and partner in delivering the research and analysis and advocating for the recommendations.

⁵ A comprehensive report from Kampala was released in March 2011. Women's Refugee Commission, *The Living Ain't Easy: Urban Refugees in Kampala*.

D. Scope

1. *Urban areas distinct from post-conflict areas*

This paper is focused on refugees in urban areas, not necessarily refugees in conflict or post-conflict contexts.⁶ However, mentioning “refugee” often leads a reader to imagine a conflict or post-conflict setting. Rather, most urban refugees are in cities removed from conflict and reside in the city for a significant length of time. For instance, refugees residing in Kampala, but from Sudan or Somalia come from post-conflict and conflict settings, but Kampala itself is not considered post-conflict. This is an important distinction as the constraints and contextual factors important for livelihood programs in post-conflict settings do not apply to most urban areas where refugees reside. Other urban areas mentioned in this report include Johannesburg, New Delhi, Karachi, Lahore, Nairobi, Sana’a, and Cairo, none of which are considered post-conflict.

2. *Humanitarian Aid versus Development*

The distinction between humanitarian and development sectors is also important. UNHCR is considered a humanitarian agency with a unique mandate to intervene with short-term assistance. Development actors take a longer-term approach, often focusing on structural changes. This distinction has implications for the areas of expertise each sector has, funding streams, time-horizons, priorities, missions and target populations. Historically, these two sectors have remained quite distinct, but the issue of urban refugees poses a challenge, as this population does not fit squarely in one sector or the other. In fact, UNHCR’s recent push for self-reliance among refugees begins to blur the line between short-term and longer-term assistance. I will explore self-reliance and the development sector throughout this paper.

3. *Why Microfinance?*

This paper focuses on microfinance (credit, savings, insurance, grants) for a number of reasons. First, microfinance has emerged as an important and popular tool in helping the poor climb out of poverty by providing access to credit, savings and insurance schemes. When targeting the poorest of the poor, development actors often provide these services in conjunction with non-financial services such as healthcare, education, food supplements, financial literacy and business training. Microcredit alone is not the silver bullet to empower the poor or reduce poverty. However, an array of microfinance products, coupled with non-financial services, tailored to the needs of the individual can be a crucial component of poverty alleviation.

⁶ Urban area is defined as a “built-up area that accommodates large numbers of people living in close proximity to each other, and where the majority of people sustain themselves by means of formal and informal employment and the provision of goods and services. While refugee camps share some of the characteristics of an urban area, they are excluded from this definition.” Defined by UNHCR, *UNHCR Policy on Refugee Protection and Solutions in Urban Areas*, September, 2009, p. 2.

However, microfinance is rarely extended to urban refugees by development actors, despite the potential for this livelihoods approach to help them become self-reliant and contribute to the local economy without compromising their safety and security. In light of UNHCR's recent emphasis on self-reliance among urban refugees and the role urban refugees play in the local informal economy, it is important to examine if and how UNHCR should better support this livelihoods approach.

Second, microfinance is particularly relevant for urban refugees, yet UNHCR has given this approach minimal attention in urban areas. Though UNHCR has implemented some type of microfinance in 45% of its country operations since 2000, these have predominantly been in camp or rural settings and only recently in urban areas.⁷ One of the causes for microcredit failure in camp and rural settings is that refugees do not have access to markets to grow and expand small enterprises.⁸ However, in urban areas, refugees access informal markets quite readily, though such access often becomes a protection concern, as we will see later.

Finally, several of WRC's reports have recommended microcredit and microsavings activities and the recent *Building Livelihoods Field Manual* by WRC dedicates an entire chapter to this topic and advises practitioners on how and when to implement such measures.⁹ Rather than summarizing the thorough work of the field manual, the client was particularly interested in how UNHCR can better support this type of activity in an *urban setting* in light of the Kampala and subsequent field assessments.

4. Solutions in the current landscape

Another emphasis of this paper is what UNHCR can do *currently*. There are many legal, political and macroeconomic constraints in place that UNHCR may or may not be able to influence in the long-term. UNHCR plays a pivotal role in advocating for legal rights and policies for refugees in host countries, however, advocating for legal change is not enough for urban refugees facing livelihood challenges now. This project focuses more on what UNHCR can support and accomplish in the existing political and legal context in a given country. For example, many countries prohibit refugees from the right to work and UNCHR should continue to advocate on this issue. However, livelihood interventions must be carried out while the change occurs or in case it never does.

⁷ Michelle Azorbo, *Microfinance and Refugees: Lessons Learned from UNHCR's Experience*, UNHCR Policy Development and Evaluation Service, Research Paper No. 199, January 2011, p. 11.

⁸ Karen Jacobsen, *Microcredit and Other Loan Programs In Protracted Refugee Situations: Lessons from the Alchemy Project*, Feinstein International Center, Tufts University, April 2004, p. 17.

⁹ Women's Refugee Commission, *Building Livelihoods: A Field Manual for Practitioners in Humanitarian Settings*, March 2009, pp. 152 – 189.

CHAPTER TWO: BACKGROUND

In this section I chart the importance of urban refugees in the global landscape, and the challenges they face in cities. I also describe the challenges urban poor populations encounter and the similarities and differences with urban refugees. I conclude by explaining the role UNHCR has in engaging and supporting refugees in cities.

A. Urban refugees are becoming the norm

There are approximately 10.5 million refugees worldwide, more than half of who live in urban areas and only a third in camps.¹⁰ Refugees in protracted situations make up 68% of the refugee population, meaning they are not sure when or if they will return home. The average length of their displacement is 17 years, hardly a length of time appropriate for short-term, humanitarian interventions.¹¹ The trend of urbanization does not apply exclusively to refugees. More than half of the world's population lives in urban areas, 1.5 billion living in poor urban and slum areas.¹²

While urban refugees are not an entirely new phenomenon, their growing numbers and length of displacement are posing a challenge to humanitarian and development efforts and to host national governments and local communities. As the number of urban refugees grows and the time of their stay lengthens, it is impossible to think about how to assist refugees without first understanding the local population and community they inevitably interact with and live among. The urban poor are almost always refugees' neighbors, landlords, employers, co-workers, employees, friends, service providers or competitors. Urban refugees are often entering into significant challenges and obstacles that urban poor already face.

B. The plight of the urban poor

There are some common challenges and risks urban poor face, which often extend to urban refugees. Since social norms and economic and legal regulations vary across countries, rather than making generalizations, this section offers examples from different countries and regions to highlight the types of challenges urban poor face.

First, the reality for most urban poor is that they work and operate in the informal economy. Approximately 78% of the non-agriculture work force in Africa is in the informal economy. This is 57% in Latin America and the Caribbean and 45 – 85% in Asia.¹³ This means most urban workers lack the formal protection that comes with

¹⁰ UNHCR, *Refugee Figures*, accessed September 27, 2010, <http://www.unhcr.org/pages/49c3646c1d.html>.

UNHCR, *UNHCR Policy on Refugee Protection and Solutions in Urban Areas*, September, 2009, p. 2.

¹¹ Dale Buscher and Jasmeet Krause-Vilmar, *Women's Refugee Commission Proposal for PRM Funding: Urban Displacement*, Women's Refugee Commission, July 15, 2010.

¹² Anna Tibaijuka, "Adapting to Urban Displacement," *Forced Migration Review*, no. 34 (February 2010): p. 4.

¹³ Kristina Flodman Beck, *The Informal Economy: Fact Finding Study*, SIDA, March 2004, p. 3.

labor laws, minimum wage and safety nets like pension plans, health insurance and disability.

Second, urban areas in developing countries typically have saturated labor markets and high unemployment. For instance, despite the fact that Patna, India was recently ranked by the World Bank as the second easiest city in India to start a business,¹⁴ 92% of street vendors and hawkers said that they chose this income source because there were no other jobs.¹⁵ Of these informal economy workers, 67% believed they had skills for better jobs. Others explained the reason they chose this profession is because the market entry is easy and necessary investment is low.

Third, while more banks and financial institutions exist in urban areas than in rural, often the poor are excluded from accessing these services.¹⁶ Operating in the informal economy, the poor face high economic volatility and inconsistency, which is perpetuated by the inability to access credit, savings or insurance to build stronger businesses, smooth out consumption or weather economic shocks. Financial institutions view the urban poor as a risky clientele, with minimal collateral and unstable incomes making them more likely to default on loans. The poor require MFIs to tailor services to their needs. MFIs need to reach a large population in order to recoup costs, efforts MFIs are often unprepared or ill equipped to make.

Fourth, compared to rural areas, some argue that urban poor have more access to basic services like housing, healthcare, water and sanitation, infrastructure and education. While the quantity of services may be higher, it becomes an issue of quality. For instance, there may be more health clinics, schools and water sources, but the quality may be so poor that it has a null effect.¹⁷

Fifth, urban poor, especially women, face harassment, exploitation, gender-based violence and bribery from the police. A study examining the risks and obstacles the extreme poor face in Kamalapur, Bangladesh found that many women face eviction and harassment by police authorities.¹⁸ In Patna, India vendors and street hawkers, many of which are women, often paid daily fines to the local police as a way to protect themselves and their goods, but even paying the fine did not prevent police trucks from pulling up and confiscating goods.¹⁹

¹⁴ "New Delhi, Patna Best Cities to Start New Businesses: World Bank," *The Times of India*, June 30, 2009, http://articles.timesofindia.indiatimes.com/2009-06-30/india-business/28178105_1_world-bank-cities-report-ranks, (accessed March 8, 2011).

¹⁵ Sharit K. Bhowmik, *Hawkers and the Urban Informal Sector: A Study of Street Vending in Seven Cities*, National Alliance of Street Vendors of India, 2001, p. 11.

¹⁶ "Main Problems Faced by those in the Informal Economy," The World Bank Group, Urban Development, accessed March 8, 2011, http://info.worldbank.org/etools/docs/library/166856/UCMP/UCMP/main_problems.html.

¹⁷ Myles Elledge, RTI International, interview by Abigail Sylvester and Jina Krause-Vilmar, telephone, February 16, 2011.

¹⁸ Dipankar Datta and Iqbal Hossain, *Reaching the Extreme Poor: Learning from Concern's Community Development Programmes in Bangladesh*, Concern Worldwide, March 9, 2003, p. 9.

¹⁹ Bhowmik, 12.

Sixth, urban poor income is often sporadic, seasonal or dependent on day-to-day sources and, if lucky, barely covers basic necessities. Typical life events can wreak havoc and create major economic shocks to household incomes. Illness, injury, death, childbirth, weddings, holidays or unemployment are examples of life events that can cause households to resort to negative coping strategies like selling off assets, postponing debt repayment, reducing the number of meals eaten per day or taking children out of school so they can work.²⁰ Urban refugees are no exception and often face similar dilemmas.

Clearly, the urban poor have their fair share of challenges when trying to eke out a living and staying safe. Their national and local governments, however effective, are charged with improving many of these issues, often with the help of multilateral organizations like the World Bank and international, national and local NGOs. Development actors have adapted microcredit and microsavings programs to reduce poverty and empower the poor. Living in the same communities and neighborhoods, refugees face these challenges and more, but are often left out of these development and poverty alleviation efforts. The next section explores the additional challenges refugees face and the reasons behind them in order to highlight how UNHCR must ultimately support financial services for urban refugees.

C. Challenges urban refugees face

1. Political and Legal Challenges

Unstable, weak, corrupt or oppressive governments are unlikely to see refugees as an asset, but rather as a threat or burden at best, often reflected in policies towards refugees that limit their legal status.²¹ Many of the countries receiving refugees are either not signatories of the 1951 Geneva Convention and 1967 Protocol—the international treaties outlining refugee law—or do not carry out their obligations.²² De facto, many governments do not grant refugees basic legal protection, prohibiting them from work, deporting or arresting them or restricting their movement. Often local municipal authorities are unaware of the urban refugee population in their jurisdiction or have little incentive to protect or include them in services and programs for local residents.

²⁰ Concern Worldwide, 9.

