

THE ALCHEMY PROJECT

REPORT OF ACTIVITIES YEAR ONE, 2001 – 2002

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on the Medford campus of Tufts University's School of Nutrition and Science Policy.
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MISSION STATEMENT

The Alchemy Project works in conflict zones in Africa to fund, support and research the livelihood activities of forcibly displaced people and the communities that support them.

The Project is based on the Famine Center's guiding principles that:

- people living in conflict zones remain economically active;
- saving livelihoods is almost as important as saving lives;
- local communities should be encouraged and helped to host the displaced; and
- support for livelihood activities can contribute to reduced conflict and tension.

People pursuing livelihoods in war-affected and displaced-affected communities deal with poverty, instability and insecurity on a daily basis. Refugees and internally displaced people face these problems more acutely, and often aggravate these problems for the host community. The Alchemy Project seeks to give displaced people a 'leg-up' so that they can pursue livelihoods without having to depend on relief assistance, and so that they can get out of or stay out of camps. We believe that increased economic security for displaced people will have 'trickle-out' effects for the whole community, and could ultimately contribute towards wider conflict reduction and the easing of intra-regional tensions.

This past summer (May – September 2002), the Alchemy management team (Jacobsen and Gellek) and seven Tufts interns conducted research and evaluation in the rural and urban sites of our programs in five countries: Sudan, DRC, Sierra Leone, Mozambique and South Africa. Our new knowledge and experience about supporting livelihoods in conflict zones is summarized below, and will be incorporated in our future programs. Our field programs are discussed in detail in the second half of this report.

HOW WE WORK

The Alchemy Project supports people in conflict-affected communities in two ways: through *field programs* and through support for the *Refugees & Forced Migration Program* at Tufts University.

I. Field Programs

Our field programs focus on *economic assistance* in the form of support for credit and income generating activities, and *educational assistance* in the form of scholarships and training.

Economic Assistance

An important need facing war-affected populations, including the displaced, is access to cash and credit. In very desperate post-emergency situations, such as that in Afghanistan or Angola in 2002, people need immediate cash to pay their debts before they can begin reconstructing their livelihoods. In other situations, perhaps where the conflict has temporarily abated, or where refugees are in safe but protracted situations, people can make use of small loans, or microcredit, to help them begin income-generating activities. The start-up capital needed for these microenterprises is often just a few dollars.

Rather than starting our own programs in conflict areas, we work with existing programs run by local nongovernmental organizations (NGOs), or we sometimes give small seed grants to individuals with good business ideas seeking to start their own microenterprises. We use both microfinance and grant-based modalities for disbursing funds, depending on the circumstances.

Examples of the kinds of livelihood activities we supported this year include:

- small businesses in the informal sector (e.g. grocery stores, hairdressing salons, shoe making);
- rotating livestock (goats and chickens) credit;
- a fishing boat enterprise in southern Sudan; and
- salaries for the staff of a small hospital in a heavily besieged conflict zone in eastern Congo.

Seed grants are also used for urgent needs when we come across them. This year, we gave a seed grant to the Rwankole hospital in Bunia, one of the worst conflict-affected towns in Eastern Congo, to cover the salary of the staff who had not been paid in two years. This grant is the basis for an ongoing partnership with the hospital, whose director is helping us develop an income generating program that will meet the needs of the IDPs and local community of Bunia.

Educational Assistance and Training Programs

Many displaced people experience interrupted schooling, often at the tertiary level. Working with our field partners, including Ahfad University for Women in Khartoum, we have a scholarship fund which supports a small number of students at African universities. We also give a scholarship to support one displaced person each year to come to Tufts University for a Masters in Humanitarian Assistance.

Vocational training is a key part of livelihoods, and we provide funds to our field partners to support training of refugees and IDPs in business and crafts skills, and literacy programs.

All our programs are monitored and annually evaluated to see whether we are making any difference in the livelihoods of displaced people, and how we can make them more effective.