Hussan-Bano Burki and Shama Mohammed, *Mobilizing Savings from the Urban Poor in Pakistan: An Initial Inquiry*, ShoreBank International, Research Paper 01, May 2008, pp. 6 – 8.

Women's Refugee Commission, *The Living Ain't Easy*, 2010, p. 14.

²¹ Women's Refugee Commission, *Desperate Lives: Burmese refugee women struggle to make a living in Malaysia*, Field Mission to Kuala Lumpur, Malaysia, May 2008, pp. 1 – 8.

Gregory Chen, "Unseen, Unheard, Unaided: Urban Refugees in Dar Es Salaam, Tanzania." *U.S. Committee for Refugees and Immigrants*, accessed September 27, 2010, <http://www.refugees.org/article.aspx?id=1173>.

Women's Refugee Commission, *Earning Money/Staying Safe: The Links Between Making a Living and Sexual Violence for Refugee Women in Cairo*, Field Mission to Cairo, Egypt, July 2008, pp. 1-10.

²² UNHCR, *States Parties to the 1951 Convention Relating to the Status of Refugees and the 1967 Protocol*, Oct 1, 2008, <http://www.unhcr.org/protect/PROTECTION/3b73b0d63.pdf> (accessed October 3, 2010).

Obtaining the proper documentation and becoming officially registered with UNHCR is a challenge for urban refugees. Some are in the city to remain anonymous, fearful that exposure will result in detention, harassment or even forcible return to their country of origin. They do not necessarily want to be identified by UNHCR as a person of concern.²³ Some are not aware that UNHCR exists to protect and support refugees. Even if refugees want to be identified, their dispersal throughout a city makes it far more difficult for UNHCR to identify individuals than if they were in a camp. UNHCR may not be centrally located in a city, but rather on the outskirts of town, making transportation to the office a major obstacle.²⁴

Even if refugees go through the process of registration and obtain proper documents, local officials and employers may not recognize the paperwork or understand what it means. South Africa has some of the most progressive work permit policies on the books, theoretically allowing refugees to enter the work force, but xenophobia is so rampant and discrimination so great, that work permits do refugees very little good in actually obtaining and keeping a job without putting themselves at great risk of harassment.²⁵

Other countries limit a refugee's movement. In Uganda, refugees are officially told they must live in rural agricultural settlements and by choosing to live in a city like Kampala, they risk losing assistance and protection from UNHCR.²⁶ This also means traveling from one city to another is a great risk, even though for traders and business people moving from one place to another is often crucial for them to buy or sell goods. A successful Somali refugee camel trader in Kampala has to travel to the Kenyan border to purchase camels and transport them back to Kampala for sale. Though he has the proper permits from the police, he still gets stopped and is forced to pay bribes.²⁷

In some countries, laws prohibit local financial institutions from offering refugees savings accounts. In Sana'a, Yemen, a major initiative between the government, UNDP and the Social Fund for Development to extend financial services to urban poor prohibits implementing organizations from offering credit and savings services to non-Yemini citizens, immediately excluding refugees.²⁸

²³ UNHCR, *Informal Summary, Third High Commissioner's Dialogue on Protection Challenges Theme: Challenges for Persons of Concern*, UNHCR, December 8-10, 2009, p. 6.

²⁴ Personal experience by Abigail Sylvester, working in Cairo with the refugee population 2007 – 2009.

²⁵ Loren B. Landau, "Protection and Dignity in Johannesburg: Shortcomings of South Africa's Urban Refugee Policy," *Journal of Refugee Studies*, Vol. 19, No. 3, 2006, pp. 314 – 315, 316.

²⁶ Refugee Law Project, *A Drop in the Ocean: Assistance and Protection for Forced Migrants in Kampala*, Working Paper No. 16, March 2005, pp. 7 – 8.

²⁷ Somali refugee business owner, interview by Joan Aliobe and Nurta Mahamed, Kinsenyi Kampala, Uganda, October 1, 2010.

²⁸ Social Fund for Development, "Small and Microenterprise Development," accessed March 8, 2011, http://www.sfd-yemen.org/SFD/SMED_Unit.htm.

2. Economic Challenges

As highlighted above, urban areas in developing countries have their own economic woes. High unemployment rates, inflation, food prices and poverty rates afflict many of these major cities. Urban refugees are often seen as an additional economic burden and are vying for jobs and income sources alongside the poor, but often without the legal protection, social network or language skills of the local population.²⁹ When refugees do start businesses, hawk goods or act as vendors, they must often pay additional bribes and risk having their goods confiscated or business shut down by police or immigration officials. This severely limits the amount of income they can earn.

3. Social Challenges

The social norms of any given urban area are likely to be different from refugees' home community. Xenophobia, racism or general tension between the local population and refugees are common, often culminating in harassment, violent attacks by citizens or police and even detention.³⁰ Language barriers often exacerbate misunderstanding, induce refugee isolation and make getting a job all the more difficult. Refugees frequently flee to neighboring countries where there may be a history of enmity between the two nations.³¹ Because both the urban poor and refugees typically lack access to the same basic social services such as healthcare and education, this can create further tension and hostility between the two communities.³² Refugee women often face additional security concerns, feeling they have no other option but to resort to sex work or prostitution, but with no legal or medical recourse to keep them safe and healthy.

D. The role of UNHCR

In 2009, UNHCR issued a revised urban refugee policy,³³ significantly developing and expanding the way the agency thinks about and handles refugees in urban areas as opposed to camp or rural settings. The policy is ambitious, but country offices, field officers and partners are having trouble implementing the policy.

One of the main themes in the policy is refugee self-reliance. UNHCR commits to supporting refugees socially and economically via education, vocational training, livelihoods promotion and other self-reliance initiatives. The policy acknowledges that urban refugees are often "barred from the labor market and not permitted to engage in

²⁹ Sara Pavanello, Samir Elhawary and Sara Pantuliano, *Hidden and Exposed, Urban refugee in Nairobi, Kenya*, Humanitarian Policy Group Working Paper, Overseas Development Institute, March 2010, <http://www.odi.org.uk/resources/details.asp?id=4786&title=urban-refugees-nairobi-kenya>.

³⁰ Women's Refugee Commission, Field Mission to Cairo Egypt. Pavanello, et. al.

³¹ Karen Jacobsen, "Just Enough for the City: Urban Refugees Make Their Own Way." *World Refugee Survey* 1, (2004): p. 57-65. <http://www.refugees.org/article.aspx?id=1156> (accessed September 27, 2010).

³² Pavanello, et. al.

³³ UNHCR, Urban Areas Policy, 2009.

income-generating activities,” but that UNHCR will “make every effort, in cooperation with the authorities, to ensure that urban refugees have access to such opportunities.”³⁴ In order for refugees in urban areas to become self-reliant they need safe and adequate livelihoods to support and protect themselves and their families. Women, especially, need gender appropriate and safe income generation opportunities.

Over the years, UNHCR has tried to expand and improve their livelihood activities and programming, implementing livelihood initiatives in over 70% of UNHCR’s operations globally in 2008.³⁵ Microfinance is seen as one livelihoods approach that could increase the capacity of refugees and the host communities to generate income. However, in-house expertise and interest remains low among many of the staff and funding is limited,³⁶ despite the explicit objective to partner with development agencies, authorities, MFIs, banks and others.³⁷

A staff person in the UNHCR Nairobi office expressed the need and desire to expand their livelihoods work and to partner with development organizations already operating in the city, but “they [UNHCR] get people who have no knowledge of livelihoods programs or microfinancing. Everyone is struggling because they don’t know what to be doing. If you want to do social work, you recruit a social worker. But with livelihoods, they do not have training.”³⁸

UNHCR’s humanitarian mandate translates into short-term, one-year funding cycles for projects. It can be controversial for UNHCR to become involved in longer-term projects that require committed funds for more than a year, as some donors believe this is beyond UNHCR’s mandate or expertise. However, with the adoption of self-reliance as its core policy, UNHCR has little choice but to find ways to address this tension.

Meanwhile, as urbanization trends continue, development experts are focusing more attention on urban poor populations. The next section explores lessons learned and particular cases of microcredit and microsavings programs for urban poor. Drawing from this area of expertise, I begin to identify key points, necessary factors for success and limitations when thinking about the feasibility of extending microcredit and microsavings to urban refugees.

³⁴ UNHCR, Urban Areas Policy, 2009, p. 8.

³⁵ Azorbo, p. 10.

³⁶ Tim Morris, Independent Consultant, interview by Abigail Sylvester, telephone, March 7, 2011. Sara Pavanello, Research Officer, Humanitarian Policy Group, Overseas Development Institute, interview by Abigail Sylvester and Jina Krause-Vilmar, telephone, February 14, 2011. Azorbo, p. 13.

³⁷ UNHCR, Urban Areas Policy, 2009, p. 17.

³⁸ Associate Community Services Officer, UNHCR Branch Office for Kenya, phone interview by Jina Krause-Vilmar, February 11, 2011.

CHAPTER THREE: MICROFINANCE AS A LIVELIHOODS APPROACH

This section begins the discussion on microfinance as a livelihoods approach. I first examine the various approaches, challenges and successes that development actors have encountered in extending microfinance to the urban poor. Then I discuss the challenges and potential ways to apply microcredit and microsavings to urban refugees.

A. Microcredit and Microsavings for the Urban Poor

Microfinance is essentially banking for the poor. However, poverty is not just a lack of income, but also a “lack of assets, skills, resources, opportunities, services and the power to influence decisions that affect an individual’s daily life.”³⁹ Some experts consider microfinance a success if it empowers a poor person or improves their standard of living, even if household income does not increase. Before prescribing microfinance for urban refugees, an area less explored, it is important to learn from the successes and failures from offering microfinance to urban poor.

First, it important to note that the urban poor are borrowing, whether formal credit is made available to them or not. In the case of India, a study by the SEWA Bank, an institution specifically targeting the extreme poor, found that clients who only used savings products at SEWA got two-thirds of their credit informally from friends, relatives or moneylenders. Clients who did have a loan from SEWA still received half of their total credit informally from friends, relatives or moneylenders.⁴⁰ A case study looking at savings habits of the urban poor in Lahore and Karachi, Pakistan refers to this type of informal credit as “saving up,” borrowing funds from a friend or neighbor without interest to cover household expenses only to pay the amount back at the end of the month.⁴¹

Refugees reported in most household interviews in Kampala that they borrow money from friends, shopkeepers or neighbors, but most of the money borrowed was reported as spent on food, rent, utilities and medical needs, rather than businesses or income-generating activities. This was the case not just among Somalis who are known for their strong social capital and tightknit community, but also among Congolese and Burundi refugees.⁴² One Burundi man explained that when he is “badly off” he borrows money from friends and then helps them when they are in need.⁴³ Another explained that he borrows either from friends or goes to a shopkeeper and buys on credit.⁴⁴ However,

³⁹ *Microfinance and Non-Financial Services For Very Poor People: Digging Deeper to Find Keys to Success*, Poverty Outreach Working Group, SEEP Network, October 2006, p. 2.

⁴⁰ Martha Chen and Donald Snodgrass, *Managing Resources, Activities, and Risk in Urban India: The Impact of SEWA Bank*, Assessing the Impact of Microenterprise Services (AIMS), September 2001, p. 182.

⁴¹ Burki and Mohammed, p. 12.

⁴² Various household interviews among Somali, Congolese and Burundi refugees, by WRC team, Kampala, Uganda, September – October 2011.

⁴³ Burundi male refugee, interview by Alexis Kalitanyi and Peter Iranya Araku, Kampala, Uganda, September 28, 2011.

⁴⁴ Burundi male refugee, interview by Alexis Kalitanyi and Peter Iranya Araku, Rubaga Division, Kampala, Uganda, September 29, 2011.

this informal borrowing is prone to dry up as neighbors and friends are only able or willing to loan money so many times and moneylenders charge outrageous interest rates.

Most microfinance experts are beginning to realize that microcredit intended for the poorest of the poor (individuals who make less than \$1 per day) either isn't reaching this group or isn't appropriate for them. The most vulnerable and poorest of the poor are often excluded from microcredit programs even though they may be the intended target population organizations are trying to reach.⁴⁵ Very poor people are unlikely to receive microfinance services unless the products are specifically tailored towards their needs and capacities.⁴⁶ In Bangladesh, a program by Concern Worldwide was trying to reach the poorest members of the community, but they were excluded from informal lending groups because the other members saw them as risky and unlikely to be able to repay the loan.⁴⁷ Some of the poorest self-exclude: they lack the confidence to take out a loan and fear going into debt.⁴⁸ Fear of debt is legitimate and causing many to wonder if the emphasis shouldn't first be on savings.

While many urban refugees are among the poorest of the poor, there are some who are better off financially, but face unique security and legal challenges. Microcredit is better suited for a refugee who is more financially secure with multiple income sources to offset the risk of starting a new business.⁴⁹ Credit is also better suited for a person who has the financial literacy and basic business skills to start or improve a business. Otherwise, the credit needs to be paired with training in these areas and a market analysis to ensure demand for the business venture exists.⁵⁰

An unofficial estimate gauges that no more than 50% of loans made to the poor by MFIs are actually spent on business-related activities.⁵¹ Individuals often end up using loan money to pay for healthcare, education, food, rent or utilities, making it difficult to pay back the loan. MFIs' financial sustainability depends on keeping default rates low and repayment rates high. Since urban poor are likely to spend loan money on non-income generating activities, they make for risky and unlikely candidates for microcredit from an MFI perspective.⁵² MFIs require a poor person to have some type of collateral or asset to offset default risk. This may be livestock or small pieces of land or physical capital the person already owns for their small enterprise.

Organizations that offer credit to the poorest of the poor are typically subsidized and either pair credit with non-financial services such as healthcare, food vouchers,

⁴⁵ Poorest of the poor are considered individuals making less than \$1 per day. Syed Hashemi and Richard Rosenberg, *Graduating the Poorest Into Microfinance: Linking Safety Nets and Financial Services*, CGAP Focus Note, February, 2006, p. 1.

⁴⁶ SEEP Network, p. 2.

⁴⁷ Concern Worldwide, p. 14.

⁴⁸ Hashemi and Roseberg.

⁴⁹ Richard Rosenberg, CGAP Senior Advisor, interview by Abigail Sylvester, telephone, March 10, 2011.

⁵⁰ Women's Refugee Commission, *Building Livelihoods*, 2009.

⁵¹ Rough and unofficial estimate by Richard Rosenberg, interview.

⁵² Hashemi and Rosenberg.

education, business training or work with partner organizations to offer these services. For instance, in a report by the SEEP Network's Poverty Outreach Working Group, in a review of 10 case studies where organizations served the poorest of the poor, only 2 of the 10 were based on financially sustainable models.⁵³ The others relied on donor subsidies, and credit was only a piece of the approach, emphasizing savings and non-financial services equally if not more for the poorest of the poor.⁵⁴

Finally, it is now generally accepted that while microcredit for the poor may be challenging yet feasible in helping them increase their income or standard of living, it may not be the type of financial service the poorest need. Microsavings is seen as an important tool for the poor to first help stabilize their financial security, plan for the future and ultimately improve their situation, possibly to become or improve credit worthiness.

In SEWA's model, poor clients are required to save to start out and in order to eventually receive credit. According to SEEP's case studies, 8 of the 10 programs either exclusively offered a combination of savings and grants without any credit, or credit was one of several components. Only 2 programs exclusively offered credit to the poorest using the Grameen Bank model.⁵⁵ BRAC's model for the poorest, the Specially Targeted Ultra Poor Program, starts women out with grants to help smooth consumption while they receive social empowerment training and healthcare to help them out of abject poverty and to a point where saving and then credit is more appropriate.⁵⁶ CGAP is piloting culturally-appropriate versions of this "graduation" model in Haiti, Honduras, Peru, India, Ethiopia, Pakistan and Yemen.⁵⁷

As UNHCR thinks about supporting microfinance for refugees, it is important to keep in mind the following lessons from the experiences of the urban poor.

- Microcredit is not an appropriate financial service for the most vulnerable urban refugees with only one source of income. Microsavings should be emphasized rather than credit.
- While the MFI financial sustainability model is attractive, as it can operate without perpetual donor funds, microcredit extended to poorer urban refugees requires an organization with a social mission, a subsidy-funding model and the ability to pair refugees with non-financial services. Any microcredit needs to be linked to non-financial services such as financial literacy, business training, healthcare and social empowerment to ensure successful repayment, an improvement in income and/or quality of life, and protection from economic shocks. This type of model

⁵³ Financial sustainability is defined as the "ability of a program to cover its costs from its client payments without donor grants or subsidized loans." Azorbo, p. 3.

⁵⁴ SEEP Network, pp. 4 – 5.

⁵⁵ SEEP Network, pp. 4 – 5.

⁵⁶ BRAC, "Targeting Extreme Poverty: Components," accessed March 16, 2011, <http://www.brac.net/content/targeting-extreme-poverty-components>.

⁵⁷ Mayada El-Zoghbi and Aude de Montesquiou, with Syed Hashemi, *Creating Pathways for the Poorest: Early Lessons on Implementing the Graduation Model*, CGAP Brief, December 2009, p. 1.

must be rigorously evaluated to measure both its social and financial impact to legitimize use of non-sustainable funds.

- Credit may not be what the poorest actually need. Instead, they may need a graduation approach where they start out with job training, food subsidies and healthcare and start saving. Then they might receive a lump sum asset-transfer in the form of a grant to jump-start their small business or income source and then finally become connected to a microcredit provider.⁵⁸

There are additional challenges and potential solutions in applying these lessons to urban refugees.

B. Applying Microcredit to Urban Refugees

There are two main challenges in applying the urban poor microcredit model to refugees. First, refugees tend to be a more transient population, uncertain whether they will stay in the current city, return home, resettle or move to another location. There is additional risk for the MFI to take on a client who may move away at any point with an outstanding loan. In some cases, like SEWA Bank in India, MFIs require urban poor clients to first open a savings account before they can take out a loan. These savings accounts could act as collateral if a refugee were to move. UNHCR Nairobi partnered with a local Kenyan microfinance organization to offer group loans and served as the guarantee for refugees that defaulted.⁵⁹ MFIs could shorten the loan period for a refugee to reduce the risk involved with a transient client.⁶⁰ It also becomes difficult to monitor and follow up with refugees if they are highly mobile.⁶¹

Second, refugees do not have the same legal status as urban poor nationals, deterring MFIs from working with refugees and increasing security risks for refugees running a business. MFIs in Yemen can only accept clients who have Yemeni citizenship, a right not extended to Somalis, Ethiopians or other refugees residing in Sana'a.⁶² While citizenship is not a requirement in Kampala, some refugees face dire security concerns and fear having their photo taken, often a mundane, but necessary piece of documentation for a microfinance institution. Even refugees who have business skills and multiple sources of income face additional risks in taking out a loan. Having credit does not alleviate the harassment and exploitation from local authorities. Without proper licenses and legal recourse, credit does not solve all the protection concerns a refugee may face in starting or growing a business.

⁵⁸ Refer to El-Zoghbi and de Montesquiou, CGAP Brief 2009, on the graduation model for further details.

⁵⁹ Associate Community Services Officer, UNHCR Branch Office for Kenya, interview. UNHCR Nairobi and UNHCR Nairobi Urban Refugee Programme document, *The Genesis and Metamorphosis of Livelihoods Programmes*, August 20, 2010.

⁶⁰ Jacobsen, *Microcredit Lessons from the Alchemy Project*, 2004, p. 13.

⁶¹ FINCA staff person, interview by Dale Buscher, Kampala, Uganda, October 6, 2010.

⁶² Social Fund for Development, "Small and Microenterprise Development," accessed March 8, 2011, http://www.sfd-yemen.org/SFD/SMED_Unit.htm.

In an interview, FINCA Uganda staff expressed concern over legal recourse if a refugee breaches the contract. They worried about refugees not legally being allowed to own land as a source of collateral. FINCA staff were also concerned about a refugee's uncertain legal status or lack of permanent residence and address. A Burundi refugee explained that acquiring capital or credit would help him establish an electrician business, but that even with credit, he doesn't have a permanent residence for an office and the authorities may still chase him away as he doesn't have a license to operate a business.⁶³ Similar obstacles around a permanent residence and harassment from authorities were reported in other household interviews with refugees in Kampala. All of these legal and security challenges make refugees a riskier client for MFIs like FINCA compared to urban poor clients.⁶⁴ Credit alone won't be enough for refugees. Financial literacy, business training, advocacy and improved protection must accompany credit.

However, at the same time, BRAC Uganda, another financial services organization in Kampala, but one with a more explicit social mission to reach vulnerable populations, approached UNHCR Uganda about running a microfinance pilot. The pilot would potentially reach 2,000 refugees. BRAC would base the program on their successes with small enterprises, vulnerable adolescent girls and group lending for women in Kampala. BRAC believed it was important to have a 5 – 10 year project time horizon "because we need to really have a staged approach to building the capacity of communities and households."⁶⁵ First, BRAC wanted to start with improving refugee income potential, then help them diversify their livelihoods, then start saving and eventually invest in and run a business using microcredit. UNHCR and BRAC tried to determine whether it was better to hire separate staff and create tailored products for refugees, and be able to serve closer to 2,000 or attempt to integrate a smaller amount of refugees into existing programs.⁶⁶

As displayed by BRAC Uganda, some MFIs are open to working with vulnerable urban refugees, and to explore creative ways to overcome their unique challenges. However it will require an organization with an explicit social mission, that is at least partially subsidized, and that will offer non-financial services such as financial literacy and an initial type of asset transfer. It will also require a strong partnership and additional funds and resources from UNHCR.

Some urban refugees are relatively financially secure and operate a small enterprise, making them a legitimate microcredit client. In Kampala there were business owners in the Somali and Congolese communities that hired other refugees and Ugandan nationals. The Somali camel trader mentioned earlier hires 15 Somalis and Ugandans. One of the challenges he faces is accessing credit to expand his business.⁶⁷ He does not carry the risk that many MFIs shy away from. He owns a business that has been

⁶³ Burundi refugee male, interview by Alexis Kalitanyi and Peter Iranya Araku, Kampala, Uganda, September 28, 2011.

⁶⁴ FINCA staff person, interview.

⁶⁵ Interview with BRAC Uganda staff person, interview by Dale Buscher, Kampala, Uganda, October 6, 2010.

⁶⁶ Community Services Officer, UNHCR Uganda, phone interview by Abigail Sylvester, March 25, 2011.

⁶⁷ Somali refugee business owner, interview.

operating successfully for more than 6 months – 1 year. He has proven his financial and business abilities. While he is legally not allowed to own land, he has many camels that could act as collateral. His successful business makes him more likely to stay rooted in Kampala rather than moving from place to place. Finally, he has successfully managed the risk and threats that come with running a business in Kampala and the bribes and harassment that come with it.⁶⁸

From the Somali, Congolese⁶⁹ and Rwandan⁷⁰ communities in Kampala come examples of a refugee woman owning a grocery store, a doctor opening a clinic and a woman selling shoes. While these are certainly the better off refugees, they still struggle to meet their basic needs, partially because they cannot access credit or because once they do, one life event such as a death or medical emergency can wipe out their income and leave them heavily indebted.

The issue of debt turns the conversation towards savings and the challenges and solutions in applying it to urban refugees.

C. Applying Microsavings to Urban Refugees

It should be clear by now that not everyone should receive credit, especially the poorest of the poor. Even those who prove to be somewhat financially stable are still prone to life events that can shock the household income. Worldwide, microfinance experts and organizations increasingly are supporting savings instead of credit-led microfinance.⁷¹ Whether an MFI is offering savings accounts or not, savings happens in most urban communities in informal ways.