II. The Refugees & Forced Migration Program

Alchemy provides significant program support for the Refugees & Forced Migration Program at Tufts University. (<http://famine.tufts.edu/work/refugees.html>)

The R&FMP is jointly offered by the Fletcher School of Law & Diplomacy and the Feinstein International Famine Center, and is directed by Karen Jacobsen. The R&FMP began in September 2000, and seeks to document and understand the experiences, problems and policies concerning refugee and other kinds of forced migration. Our goal is to create a vibrant intellectual community based at Tufts University and built around teaching, research, and the Alchemy Field Programs.

The work of the R&FMP provides important underpinning for Alchemy's field programs in the areas of research and evaluation. The R&FMP seeks better understanding of the economic behavior and experiences of refugees and IDPs, how they adapt their livelihood strategies in markets characterized by uncertainty, instability, and violence, and their economic impact on their host communities. This kind of knowledge will help us understand how our field programs work, what impact they have, and how they can be improved.

Alchemy Project Internship Program

Through the R&FMP, Alchemy launched its first year of internships with the Fletcher School of Law and Diplomacy and the School of Nutrition Science and Public Policy. The internship program is based on our belief in the importance of encouraging linkages between Africa and the US, and in educating non-Africans about life in conflict zones.

We placed seven graduate student interns with our local NGO partners during the university summer recess:

South Africa, Jesuit Refugee Services – **Maura Nicholson and Kim Perez**
Mozambique, World Relief-FCC – **Kathy Macias**
DRC (Goma)-Rwanda, World Relief – **Ellen Kramer**
DRC (Kinshasa), JRS – **Omekongo Dibanga**
Sudan, Goal and Accomplish – **Mehlaqa Samdani**
Sierra Leone, American Refugee Committee – **Tim Nikula**

Interns received no direct Alchemy funding¹ (they have access to the Fletcher School's summer funding program), but were guaranteed housing and logistical support by our partner NGOs in the field. Before their departure for the field, interns received training in monitoring and evaluation of projects, and preparation for fieldwork based on the Famine Center's experience. During their time in the field, interns were hosted by our partner NGOs and backstopped by the Famine Center. They helped us research livelihoods in conflict zones, worked with our partners to evaluate our programs, and had a unique field experience.

On their return, the interns were debriefed by the Alchemy management team, and they delivered their mission reports. Their findings are summarized below and will be presented at a R&FMP workshop to be held at the Famine Center in the Fall, 2002. Their mission reports will also be available on the R&FMP website (<http://famine.tufts.edu/work/refugees.html>).

Dissemination of Research

The R&FMP is the vehicle for disseminating research findings through a Working Papers series (<http://famine.tufts.edu/research/papers.html>) and publications, and by attending conferences and workshops.

In the past year, we have participated in the following international meetings:

- November 2001. Oslo, Norwegian Refugee Council, Conference on IDPs Coping Strategies. Jacobsen gave a paper on Research Issues Concerning IDPs.
- February 2002. Copenhagen, Center for Development Research. Jacobsen delivered a paper: "Livelihoods in Conflict: the Pursuit of Livelihoods by Refugees and the Impact on the Human Security of Host Communities," Expert Working Paper prepared for the study: Migration-Development Links: Evidence and Options.
- April 2002, London, Concern Workshop on Microcredit in Post-Conflict Situations. (Jacobsen and Gellek attended)

¹ In April 2002, a small Alchemy fellowship was awarded to one of our interns.

- July 2002, Johannesburg, University of Witwatersrand. Seminar on Forced Migration. Jacobsen gave a paper on Preliminary Findings about Alchemy programs.

As part of our planned dissemination of research for next year, the Alchemy team will make presentations about our program and findings at NGOs, workshops, and business associations like the Rotary Club.

Institutional Cooperation

The R&FMP works with international organizations such as UNHCR, and with NGOs to inform them about our Alchemy work and to help them evaluate their income generating and self-reliance programs. One of UNHCR headquarters' senior staff, Jeff Crisp, Head of the Evaluation and Policy Analysis Unit, is a frequent visitor to the R&FMP and a member of our Alchemy Advisory Group.

We are in the process of developing a consortium of individuals with knowledge and field experience of microcredit in refugee and conflict situations. This consortium is drawn from NGO and UN contacts we have made over the past year, and will be conducted through email, culminating in a workshop to be held in the spring of 2003.