When saving, refugees usually need to be able to save small amounts, making deposits frequently, but with the option to withdraw funds at a moments notice in a convenient way. It is unlikely to receive large lump sums of money that are for saving purposes only, as remittances or wages are often used to cover the basics like food, rent, utilities or education fees. A Burundi refugee in Kampala explained that when he does make some money he uses half for food, a quarter for household items and then saves a portion for medical emergencies. He doesn't take his money to the bank, however, because it is too small of an amount to open a savings account.⁷²

⁶⁸ The most recent list of personal traits necessary for microcredit issued by UNHCR includes: relevant expertise, level of entrepreneurship, knowledge of the market, ability to handle crisis. UNHCR, *Investing in Solutions: A Practical Guide for the Use of Microfinance in UNHCR Operations*, UNHCR, March 15, 2011, p. 12.

⁶⁹ Congolese business woman, interview by Dale Buscher, Kampala, Uganda, October 8, 2010.

⁷⁰ Michela Macchiavello, *Forced migrants as an under-utilized asset: refugee skills, livelihoods, and achievements in Kampala, Uganda*, UNHCR Evaluation and Policy Analysis Unit, no. 95, October 2003, p. 26 – 27.

⁷¹ SEEP Network

⁷² Burundi male refugee, interview by Alexis Kalitanyi and Peter Iranya, Araku, Kampala, Uganda, September 28, 2011.

The need to make frequent deposits stems from the pressure to spend income when you have it, or worse, an abusive partner may simply confiscate the extra funds or the threat of robbery may disincentive refugees from hanging onto lumps of money. Personal security becomes a major issue.⁷³ In Kampala, personal safety on the streets was often cited in interviews with refugees as cause for shutting a business down early before it gets dark, walking in groups, avoiding the streets completely at night or avoiding certain parts of town. Personal safety was one of the most common protection concerns refugees discussed.⁷⁴ Since so many urban poor and refugees operate in the informal economy, income is often sporadic week-to-week, month-to-month and seasonal depending on the type of income. Saving at a time when income is better is a way to smooth out consumption when income is low. As income often barely covers life necessities, a life event such as an illness or accident, death in the family, or sudden loss of unemployment may require a person to access their savings immediately.⁷⁵

Another unique challenge for urban refugees that is less of an issue for the urban poor is social cohesion and capital to support informal savings groups. Some refugee groups such as Somalis and Iraqis are known to have very strong social capital and tend to support one another with employment and loans and live in close proximity to one another. This commonality and trust within a community is important for informal savings programs like ROSCAs (rotating savings and credit associations) or ASCAs (accumulating savings and credit associations), which depend on individuals contributing money to a group consistently and not pulling out.

However, in the case of Kampala, the Burundi community tends to be more disparate, less connected and more suspicious of each other, making informal group savings schemes more challenging, but not impossible, as interviews revealed there is enough trust to informally loan and borrow between individuals. Informal savings groups between urban nationals and refugees would be even more challenging as tension, mistrust or misunderstanding typically exist between the host population and refugees. Having an external organization or MFI offer savings products to individuals may address these social capital issues, but will depend on the context and level of suspicion towards banks.⁷⁶ Where group savings is conducted, oversight and accountability either by community leaders, NGOs or MFIs is crucial.⁷⁷

⁷³ Jacobsen, *Microcredit and Lessons from the Alchemy Project*, 2004.

⁷⁴ Kampala Assessment, individual interviews with refugees, September – October 2010.

⁷⁵ Hussan-Bano Burki and Shama Mohammed, p. 4.

⁷⁶ Jacobsen, *Microcredit and Lessons from the Alchemy Project*, 2004.

⁷⁷ Jacobsen, *Microcredit and Lessons from the Alchemy Project*, 2004.

CHAPTER FOUR: INSTITUTIONAL ANALYSIS OF UNHCR

UNHCR is a large U.N. agency with significant, but often short-term revenue streams trying to meet a wide variety of needs often in dire situations while answering to donors, national and local government, host populations, implementing partners and refugees. Organizations like WRC conduct research, recommend policies, extend training and develop guidance to support UNHCR's work and ensure that refugees are advocated for, protected and taken into account. However, since UNHCR is the intended end-user of the proposed options outlined in the next section, this section explores UNHCR's work with microfinance to date and areas that need strengthening. I also explore the level of interest and commitment UNHCR has towards microfinance, their staff capacity and expertise, and their financial resources for microfinance programs.

A. Interest in and Commitment to Microfinance

Livelihood programming has certainly become more of a focus for UNHCR since 2000 as the organization simultaneously began to take on more interest in protracted situations.⁷⁸

UNHCR seems to be shifting towards the “sustainable commercial” version of MFIs as partners, rather than development NGOs. UNHCR has also started exploring acting as the guarantor of loans given to refugees by MFIs who are worried they may default because of resettlement, repatriation or migration. UNHCR hopes that by backing the loans, MFIs will be more willing to work with refugees.⁷⁹

While the move to partner with MFIs and back loans for refugees is a step in the right direction and a promising sign, financially sustainable MFIs will not be able to serve the more vulnerable refugee populations, especially as savings products are more relevant. UNHCR must also partner with social impact NGOs that can assist this population. Both groups of refugees need attention and services. Fortunately, UNHCR has expressed interest in exploring microsavings, micro insurance and non-financial services for refugees and extending their scope beyond credit.⁸⁰

B. Staff Capacity and Expertise

UNHCR in-house expertise and capacity in microfinance is relatively low, especially in light of the policy emphasis on self-reliance and livelihoods. Few people seem to have the technical skills required for microfinance.⁸¹ Even more sparse is the knowledge and

⁷⁸ Azorbo, p. 11.

⁷⁹ Azorbo, p. 12.

⁸⁰ Azorbo, pp. 14 – 15.

⁸¹ Azorbo, 13.

Associate Community Services Officer, UNHCR Branch Office for Kenya, interview.

Sara Pavanello, interview.

Elizabeth Campbell, Senior Advocate, Refugees International, interview by Abigail Sylvester and Jasmeet Krause-Vilmar, February 9, 2011.

expertise surrounding savings. Most of UNHCR microfinance efforts to date have focused on credit.⁸²

Some findings suggest that UNHCR has offered limited training in microfinance to staff mainly at the headquarter level and that it has not reached field officers more broadly.⁸³ However, some accounts from field staff suggest that they have received livelihoods training on microfinance and that local microfinance organizations have been included in these trainings.⁸⁴

In any given local context, potential implementing partners may have the expertise needed to extend microfinance to urban poor, but have little understanding of the issues and concerns facing refugees. Or vice versus: partners may be experts in displacement and protracted situations, but lack the expertise needed to engage refugees in a longer-term, self-reliant and integrated manner with the urban poor. UNHCR field officers' ability to reach and serve urban refugees very much depends on the capacity and expertise of implementing partners. Most current implementing partners have limited expertise in microfinance activities.⁸⁵ UNHCR field officers may not be equipped to identify the appropriate organizations and MFIs to administer credit and savings and in turn, offer this potential partner UNHCR's expertise in refugee protection and livelihoods challenges.

Community services staff are explicitly charged in UNHCR guidelines, among other things, to help "rebuild a self-generating community." However, field officers struggle to internalize this objective or connect it to tangible microfinance activities. Rather, many still regard community services as assistance programs for vulnerable people.⁸⁶

More generally, as Jeff Crisp, the Head of UNHCR Policy Development and Evaluation Service (PDES), stated in 2001 regarding development-like efforts in repatriation post-conflict scenarios,

"Sustainable development and long-term development impact are, if not outright alien to most UNHCR staff, concepts that do not figure very prominently in the vocabulary of UNHCR, and are not part of the implementation and achievement-oriented operational culture of UNHCR. If the CEO of Ford Motor Co. would one day decide to get into the production and marketing of baby food, his shareholders and outside investors would seriously question the wisdom of the decision, and the market place would be quick to react. To some extent the same argument can be made against UNHCR's involvement in the development issue. This is not the area of UNHCR competence and it does not have any comparative advantage."⁸⁷

⁸² Azorbo, pp. 13, 14.

⁸³ Azorbo, p. 14.

⁸⁴ Community Services Officer, UNHCR Uganda, interview.

⁸⁵ Azorbo, p. 13.

⁸⁶ Jacobsen, *Microcredit and Lessons from the Alchemy Project*, 2004, p. 15.

⁸⁷ Jeff Crisp, *Mind the gap! UNHCR, Humanitarian Assistance and the Development Process*, UNHCR Evaluation and Policy Analysis Unit, Working Paper No. 43, May 2001.

However in the same paper, Crisp foreshadowed the 2009 Urban Refugee Policy and need for development-inspired activities for protracted and urban scenarios.

“Looking to the future, however, it might be asked whether [UNHCR] should not establish a renewed focus on the development dimensions of refugee situations in countries of asylum. For while it is true to say that large numbers of refugees have repatriated (both voluntarily and involuntarily) in recent years, it is equally true to say that many refugees have been obliged to remain in exile for long periods of time. And increasingly, they are obliged to spend those years without access to educational, income-generating or wage-earning opportunities. Notions [of development] may be forgotten or discredited. But the principle on which they are based - that refugees should enjoy productive lives and contribute to the development of the areas where they have settled - could usefully be revived.”⁸⁸

In fact, ten years later, Mr. Crisp is leading the PDES in a review of efforts to bridge the gap between humanitarian assistance and development.⁸⁹

The dynamic between development and humanitarian assistance will always be a conceptual point of controversy, but it is extremely relevant as UNHCR supports microfinance without adequate staff or expertise. It becomes crucial to train staff at headquarters and in field offices, and to partner with both large (UNDP, World Bank, host governments) and small local (BRAC Uganda) stakeholders with the relevant expertise.

C. Financial Capacity

Historically, donors have resisted UNHCR toying with longer-term development efforts. In the 1990s when UNHCR was trying to ensure that returnee populations were cared for in a more sustainable way by building schools, installing water pumps and implementing agriculture production programs, donor states did not welcome or support such initiatives, “regarding them as an attempt on UNHCR’s part to extend its humanitarian mandate into the realm of development.” One can certainly make the case that installing water pumps in a post-conflict returnee situation is different than microfinance for urban refugees, but the tension still exists.

The same year the Urban Refugee Policy was announced global spending dedicated to microfinance and small business assistance totaled 3.5 million USD, significantly lower than in 2000, when UNHCR invested 12 million USD in microfinance and income generation. It is unclear how much was specifically dedicated to microfinance.⁹⁰ This decline is worrisome.

⁸⁸ Crisp, 2001.

⁸⁹ Jeff Crisp, Head of Policy Development and Evaluation Service, statement to UNHCR Executive Committee Meeting in October 2010, <http://www.unhcr.org/4ac3527a9.html>, (accessed March 17, 2011).

⁹⁰ Azorbo, p. 12.

Part of why microfinance has been so attractive to UNHCR is because it is promoted as financially self-sustaining, “something that is particularly useful in long-term displacement situations in which donor funding is usually in decline.”⁹¹ However, as shown above, in order to support poorer and more vulnerable refugees with microsavings and microcredit, a subsidized model is often necessary, requiring larger amounts of donor funds for longer periods of time.

If UNHCR and donors want to see an improvement in self-reliance among urban refugees, then more funds will need to be donated and allocated for microfinance, specifically savings coupled with other financial and non-financial activities.

⁹¹ Azorbo, p. 1.

CHAPTER FIVE: OPTIONS FOR UNHCR

I have grouped nine options into four different categories—partnerships, programming, policy and evaluation and advocacy—according to the different ways UNHCR can engage and support microfinance efforts. For each option, I describe what it would entail and then analyze whether the option meets the three criteria explained below. I’ve only included options that fully or partially meet each criterion and thus recommend all nine options. I considered two other options that did not meet the criteria and have included them in Appendix C.

A. Criteria

UNHCR faces constraints and challenges as they move forward in supporting microcredit and microsavings for urban refugees. These constraints and challenges must be balanced with the interests and protection concerns of refugees. By examining each option against the criteria below, I take these tensions and concerns into account, factoring them into my recommendations.

1. Ensure political feasibility with local, national and international partners in light of their relevant interests and concerns.

In order to support microfinance activities, UNHCR must partner with actors at the local and national level and rely on international organizations expertise and resources. This criterion will ensure that UNHCR balances its own interests, the interests of refugees and its partners on some, if not all levels.

2. Consider UNHCR’s financial limitations and constraints.

Supporting and expanding financial services to refugees will incur costs for UNCHR and require careful allocation of resources. This criterion will consider UNHCR’s limitations as an organization dependent on donor states with revenue streams that are predominantly short-term and often dependent on volatile current events and circumstances.

3. Balance urban refugee protection concerns with increased household income and economic security.

Some economic coping strategies may increase overall household income, but compromise a refugee’s personal security. Harassment when selling goods, sexual exploitation of domestic workers or even resorting to prostitution or sex work are examples of income sources some refugees employ to earn a living while putting themselves at greater risk. This criterion will ensure that protection concerns are not exacerbated when considering microcredit or microsavings for urban refugees.

B. Options

Partnerships

- 1. Strengthen and increase partnerships with international and national development actors such as the World Bank, UNDP, ILO, USAID, DFID and host government ministries to carry out microfinance programs.**

1.1 Description

Urban refugees live and work side by side with the urban poor. In order to contribute to the local economy and communities, refugees need to be included in larger plans and policies, especially ones that support financial services. National development plans are beginning to focus more and more on the urban poor and provisions are being made by governments and multilateral organizations to address their needs and concerns. However, without considering refugees, basic things like citizenship can block refugees from accessing savings or credit services. A UNHCR Nairobi staff person pointed out

“if refugees are mainstreamed into national programing where U.N. organizations are investing their money, then UNHCR is not seen as a stand-alone organization helping people from conflict situations. The whole dynamic of the urban poor would change because when UNDP, UNICEF and ILO are investing money and expert knowledge then we have people in the government seeing the U.N., not just UNHCR, attending to refugees.”⁹²

Partnerships are needed not only to ensure that concerns facing refugees are brought to the table, but also to benefit from the microfinance expertise these organizations have that UNHCR is lacking.

1.2 Analysis

While UNHCR talks about partnerships and has some history engaging at the national and international level with development actors, this remains a controversial and political domain.

The 2009 Urban Refugee Policy states that “UNHCR will make particular efforts to engage UN Country Teams in the task of expanding the protection space available to refugees,” specifically related to national development initiatives such as Common Country Assessments, Consolidated Appeals Processes, Poverty Reduction Strategy Papers (PRSP) and the UN Development Assistance Framework.⁹³ There are some previous examples of refugees being included in national PRSPs. For example, in 2004

⁹² Associate Community Services Officer, UNHCR Branch Office for Kenya, interview.

⁹³ UNHCR, Urban Areas Policy, 2009, p. 6.

Serbia and Montenegro⁹⁴ and Armenia focused on refugees and IDPs as a target population for socio-economic development and poverty alleviation efforts.⁹⁵

In 2000, UNHCR started working more closely with the World Bank to discuss how to bridge their efforts. Other U.N. agencies, the IMF, OECD, donor states, Oxfam and one “recipient country, Mozambique were also part of the conversation.”⁹⁶ However, UNHCR and UNDP have a history of not speaking the same language or having the same priorities.⁹⁷ This dynamic often depends on personalities in key positions in various country offices. The feasibility of the two organizations working together at a country level varies widely depending on these personal relations and country context. The interest and goodwill to forge these relationships are there, but the intricacies and political challenges in developing them can block action from taking place.

Partnerships require time and patience and indirectly additional funds because of the staff time it requires to facilitate and manage these partnerships. However, the ultimate gain from sharing resources and expertise on microfinance can potentially be a financial win-win for everyone as more individuals are served using combined resources.

Encouraging and facilitating higher-level partnerships are unlikely to have a negative impact on the individual protection concerns of refugees, but rather improve their status in the long-term as partnerships are likely to result in more refugee-sensitive policies and plans.

2. Strengthen and increase partnerships between field officers, country staff, city officials and development groups to carry out microfinance programs.

2.1 Description

Changes at the city and municipal level cannot be overestimated. Training city police and magistrates on international law and refugee issues in Nairobi resulted in better treatment and fewer imprisonments of refugees selling goods and operating small business on the streets of Nairobi.⁹⁸ Local authorities interact daily with refugees as they try to establish safe and secure livelihoods and leverage credit and savings to improve their economic security. Successful credit and savings programs depend on refugees having the space and protection to carry out informal or formal enterprises or generate income.

Local development groups and MFIs may not know refugees are in the area or misunderstand their needs and write them off as too risky for credit and savings products. Reaching out to these groups and companies is a way to avoid parallel

⁹⁴ Montenegro became an independent nation in 2006.

⁹⁵ UNHCR, *Economic and Social Impacts of Massive Refugee Populations on Host Developing Countries, as well as other Countries*, UNHCR Standing Committee, EC/47/SC/CRP.40, February 18, 2004, p. 6.

⁹⁶ Crisp, 2001.

⁹⁷ UNHCR, *Returnee aid and development: the challenge ahead*, March 1992a. Referenced in Crisp, 2001.

⁹⁸ Associate Community Services Officer, UNHCR Branch Office for Kenya, interview.

programs and tap into existing expertise and structures. This option would include strengthening and increasing the links with implementing partners that have expertise, resources and structures to offer microcredit and microsavings to refugees.

2.2 Analysis

Partnerships at the local municipal level tend to be where there is more wiggle room for development actors, local officials and field officers to maneuver and accommodate each other's interests and priorities. Change can often originate at the local level where the needs are immediate and then influence national policies and approaches.⁹⁹ In many ways, this is space to experiment and push the envelope. A promising initiative more on this level is the recent MOU signed between the Grameen Trust and UNHCR. "UNHCR hopes to improve the existing microfinance projects and expand microfinance activities to refugees in areas in which the Grameen Trust is already active, in particular in protracted refugee situations."¹⁰⁰ In areas where local microfinance services already exist, there is common ground to build from. For example, in Kampala, the partnerships with Enterprise Uganda and BRAC Uganda seem far more agile and able to accommodate the needs of urban refugees in that particular context. Led by Ugandans, the staff of these programs are willing and able to integrate refugees into existing programs.¹⁰¹

However, the very real suspicion and fear still exists in many local communities that refugees will drain resources and get a disproportionate amount of help, compared to the poor. This suspicion can be an obstacle to establishing these local partnerships, as the interests of the local community seem at odds with supporting microcredit and microsavings for refugees. However, these types of partnerships, trainings and conversations are necessary for UNHCR to both support urban refugees with microsavings and microcredit and show that microfinance for refugees is not in competition, but rather in sync with urban poor.

In order to explore integrated refugee-poor programs at the city level to overcome these suspicions, UNHCR would need to appeal to the interests of local officials and organizations. Their interests typically are to maintain or expand the resources they have to serve the population they are tasked with supporting. UNHCR would need to come to the table with in-kind or monetary support, awareness raising and training to shoulder the burden these local partners would take on to include refugees in microfinance services.

Some refugees shy away from programs or services that are integrated with the urban poor and run by local MFIs as there are perceived security risks and potential for harassment or exclusion. While these concerns and fears are valid and often based in personal experiences of exploitation or discrimination, UNHCR should see this as another reason to engage local city and development actors to address the mistrust and

⁹⁹ Elledge, interview.

¹⁰⁰ Azorbo, p. 12.

¹⁰¹ Community Services Officer, UNHCR Uganda, interview.

create space for partnership. Creating parallel structures where UNHCR attempts to provide livelihood programs in isolation is not sustainable, is beyond their expertise and ultimately further isolates refugees from their urban neighbors. However, solely encouraging refugees to participate in urban poor programs without laying the foundation of understanding and trust with key partners could be harmful to refugees.

Programming

- 3. Pilot microcredit and microsavings programs in select urban locations over longer project time horizons. Emphasize microsavings first and more broadly, and only apply credit to refugees who meet the appropriate criteria. Use both sustainable MFI models and subsidized and non-financial service models depending on the needs of the population in the pilot location.**

3.1 Description

Microcredit is appropriate for *some* refugees, and though challenging, it is possible to extend this service to urban refugees. Microsavings applies to almost everyone to protect and grow household income and promote economic security. As shown above, microsavings has gone underemphasized in microfinance services, while credit has at times been overly applied. UNHCR has limited experience supporting microfinance activities in urban areas. Piloting programs in select cities where livelihood and community service staff is strong would allow UNHCR to try its hand at establishing the appropriate partners and learning what works and what doesn't.

Pilot programs will need to follow already established guidelines and standards from both the development and humanitarian sectors on how to design and implement credit and savings programs. The pilot programs would take into account the range of vulnerabilities, existing income-generation activities, market constraints and opportunities and the local legal climate refugees face. Both financial models (self-sustaining and subsidized) as well as non-financial services will be necessary for the varied needs and assets urban refugees have.

3.2 Analysis

The push back to piloting programs could come from multiple directions. Donors may oppose the idea as “development” and beyond the purview of UNHCR. Government officials may be wary of a program that could be seen as an incentive for refugees to stay. In some country contexts, formal means of lending and savings may be illegal for non-citizens, making them an unfeasible location for a pilot. MFIs and development groups may be unwilling to take on the risk and extra work it requires to serve a unique, vulnerable and diverse population. Refugees themselves may begrudge moving from a system of grants and assistance to loans and repayment, though the demand for credit from refugees during the Kampala assessment suggests otherwise when credit is offered to the appropriate individual with adequate support.

In order to overcome the potential pushback, UNHCR would need to point to its spotty, but existing history supporting microfinance and more importantly, fall back on its more widely accepted policy of self-reliance and livelihoods. Showing host governments that it is in their best interests for refugees to be productive contributors to the economy and less dependent on government services would help mediate the concern of refugees never leaving. As shown above, there are some MFIs and development organizations that have explicit social missions to target the more vulnerable and risky populations.

Financially, piloting such programs will require funds to be re-allocated to this livelihoods approach. However, with credit and savings, refugees stand a higher chance of becoming economically secure and less dependent on aid and assistance in the long term. Providing credit to refugees who are able to use it to start and grow a small enterprise can have a ripple effect and reach poorer refugees with employment opportunities or informal borrowing sources from their refugee counterparts.

Poorly designed or implemented pilot programs can have a disastrous effect on refugees' safety and economic security. It is imperative that this option be paired with the following option (#4) to ensure programs follow already established guidelines, best practices and international standards for microcredit and microsavings.

4. Build the capacity of field officers, implementing partners and future MFI partners to successfully extend microfinance services to urban refugees.

4.1 Description

It is clear that UNHCR staff, implementing partners and many potential microfinance partners do not have the expertise to coordinate and carry out microcredit and microsavings programs for refugees. In order to pilot programs (recommended option above #3), staff and partners will need coordinated and targeted training and technical assistance, especially in the area of microsavings. The training and assistance will need to happen at a municipal level, in order to account for the economic, legal and protection context in the city. This training will need to be based on already established guidelines for program design and implementation from the humanitarian and development community. Training staff on microcredit and microsavings for refugees is imperative to better programming and improved self-reliance.

4.2 Analysis

Training and technical assistance for staff and partners is not necessarily a contentious issue for stakeholders as long as there are resources and funding to support it. Partnerships mentioned earlier will need to be in place for everyone to have common goals and objectives to support this capacity building. Most UNHCR field staff and partners are over-worked and over-stretched. Adding training, task forces and relationship building to the mix could be too much. Capacity building cannot be focused exclusively on current staff, but must also include hiring and expanding current teams. Funding and training must be in place for staff to take on additional work, expertise and

management responsibilities. Microfinance programs will require longer-term commitments and vision from staff. All of these capacity pieces will involve further financial commitment from UNHCR and donors.