LESSONS LEARNED:
DEVELOPING AN APPROPRIATE LIVELIHOOD PROGRAM
IN CONFLICT-AFFECTED COMMUNITIES

Our experience over the past year, and especially during the summer, has taught us a lot about supporting livelihoods in conflict zones. We are in the process of writing up these lessons in a separate paper that will be widely disseminated. For the present purposes, we can summarize the main lessons as follows:

1. *Programs need to be flexible* enough to respond to unstable and insecure market conditions and client profiles. Many income generating programs fail because the program is based on inadequate understanding of the site where it will be implemented. Often a top-down, headquarters-driven approach is used which isn't appropriate for the setting. Programs must be able to adapt quickly to take advantage of windows of opportunity. The only way to do this is to build relationships with local partners based on trust, and which solicits real input and advice (participation) from the community.

2. *Income generating and microfinance programs often fail because they don't fit the clientele.*

Some displaced people need grants rather than microcredit, especially when they are very poor and cannot meet their basic needs. If loans are given under these conditions, they will be used to support peoples' lives rather than their livelihoods. In other cases, they lack access to credit or start-up capital, or there is no vocational training or on-the-job mentoring).

Targeting so-called 'vulnerable' groups such as women, widows, combatants, etc. for microcredit can present problems and may not be the best approach.

In some cases, especially IDP sites, basic needs like food are lacking. In Kinshasa, IDPs said, "It's hard to work when you're starving".

Income generating programs should address a variety of needs, including the provision of basic needs (like food), credit, agricultural inputs (tools, seeds, fertilizers), vocational training, job placement and certification.

3. *Microfinance programs should be separated from grants-based relief programs.*

NGOs which provide relief in the form of in-kind grants to refugees, should not add microcredit programs to the mix. NGOs which are used to giving traditional relief are rarely also capable of implementing a microfinance program. Many NGO personnel stated that they believed refugees were "too poor" to pay back loans, or interest. If this is the case, they should not have been given loans in the first place, but rather grants.

"Poisoning the well" is a term used to describe relief agencies that try to do microfinance and end up spoiling their clients for future credit practices.

Successful microfinance programs were split off from the main NGO and offered by a different (subsidiary) organization. In some cases, refugee participants

can be graduated from a grant-based program to a credit-based program. This takes a longer time horizon but seems to show promise in building confidence between providers and amongst participants.

4. *Donors must understand and work with an organization's mission and competencies and not try to make them do things (like microcredit!) they are not set up to do properly.* Donors should also recognize the importance of adequate monitoring and evaluation, and build in these components to their program funding.

As a donor itself, Alchemy was faced with several challenges in the first year. Administratively, we had to negotiate significant bureaucratic hurdles, particularly those concerning the transfer of funds to conflict zones, some of which are in embargoed countries like Sudan.

Our relationships with our NGO partners were without serious problems, but we are still in the steep part of the learning curve with respect to identifying the “right” people to work with in the field, and figuring out how to make appropriate recommendations about program changes. One problem occurred when programs were suddenly curtailed because of conflict or corruption, and the NGO sought to relocate the program.

Our greatest challenge was to understand and measure the impact of Alchemy programs, particularly the potential hidden or future consequences of resource flows into conflict zones.

What effect would Alchemy's injection of credit and cash have on:

- The physical security of participants?
- Tensions within the community?
- Increasing inequalities of resource distribution?

We have tried to address these issues in our discussion of our field programs in the remainder of this report.

Summary of Alchemy Field Grants
2001-2002

Sudan	GOAL (Khartoum)	\$10,000	35 individuals; Grant	IDPs in Khartoum: Rotating Goat credit, Spaghetti making machine, donkey cart for water delivery.
	ACCOMPLISH (Juba)	\$12,000	Terekeka community; Grant	IDPS and Ugandan and Congolese refugees: Purchase of fishing boat to be hired out
	Ahfad University (Khartoum)	\$6,500	10 women; scholarships	IDP students: Undergraduate scholarships
		\$15,000	MAHA support	Masters student
Democratic Republic of Congo	JRS (Kinshasa and Lubumbashi)	\$10,000	Communities in Kinshasa and Lubumbashi; Grant	IDPs and returning refugees: Bakeries, small enterprises
	CREDAP (Goma)	\$10,000	100 households; Credit	IDPs in rural areas: Goat rotating credit
	BDOM (Bas-Congo)	\$3,800	68 households; Grant	Angolan refugees: Seeds and Inputs
	Pole Institute (Goma)	\$10,000	N/A Grant	Great Lakes microfinance community, businessmen, and income-generating projects; research
	Rwankole Hospital (Bunia)	\$2,910	59 Staff salaries; Grant	Urgent need
	COOPEC-Imara (Goma)	\$10,000	18 households Credit	Goma community: Loan fund for bank
Liberia	LEAP (Monrovia)	\$10,000	200 individuals Credit	IDPs residing in the capital city, Monrovia
Guinea	ARC (Nzerekore Camps)	\$10,000	55 individuals; Credit	Liberian refugees, commercial sex workers
Sierra Leone	ARC (Port Loko)	\$10,000	85 individuals; Credit	IDPs and returning refugees: credit for small businesses
Mozambique	FCC/World Relief (Maputo)	\$10,000	32 individuals; Credit	Urban refugees from Great Lakes: credit for small businesses
South Africa	JRS (Johannesburg)	\$10,000	19 individuals; non-functioning credit program	Urban refugees: Credit and vocational training
<i>Total</i>		<i>\$140,210</i>	<i>681 individuals/ households; Terekeka, Lubumbashi, and Kinshasa communities</i>	

MAP TAKEN OUT FOR EMAIL PURPOSE

ALCHEMY PROJECT GRANTS

SUDAN

KHARTOUM AND TEREKAKA, SOUTH SUDAN

Africa's longest running civil war between government forces and rebel forces in the south, together with drought in the west, has created millions of IDPs within the Sudan.

In the south, many IDPs have gathered in the garrison towns (those controlled by the Khartoum government forces), but there are still thousands spread throughout the rural and pastoral areas. In addition, Sudan's neighbors to the south, Uganda and DRC, are ongoing sources of refugees fleeing rebel conflicts. Many of these refugees have moved back and forth across the border, sometimes mixing with the refugees fleeing Sudan's war. This region is volatile and highly unstable; it is surely not an exaggeration to surmise that almost everyone has been displaced or affected by displacement in some livelihood-threatening way.

Khartoum has seen the influx of more than a million war-displaced and drought victims, most of whom now live together with the local urban poor in the squatter settlements and shanty towns surrounding Greater Khartoum and Omdurman. The desert environment, combined with the Khartoum government's neglect, add layers of difficulty to the IDPs attempts to pursue livelihoods. For one thing, all water must be transported into the shanty towns, and then households purchase it in small containers from the ubiquitous donkey cart sellers. This adds great expense, time and inconvenience to such basic activities as washing, cooking, growing vegetables or raising goats.

Compared with other IDP-populated urban centers, like Goma, Khartoum's physical environment – the Sahara desert -- presents great challenges. These are compounded by the attitudes of the government towards IDPs, which are by no means characterized by the benign neglect of the Goma authorities. The history of policy towards IDPs in Khartoum is a highly oppressive one, adding serious obstacles to people's efforts to survive.

Sudan presented the biggest bureaucratic headache for Alchemy. US government restrictions on money transfers to Sudan created serious delays and complications in bank transfers and the money did not arrive for several months. This meant implementation of our projects began several months later than expected.

Khartoum

The IDP areas of Khartoum were one of the first selected Alchemy sites. Our partnerships were set up in July 2001, when Karen Jacobsen was in Khartoum doing research on IDPs. At that time, many of the parameters we have since developed for targeting and defining our relationship with our partner NGOs had yet to be worked out, so the programs are a little 'looser' than our more recent ones.

GOAL

Grant amount: \$11,000

Start date: November 2001

Purpose: a range of educational and income-generating activities for IDPs in Khartoum.