5. Pilot guaranteeing loans for refugees who show potential to start and grow a scalable business and who could then hire other refugees and urban poor.

5.1 Description

Most MFIs either misunderstand refugees or believe they are too risky to lend to because they are seen as transient or lacking proper legal status. However, MFIs are ultimately concerned about their own default and repayment rates. In limited locations, UNHCR has acted as the guarantor of funds that MFIs loan to refugees in case the refugee moves or fails to repay.¹⁰² This approach needs further experimentation and evaluation to determine whether it is a viable way to offset some of the risk associated with lending to refugees and is a financially prudent way for UNHCR to allocate funds.

5.2 Analysis

MFIs are likely to appreciate the backing from UNHCR to offset the risk in loaning to refugees. However, this approach will need close monitoring and evaluation to determine whether backing by UNCHR makes refugees less likely to repay loans than urban poor who don't have such backing.

Financially, backing loans will require less funds than direct assistance, but will still require UNHCR to set aside a large lump sum for "emergency" situations in case a refugee defaults.

UNHCR tends to focus on the most vulnerable and destitute refugees and must continue to do so. However, this option would exclusively help refugees who are somewhat better off and meet criteria to take a loan. Helping one type of refugee should not be viewed as a zero sum game. UNHCR needs livelihood strategies that work in tandem for refugees with different needs and assets. In fact, by enabling refugees who have the potential to use credit effectively, UNHCR is creating an economic environment where better off refugees are able to better support worse off refugees and even urban poor neighbors. UNHCR must intentionally support refugees with promising human and physical capital (higher education levels, experience operating a business back home, professional certification, operates a stable and proven enterprise). These refugees in turn could be key sources for employment, savings and loans for more vulnerable and less well-off community members.

¹⁰² Azorbo, p. 13.

Associate Community Services Officer, UNHCR Branch Office for Kenya, interview.

Policy and Evaluation

6. Allow UNHCR staff to commit funds to microfinance projects for up to five years before having to request an extension for project funds.

6.1 Description

Microfinance requires extensive time and resources to see meaningful outcomes. In order to be successful, credit and savings programs must be tailored to the needs of individuals and groups. Partners must be committed to the program for upwards of 10 years. One country UNHCR staff person stated, “We need to divert attention and shift from programs for immediate needs to address long term needs of the refugees.”¹⁰³ In order to enter into longer-term partnerships and programs, UNHCR needs the flexibility to commit funds for more than one-year increments. Funds committed for multiple years allow staff to plan ahead, monitor and evaluate beyond one-year budget cycles and provide consistency and stability to microcredit and microsavings programs that need longer time frames to implement.

6.2 Analysis

Funding cycles are controversial with donors. As UNHCR is a humanitarian agency with an inherently short-term mandate, extending funding cycles can signal long-term involvement both to donors and host governments. Traditionally, this goes against the nature of the work UNHCR is supposed to carry. However, the reality of protracted situations, especially in urban settings, begs for longer foresight in livelihoods programming, especially with microfinance. Microfinance experts agree that a series of non-financial services, grants, savings and credit takes time to develop with an individual before you begin to see impact. The trajectory of microfinance is not inline with UNHCR’s typical “interventions,” the name of which implies short-term action (6 months – 2 years). However, by showing donors and host governments that UNHCR could plan more strategically and efficiently, donors may support a more prudent and intentional way of allocating funds over a longer time horizon.

Financially, extending the funding cycle may save money because there is a greater degree of certainty. Start up and shut down costs are minimized as microfinance projects would be funded over 5 or more years rather than just 1 or 2 years.

This option has no direct relation or impact on refugee protection concerns.

¹⁰³ Associate Community Services Officer, UNHCR Branch Office for Kenya, interview.

7. Rigorously monitor and evaluate not just the financial, but also the social impact of microfinance programs for urban refugees.

7.1 Description

The verdict is still out on the amount of social impact subsidized microcredit and non-financial service programs have on the poor. While some reports have started to come out, few are conclusive one way or the other. According to CGAP expert Richard Rosenberg, it is imperative for socially driven organizations like BRAC to prove the social impact they have in order to justify the subsidized funding model they require versus self-sustainable models of other MFIs. At the same time, relying solely on financial indicators does not tell the whole story. High repayment rates may indicate that the poor are becoming even more indebted rather than successfully using credit.¹⁰⁴ Praising loan agents for the number of loans made and repayment rates may incentive them to loan to poor clients who shouldn't necessarily receive a loan. Good performance should also be linked to social indicators.

7.2 Analysis

Since the verdict is still out on the true extent of subsidized credit models and savings programs, measuring both financial and social impact will generate more concrete data and proof one way or the other. This impact measurement could alleviate some of the disagreement between stakeholders over whether this is a good use of funds. Some traditional MFI partners may not have this type of measurement or these indicators in place and it would require additional work in the partnership to establish these components.

In the short run, rigorous social and financial impact requires additional project funding and this component should be built into the project budget from the start. However, over the long haul, such evaluation will help UNHCR decide which programs are most effective and deserve greater allotment of funds, allowing UNHCR to use funds more efficiently.

Measuring social in addition to financial impact may actually improve refugee protection and economic security. High levels of debt and negative economic coping strategies to pay back a loan or contribute savings to a group fund are often overlooked when financial indicators are the only form of measurement for success. Improved quality of life and human capital, empowerment and safety are all necessary components for self-reliance and should be considered definitions for success.

¹⁰⁴ Azorbo, p. 9.

Advocacy

8. Lobby donors for increased self-reliance and livelihood funds intended to support and partner with existing MFIs, government agencies and development NGOs in order to offer more savings and credit options to refugees.

8.1 Description

In order to implement current policy objectives and goals for urban refugees, funds need to be allocated to the appropriate programs and activities, especially microsavings and microcredit. Funds are not meant to create parallel structures or re-create the wheel or propel UNHCR into the realm of development. Rather, funds will allow UNHCR to incentivize partners to work with them and refugees and to contribute to the partnership in a meaningful way. Funds for microfinance will help train staff and allow them to better carry out the programs refugees need for self-reliance and protection.

8.2 Analysis

The controversy surrounding this option is similar to the analysis outlined in the Programming option #1 surrounding the larger conversation about humanitarian assistance versus development work. Funding is inevitably political, especially given it comes from donor states, each with their own agenda and set of priorities. Convincing donors to invest in self-reliance and livelihoods programming like microfinance will require messages about sustainability and saving money in the long run by supporting refugees now to need less help later. This will be a hard sell politically.

Financially, this option is crucial, as most of the other options involve spending money or at least re-allocating funds. Expanding the work of staff, offering more programs and extending project funding cycles will inevitably incur additional costs for UNHCR. However, as an explicit pillar of the 2009 Urban Refugee Policy, UNHCR has made promises and established goals that donors have agreed to as well. Raising funds for microfinance back to levels like in 2000 (12.5 million USD) as compared to 2009 (3.5 million USD) is imperative to support UNCHR's work and the options outlined in this paper.

Greater funding for microfinance, especially microsavings, will inevitably improve refugee safety and security, assuming funding is not drastically cut in other crucial areas for urban refugees and that programming and partnerships meet definitions of success.

9. Continue advocacy efforts with host national and local governments and MFIs. Use messages of self-reliance and contributions to local economic development. The goal of advocacy should be to ensure an enabling environment for work and financial services for refugees.

9.1 Description

One of UNHCR's traditional areas of expertise is legal advocacy and lobbying of national and local host governments on behalf of refugees. Microfinance does not operate in a policy or legal vacuum. As SEWA Bank discovered, in order to have a broader and more systemic impact, they needed to advocate government and other MFI stakeholders to create an environment more friendly and conducive to the financial needs of urban poor in India, especially for those in the informal economy.¹⁰⁵

An enabling environment would be one in which refugees have access to work and business permits, are free from hassle and discrimination from residents and authorities, are able to own land and capital, are not barred from business-related services due to citizenship and have recourse for protection and security. This is not a comprehensive list of enabling factors, as this is an area that UNHCR is well aware of already. This option is meant to acknowledge and highlight the need for simultaneous advocacy efforts alongside microfinance activities.

9.2 Analysis

Some host countries are more open to UNHCR advocacy efforts than others. Country staff will need to read this political climate carefully. Staff will also need to read the political climate at the national, local and individual MFI levels. A stagnant or uncooperative response from officials at one level does not mean advocacy is not possible at the other levels. These levels are connected, but often need tailored advocacy approaches and relationships to address the range of interests and concerns. It is also possible that certain policies that would help refugees could seem threatening for the urban poor and provisions will need to be made accordingly.

As advocacy is already a key piece of UNCHR's work, continuing these efforts should not incur significant costs, but will depend on the country and city context.

Advocacy is key to supporting refugee protection and livelihoods as well as economic security. Rarely does advocating for one contradict the other. Loosening work or movement restrictions or allowing refugees to show UNHCR documentation instead of a national ID to join a savings group improve the safety and economic health of refugees.

¹⁰⁵ See Martha Chen and Donald Snodgrass, "SEWA Bank" report, September 2001, Section 7 for innovative ways of incorporating advocacy and policy change.

These nine recommendations, taken together as a package, are crucial steps for UNHCR to make in successfully implementing microcredit and microsavings for urban refugees in the informal economy. WRC's role should be to advocate and urge UNHCR in this direction and continue to support these partnerships and programming with independent evidence-based research and assessment, as is WRC's mission.

CHAPTER SIX: IMPLEMENTATION AND MONITORING AND EVALUTION

After analyzing each option against all three criteria, I recommended that UNHCR move forward with implementation on all nine options. I provide brief guidance in this section on how implementation might take place for each of the four categories of options—partnerships, programming, policy and evaluation and advocacy. I then outline preliminary suggestions for how to monitor and evaluate progress towards achieving the results intended by these recommendations. The WRC can play a crucial role in this phase by carrying out further assessments and research, providing feedback and advocating to ensure recommendations are carried out appropriately.

A. Implementation

1. Partnerships

In order to develop new and maintain existing partnerships around microfinance, UNHCR should continue to reach out to other U.N. agencies in Geneva and at the country level, particularly UNDP. The World Bank issued an Urban and Local Government Strategy in November 2009 and has an Urban Development division. UNHCR should collaborate with teams at the World Bank in these areas and with the Fragile and Conflict-Affected Countries staff. The goal of collaboration is to be part of the conversation with national governments when financial services in urban areas are discussed in national strategies.¹⁰⁶

At the city and municipal level, UNHCR field officers should look for implementing partners that have extensive experience in microcredit and microsavings and that are already offering these services to the urban poor, as to avoid parallel structures and potential tension between the two communities. A good example is in Kampala where UNHCR began some programming with BRAC and Enterprise Uganda. UNHCR should partner with financially sustainable MFIs to extend credit to refugees who qualify. UNHCR should also partner with pro-poor socially driven organizations that do not aim to be financially sustainable, but that can target and support particularly poor and vulnerable refugees with savings and non-financial services.¹⁰⁷

Field staff should communicate and partner with municipal authorities regarding documentation for financial services, protection concerns related to finances, and permits and licenses for small businesses. Once partnerships and communication are established, staff should attempt to create working groups or task forces or informal means of exchanging information, updating each other on needs and progress and creating space to discuss new ideas or problems. UNHCR staff in Nairobi established a

¹⁰⁶ “About: Welcome to the Decade of the City,” World Bank, accessed April 7, 2011, <http://www.wburbanstrategy.org/urbanstrategy/>

“Fragile and Conflict – Affected Countries,” World Bank, accessed April 7, 2011, <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/0,,contentMDK:20247661~menuPK:4168000~pagePK:64171540~piPK:64171528~theSitePK:511778,00.html>

¹⁰⁷ Jacobsen, *Microcredit and Lessons from the Alchemy Project*, 2004.

working group with local staff from development groups already providing livelihood programming to urban poor.

2. Programming

Establishing microsavings and microcredit pilots in urban areas will require UNHCR to identify the cities and implementing partners. Sana'a is an example of a city *not* conducive to pilots as Yemen has restrictive policies on citizenship and financial services. Kampala shows promise as proposals have been discussed with BRAC Uganda and Enterprise Uganda, a business and vocational training program in Kampala. There are no official policy or legal restrictions on financial services for refugees. UNHCR should reach out to development networks like the SEEP Network and MicroLinks, who have members and experts from a wide range of microfinance organizations around the globe, to identify potential partners in selected cities already serving the urban poor.

UNHCR should target technical assistance and training on microfinance in the cities with pilot programs and include livelihoods and community services staff, implementing partner staff, refugee community leaders and business owners, and city officials in the training. Where UNHCR will need to partner with a non-refugee microfinance organization, UNHCR should offer a staff person to serve as a liaison and adviser to train and equip the partner on how to work with refugees and the unique protection challenges they face. To ensure UNHCR and partner staff receive ongoing support and continue to share information among each other, working groups or task forces should be established at the city level with the relevant staff and community leaders from refugee and poor communities.

As pilot programs are rolled out and UNHCR experiments with acting as the guarantor of loans for certain refugees, UNHCR should use standard criteria mentioned in earlier sections to determine which refugees are best suited for credit. In order to reach and identify these refugees, UNHCR will need to do outreach through refugee and urban poor community leaders, implementing partners already working with refugees and communicate closely with MFIs. Once refugees are identified, UNHCR will need to work with the individuals to ensure they have current legal documentation and business and education records to present to the MFI. UNHCR should only implement this piece of the pilot if the country office already has funds set aside to backstop defaults. If UNHCR promises to pay an MFI upon default, it must have the money to do so on hand. UNHCR must establish a regular system of communication between the financial service provider and refugee. The refugee must be kept fully informed about any decisions or concerns from either the MFI or UNHCR.

3. Policy and Evaluation

Extending funding cycles beyond 1 year could happen through different channels. Field staff could appeal to regional directors for permission to extend a funding cycle for a specific microfinance project. This will be less formal and bureaucratic, but does not institutionalize the need for longer funding streams. Otherwise, changes will need to

occur at the headquarter level in Geneva. At a national and international level, UNHCR finance and budgeting staff will need to consult donors to explore ways to alter the current system to allow for longer funding cycles for livelihood programming, specifically microfinance.

As UNHCR launches pilots in various cities for microcredit and microsavings, proposal documents and work plans must include monitoring and evaluation strategies that contain social as well as financial indicators. Examples of social indicators include an increase in children attending school, better health outcomes for the family, improved female empowerment and overall increases in household income. Social indicators will vary according to the needs of the population, city context and explicit program goals. Financial indicators tend to measure things more like default and repayment rates, amount and length of the loan and repeat customers. These are helpful for the MFI to ensure program sustainability and success, but do not reflect whether a household or business owner are any better off. UNHCR will need to work with the MFI to measure social and financial indicators before a loan or savings account is issued. This will establish a baseline for comparison when benchmarks are assessed at different intervals of follow up.

4. Advocacy

UNHCR is most likely to gain additional financial support for microfinance programs from donors that already support similar initiatives for urban poor. USAID, DFID and SIDA are examples of national development agencies putting significant resources into improving the informal economy and microfinance efforts for urban poor.¹⁰⁸ Targeting donors and member states with a track record for such funding is a key starting point. UNHCR will need to highlight the microfinance work they are already doing in the field for refugees and the impact it has on refugee financial and social well being and security.

Continued advocacy efforts at local, national and international levels should continue and not lose momentum or become less emphasized in light of these other recommendations. Advocacy groups like WRC have specific messaging and communication tools around livelihood assistance, gender and urban refugees. UNHCR should draw from these types of resources as well as their own advocacy expertise. Advocacy with host national governments while UNHCR moves forward with programming is essential. One cannot be sacrificed for the other. Priority issues will depend on the country context, but general issues are work permits, documentation, freedom of movement, access to license and permits for small businesses, recourse with the police on issues of harassment and sexual exploitation and abuse.

¹⁰⁸ Beck, March 2004.

B. Monitoring and Evaluation

In order to determine whether UNHCR is advancing the solutions it decides to adopt, I have listed a set of key indicators below that will help measure progress toward intended results.

1. Increased number of partnerships with international, national and local microfinance entities or development actors working in this sector.

This can be measured by the number of official MOUs and other signed documents between parties at a national or city level, such as the recent Grameen Trust partnership. This indicator also includes the number of national strategy papers in which urban refugees and financial services are explicitly listed and discussed. Official partnerships can be assessed over time in terms of the activities and programs they produce.

2. Increased number of funds earmarked for microcredit and microsavings activities in annual UNHCR country level budgets.

This indicator is relevant for countries where pilot programs are initiated. It does not account for lengthened funding cycles, but will reflect whether advocacy measures for increased funding were successful and show where the money is being allocated.

3. Increased number of refugees receiving loans or using some type of saving scheme.

While this indicator does not directly measure refugee economic security and protection, it does reveal whether UNHCR is getting any closer with pilot programs in reaching refugees with financial services. The more rigorous and next step of measurement would be to examine the outcomes of these loans and savings, which option #7 addressed above—measuring social and financial impact of programs.

The indicators will need to be monitored and measured at the city, national and international level by livelihoods and community services staff using project documents, budgets, progress reports and other forms of communication documenting progress on partnerships. Staff will need to collect this information throughout the year and report at least twice a year to measure significant progress.

CHAPTER SEVEN: CONCLUSION

I set out to explore ways UNHCR could support microcredit and microsavings approaches for urban refugees in the informal economy. I recommended nine options to further the work of UNHCR in microfinance for urban refugees.

This report was prepared for the Women's Refugee Commission, an evidence-based advocacy organization that aims to promote systemic change through policy and practice. This research and analysis was intended to guide WRC's Livelihood Initiative as well as UNHCR when thinking about the necessary programming and policies to support microcredit and microsavings for urban refugees. UNHCR has issued guidance and explored microfinance previously in a limited number of ways. However, my recommendations apply specifically to urban refugees predominantly in non-conflict settings.

UNHCR and development actors have tended to focus primarily on microcredit. However, credit should be applied cautiously to refugees who meet specific criteria. Microsavings is a more appropriate approach for a wider range of refugees, especially the poor and vulnerable who risk going into debt. The poorest and most vulnerable often need a graduation model of financial services. Another approach for the poorest requires the provision of social services like healthcare, education, business training, or one-time asset transfers alongside credit and savings.

Credit or savings alone is not the solution for refugees to protect themselves or grow their household income. Advocacy, policy changes and partnerships are necessary as UNCHR and WRC move forward in supporting microfinance programs for urban refugees in the informal economy.

REFERENCES

Associate Community Services Officer. UNHCR Branch Office for Kenya. Phone interview by Jina Krause-Vilmar. February 11, 2011.

Azorbo, Michelle. *Microfinance and Refugees: Lessons Learned from UNHCR's Experience*. UNHCR Policy Development and Evaluation Service, Research Paper No. 199. January 2011.

Bhowmik, Sharit K. *Hawkers and the Urban Informal Sector: A Study of Street Vending in Seven Cities*. National Alliance of Street Vendors of India. 2001.

BRAC. "Targeting Extreme Poverty: Components." Accessed March 16, 2011. <http://www.brac.net/content/targeting-extreme-poverty-components>.

Burki, Hussan-Bano and Shama Mohammed. *Mobilizing Savings from the Urban Poor in Pakistan: An Initial Inquiry*. ShoreBank International, Research Paper 01. May 2008.

Burundi refugee male. Interview by Alexis Kalitanyi and Peter Iranya Araku. Kampala, Uganda. September 28, 2011.

Burundi male refugee. Interview by Alexis Kalitanyi and Peter Iranya Araku. Kampala, Uganda. September 28, 2011.

Burundi male refugee. Interview by Alexis Kalitanyi and Peter Iranya, Araku. Kampala, Uganda. September 28, 2011.

Burundi male refugee. Interview by Alexis Kalitanyi and Peter Iranya Araku. Rubaga Division, Kampala, Uganda. September 29, 2011.

Buscher, Dale and Jasmeet Krause-Vilmar. *Kampala Field Assessment*. Women's Refugee Commission. Kampala, Uganda. September – October 2010.

Buscher, Dale and Jasmeet Krause-Vilmar. *Women's Refugee Commission Proposal for PRM Funding: Urban Displacement*. Women's Refugee Commission. July 15, 2010.

Campbell, Elizabeth. Refugees International, Senior Advocate. Phone interview by Abigail Sylvester and Jasmeet Krause-Vilmar. February 9, 2011.

Charny, Joel. *World Refugee Day: Where Are the World's Hidden Refugees?* Refugees International. Accessed September 27, 2010. <http://www.refugeesinternational.org/blog/world-refugee-day-where-are-worlds-hidden-refugees>

Chen, Gregory. "Unseen, Unheard, Unaided: Urban Refugees in Dar Es Salaam, Tanzania." *U.S. Committee for Refugees and Immigrants*. Accessed September 27, 2010. <http://www.refugees.org/article.aspx?id=1173>.

Chen, Martha and Donald Snodgrass. *Managing Resources, Activities, and Risk in Urban India: The Impact of SEWA Bank*. Assessing the Impact of Microenterprise Services (AIMS). September 2001.

Congolese business woman. Interview by Dale Buscher. Kampala, Uganda. October 8, 2010.

Crisp, Jeff. *Mind the gap! UNHCR, Humanitarian Assistance and the Development Process*. UNHCR Evaluation and Policy Analysis Unit, Working Paper No. 43. May 2001.

Crisp, Jeff, Head of Policy Development and Evaluation Service. *Statement to UNHCR Executive Committee Meeting*. October 2010. <http://www.unhcr.org/4ac3527a9.html>. Accessed March 17, 2011.

Datta, Dipankar and Iqbal Hossain. *Reaching the Extreme Poor: Learning from Concern's Community Development Programmes in Bangladesh*. Concern Worldwide. March 9, 2003.

Elledge, Myles. RTI International. Phone interview by Abigail Sylvester and Jina Krause-Vilmar. February 16, 2011.

El-Zoghbi, Mayada, Aude de Montesquiou and Syed Hashemi. *Creating Pathways for the Poorest: Early Lessons on Implementing the Graduation Model*. CGAP Brief. December 2009.

FINCA staff person. Interview by Dale Buscher. Kampala, Uganda. October 6, 2010.

Flodman Beck, Kristina. *The Informal Economy: Fact Finding Study*. SIDA. March 2004.

Hashemi, Syed and Richard Rosenberg. *Graduating the Poorest Into Microfinance: Linking Safety Nets and Financial Services*. CGAP Focus Note. February, 2006.

Jacobsen, Karen. "Just Enough for the City: Urban Refugees Make Their Own Way." *World Refugee Survey* 1. (2004): p. 57-65. <http://www.refugees.org/article.aspx?id=1156>. Accessed September 27, 2010.

Jacobsen, Karen. *Microcredit and Other Loan Programs In Protracted Refugee Situations: Lessons from the Alchemy Project*. Feinstein International Center, Tufts University. April 2004.

Krause-Vilmar, Jasmeet. *The Living Ain't Easy: Urban Refugees in Kampala*. Women's Refugee Commission. March 2011.

Landau, Loren B. "Protection and Dignity in Johannesburg: Shortcomings of South Africa's Urban Refugee Policy." *Journal of Refugee Studies*, Vol. 19, No. 3 (2006): 308 - 327.

Macchiavello, Michela. *Forced migrants as an under-utilized asset: refugee skills, livelihoods, and achievements in Kampala, Uganda*. UNHCR Evaluation and Policy Analysis Unit, no. 95. October 2003

"Main Problems Faced by those in the Informal Economy." The World Bank Group, Urban Development. Accessed March 8, 2011. http://info.worldbank.org/etools/docs/library/166856/UCMP/UCMP/main_problemshtml.

Morris, Tim. Independent Consultant. Phone interview by Abigail Sylvester. March 7, 2011.

"New Delhi, Patna Best Cities to Start New Businesses: World Bank." *The Times of India*. June 30, 2009. http://articles.timesofindia.indiatimes.com/2009-0630/india-business/28178105_1_world-bank-cities-report-ranks. Accessed March 8, 2011.

Pavanello, Sara, Samir Elhawary and Sara Pantuliano. *Hidden and Exposed, Urban refugee in Nairobi, Kenya*. Humanitarian Policy Group Working Paper, Overseas Development Institute. March 2010. <http://www.odi.org.uk/resources/details.asp?id=4786&title=urban-refugeessnairobikenya>.

Pavanello, Sara. Humanitarian Policy Group, Overseas Development Institute, Research Officer. Phone interview by Abigail Sylvester and Jina Krause-Vilmar. February 14, 2011.

Poverty Outreach Working Group. *Microfinance and Non-Financial Services For Very Poor People: Digging Deeper to Find Keys to Success*. SEEP Network. October 2006.

Refugee Law Project. *A Drop in the Ocean: Assistance and Protection for Forced Migrants in Kampala*. Working Paper No. 16. March 2005.

Rosenberg, Richard. CGAP, Senior Advisor. Phone interview by Abigail Sylvester. March 10, 2011.

Social Fund for Development. "Small and Microenterprise Development." Accessed March 8, 2011. http://www.sfd-yemen.org/SFD/SMED_Unit.htm.

Somali refugee business owner. Interview by Joan Aliobe and Nurta Mahamed. Kinsenyi Kampala Uganda. October 1, 2010.

Tibaijuka, Anna. "Adapting to Urban Displacement." *Forced Migration Review*, no. 34 (February 2010): p. 4.

UNHCR. *Economic and Social Impacts of Massive Refugee Populations on Host Developing Countries, as well as other Countries*. UNHCR Standing Committee, EC/47/SC/CRP.40. February 18, 2004.

UNHCR. *Informal Summary, Third High Commissioner's Dialogue on Protection Challenges Theme: Challenges for Persons of Concern*. UNHCR. December 8 - 10.

UNHCR. *Investing in Solutions: A Practical Guide for the Use of Microfinance in UNHCR Operations*. UNHCR. March 15, 2011.

UNHCR. "Refugee Figures." Accessed September 27, 2010.
<http://www.unhcr.org/pages/49c3646c1d.html>.

UNHCR. *Returnee aid and development: the challenge ahead*. March, 1992a.

UNHCR. *States Parties to the 1951 Convention Relating to the Status of Refugees and the 1967 Protocol*. Oct 1, 2008.
<http://www.unhcr.org/protect/PROTECTION/3b73b0d63.pdf>. Accessed October 3, 2010.

UNHCR. *UNHCR Policy on Refugee Protection and Solutions in Urban Areas*. September, 2009.

UNHCR Nairobi. *The Genesis and Metamorphosis of Livelihoods Programmes*. Unofficial Program Document. August 20, 2010.

Women's Refugee Commission. *Building Livelihoods: A Field Manual for Practitioners in Humanitarian Settings*. Women's Refugee Commission. March 2009.

Women's Refugee Commission. *Desperate Lives: Burmese refugee women struggle to make a living in Malaysia*. Field Mission to Kuala Lumpur, Malaysia. May 2008.

Women's Refugee Commission. *Earning Money/Staying Safe: The Links Between Making a Living and Sexual Violence for Refugee Women in Cairo*. Field Mission to Cairo, Egypt. July 2008.

World Bank. "About: Welcome to the Decade of the City." Accessed April 7, 2011.
<http://www.wburbanstrategy.org/urbanstrategy/>

World Bank. "Fragile and Conflict – Affected Countries." Accessed April 7, 2011.
<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLCUS/0,,contentMDK:20247661~menuPK:4168000~pagePK:64171540~piPK:6471528~theSitePK:511778,00.html>

APPENDIX A: FURTHER RESOURCES

CGAP. *Poor Peoples' Savings: Q & As with Experts*. 2006.

[http://cgap.org/gm/document-](http://cgap.org/gm/document-1.9.2118/47623_file_Poor_People_s_Savings_Q_As_with_Experts.pdf)

[1.9.2118/47623_file_Poor_People_s_Savings_Q_As_with_Experts.pdf](http://cgap.org/gm/document-1.9.2118/47623_file_Poor_People_s_Savings_Q_As_with_Experts.pdf).

SEEP Network. *Minimum Standards for Economic Recovery After Crisis*. February 2009. <http://communities.seepnetwork.org/econrecovery/node/821>.

UNHCR. *Investing in Solutions: A Practical Guide for the Use of Microfinance in UNHCR Operations*. March 15, 2011.

Women's Refugee Commission. *Peril or Protection: The Link Between Livelihoods and Gender-based Violence in Displaced Settings*. November 2009.

http://womensrefugeecommission.org/reports/cat_view/68-reports/80-livelihoods?start=10.

Women's Refugee Commission. *Building Livelihoods: A Field Manual Practitioners in Humanitarian Settings*. May 2009.

http://womensrefugeecommission.org/reports/cat_view/68-reports/80-livelihoods?start=10.

Women's Refugee Commission. *Market Assessment Toolkit for Youth and Vocational Training Providers*. October 2008.

http://womensrefugeecommission.org/reports/cat_view/68-reports/70-youth?start=10.

Women's Refugee Commission. *Earning Money/Staying Safe: The Links Between Making a Living and Sexual Violence for Refugee Women in Cairo*. July 2008.

http://womensrefugeecommission.org/reports/cat_view/68-reports/80-livelihoods?start=10.

Women's Refugee Commission. *Working Women at Risk: The Links Between Making a Living and Sexual Violence for Refugee Women in Ethiopia*. October 2008.

http://womensrefugeecommission.org/reports/cat_view/68-reports/80-livelihoods?start=10.

Women's Refugee Commission. *Desperate Lives: Burmese Refugee Women Struggle to Make a Living in Malaysia*. May 2008.

http://womensrefugeecommission.org/reports/cat_view/68-reports/80-livelihoods.

APPENDIX B: INTERVIEW LIST

Interviewee	Title & Organization	Interviewer	Date
Associate Community Services Officer	UNHCR Branch Office for Kenya	Jasmeet Krause-Vilmar	February 11, 2011
Elizabeth Campbell	Senior Advocate, Refugees International	Abigail Sylvester & Jasmeet Krause-Vilmar	February 9, 2011
Community Services Officer	UNHCR Uganda	Abigail Sylvester	March 25, 2011
Myles Elledge	RTI International	Abigail Sylvester & Jasmeet Krause-Vilmar	February 16, 2011
Jasmeet Krause-Vilmar	Senior Livelihoods Program Officer, Women's Refugee Commission	Abigail Sylvester	Numerous conversations
Aude de Montesquiou	Microfinance Analyst, CGAP	Abigail Sylvester	March 14, 2011
Tim Morris	Independent Consultant	Abigail Sylvester	March 7, 2011
Sara Pavanello	Research Officer, Humanitarian Policy Group, Overseas Development Institute	Abigail Sylvester & Jasmeet Krause-Vilmar	February 14, 2011
Richard Rosenberg	CGAP Senior Adviser	Abigail Sylvester	March 10, 2011

APPENDIX C: OPTIONS CONSIDERED BUT NOT RECOMMENDED

I describe and analyze two options that I did not ultimately recommend. They do not adequately meet the criteria I outline in chapter five, but may be useful for further discussion and consideration as the landscape around microfinance, partnerships and funding shifts and develops.

10. Train livelihoods and community services country staff and field officers to conduct a vulnerabilities needs assessment at the community level, including both urban poor and urban refugees in the assessment.

10.1 Description

Looking at an individual refugee does not offer the full picture of the city context. Categorizing all refugees as vulnerable or poorest is not completely accurate. Sometimes refugees are better off financially than urban poor. As shown earlier, many urban poor face some similar protection concerns as refugees, though not necessarily to the same degree. Understanding the current strategies that urban poor and refugees adopt at a community level will enable livelihoods staff to partner with the appropriate development actors and more accurately design programs for both the urban poor and refugees, considering their unique protection needs and concerns.¹⁰⁹ Microfinance initiatives require products to be tailored and adapted per individual, but within a larger economic context.

10.2 Analysis

Needs assessments, seemingly straightforward, can become political. Questions of who to include, which questions and indicators to use, depth and breadth and how to share and use the results are just some of the questions that come up surrounding assessments. UNHCR may have assessment tools for non-urban settings and other development actors like UNDP or the Slum Dwellers Federation may have assessment tools that do not specifically include refugees. It is unclear whether such an assessment tool explicitly addressing *both* groups already exists. Creating one could be contentious and tedious. The host government at the local and national levels would need to be involved and have input. Conducting a vulnerabilities needs assessment would likely uncover and expose significant needs and problems that are otherwise not dealt with. While ideal, such assessments in an urban setting are challenging, complex and political.

Financially, creating a needs assessment from scratch would be significantly more expensive than if such a tool already exists, though cost-sharing would occur as actors besides UNHCR would be part of the process and benefit from such a tool. Training

¹⁰⁹ Elizabeth Campbell and Associate Community Services Officer, UNHCR Branch Office for Kenya, supported the notion of a more detailed and comprehensive vulnerabilities needs assessment in the urban context so staff, organizations, government and donors know what they are working with.

staff on how to conduct the assessment and then translating information into guidance and useful data incurs another set of costs.

Ultimately, the purpose of an assessment is to identify and alleviate protection concerns that refugees and poor have. However, in the short term, some refugees may become further exposed to harassment, exploitation and even detention simply by identifying themselves for the sake of an assessment. Short-term protection concerns would need to be taken into account when determining the methods and approach of the assessment.

11. When partnering with development groups at the municipal level suggest “soft” quotas of refugees to urban poor served by a microfinance program or activity. This could be a non-obligatory range according to the context and the vulnerabilities needs assessment.

11.1 Description

Services for the urban poor and refugees are often run separately or in parallel, often making one group feel less served than the other. Existing microfinance programs for the urban poor may be served well to include refugees and receive additional funding and support to operate the program. Establishing a 30 : 70 or 40 : 60 ratio of refugee to poor participants may be a way for local organizations and UNHCR staff agree to serving both groups at the same time with credit or savings. This ratio would obviously depend on the local context and ideally stem from the community vulnerabilities and needs assessment, but the idea is to find a way to more formally ensure the two groups are being served simultaneously when appropriate.

11.2 Analysis

Quotas understandably make people uncomfortable as they seem rigid, arbitrary and immediately a number we want to break or tweak. Who is to say that a 30 : 70 ratio of refugees to poor is any more effective or legitimate than 40 : 60. Some may argue that the ratio should favor refugees, but this doesn't reflect their minority status. This number can be hard to justify to refugees and poor themselves. A poor or refugee person may be included simply because they represent a certain population, but the quality of the credit or savings program for them might be quite low or not accurately match their needs. Hard and fast proportions could easily result in arbitrary quotas that end up meaningless.

The intention is good, trying to bring both refugees and poor into the circle of financial services without excluding either group and formalizing this inclusion to some extent with MFIs and NGOs offering the financial service. These suggested proportions could help programs for the urban poor more intentionally include refugees and vice versus. If the proportion is not hard and fast, but more of a range and non-obligatory, I begin to wonder whether there is a point to having the proportion to begin with.

For UNHCR, connecting proportions to funding is a way to share costs with a development group already reaching urban poor. However, at the same time, UNHCR may end up funding in some ways financial service programs for the urban poor.

Some refugees that otherwise may not be included in such program may be reached, but proportions and quotas may encourage MFIs and groups to aggressively target refugees, drawing refugees into credit schemes they are less than comfortable with or interacting with the host population in a way they are not used to or comfortable with. Trust is key and a quota does not establish that trust overnight. Savings programs may seem less financially threatening to refugees and be more inviting, but again, it is important that refugees trust who is handling and keeping their money.