The Goats and Milk Project

This project began when Karen Jacobsen visited a GOAL-initiated REFLECT circle of IDP women in Soba Aradi, a township on the outskirts of Khartoum. REFLECT circles are based on a literacy training philosophy developed by the Brazilian educator, Paul Freire. In addition to teaching the women to read and write, the circles enhance group solidarity and create relationships of trust. GOAL and Alchemy saw the opportunity for group-based rotating goat credit and other income generating activities.

The group consisted of 35 war- and drought-displaced women from the south and the west of Sudan, who had belonged to the REFLECT circle for several months. GOAL used \$1000 of its Alchemy grant to purchase a herd of goats, then later a spaghetti-making machine and a donkey cart. The objectives of this project were to:

- Improve the nutritional status of displaced women and their children;
- Generate income from selling milk, water and spaghetti; and
- Strengthen unity and self-sufficiency among the women.

Project Impact

Although there was an increase in the amount of milk consumed by the children of these women, the increase was not significant. The donkey cart and spaghetti machine brought in much needed cash, but much of this was used to buy feed for the goats and donkey, and to pay the night guard to watch the livestock. Although the project has not substantially increased their incomes, the women feel very strongly about its continuation. For them it is a way to improve their skills and maintain contact with the outside world through project staff and GOAL.

Omdurman Women's Prison

GOAL used \$5000 of the Alchemy grant to help run its literacy program in the Omdurman Women's Prison. Many of these IDP prisoners are in prison for brewing alcohol, a common coping strategy amongst displaced women with few resources. The fifty women beneficiaries in the prison received literacy and numeracy classes in the REFLECT method.

Rehabilitation of the Fulla Fall Primary School

GOAL used \$5000 of its Alchemy grant to rebuild one of the few primary schools in Soba Aradi, and paid for school furniture, books, and teacher training.

Ahfad University for Women

Grant amount: \$21,500

Start date: September 2001

Purpose: Scholarships

Alchemy provided scholarship funds for ten displaced women to pursue their undergraduate education at Ahfad University. These funds are for the first year of their degrees, and Alchemy is committed to funding them through the next two academic years.

We also gave a \$15,000 scholarship to an Ahfad student to do a Masters in Humanitarian Assistance at Tufts University.

Terekeka, Southern Sudan

ACCOMPLISH

Grant amount: \$12,000

Start date: September 2002

Purpose: purchase of a fishing boat.

One of Alchemy's most interesting projects is run by ACCOMPLISH, a local NGO operating in southern Sudan, whose existence was brought to our attention by a Famine Center colleague in Khartoum. Working through our colleague, Alchemy provided ACCOMPLISH with a grant of \$12,000 in March 2002, to purchase a fishing boat for the Mundari community in Terekaka, a small village with many IDPs, four hours along the Nile from the town of Juba. The project suffered a five-month bureaucratic delay, and only got started in August 2002, when ACCOMPLISH purchased a fiber glass boat and out-board engine. The boat has now begun transporting fish from Terekeka to Juba.

The Mundari people are agro-pastoralists who rely on cattle for income, food, milk and social stability, but conflict and endemic poverty have meant that much of their livestock has been killed, looted, or sold off. They have had to look for income-generating opportunities, and fishing is one. Transportation costs are a major constraint in the marketing of fish, so ACCOMPLISH proposed that a boat be purchased. It would be managed by Accomplish and community members, and beneficiaries would have access to subsidized boat-transport to the markets in Juba. The boat will also be used to assist in immunization and vaccination campaigns for communities and cattle along the Nile.

The absence of subsidized income-generating opportunities in the region has meant that the appearance of a fishing boat has created strong community reactions. Various individuals in the community have tried to gain control of the project, so efforts have been made to create a central management committee to manage these issues. The management committee consists of members from ACCOMPLISH, Sir Num Fisheries Cooperative, Terekeka Women Self-help Group, and the Expanded

Immunization Program. These groups are collectively responsible for organizing the river trips, managing the cost recovery, and coordinating other services, such as immunization campaigns.

As it is still in the early days, we look forward to learning more about the impact of this project on the livelihoods of the Mundari community.

From a report by ACCOMPLISH:

“One of the first problems we faced during the initial river trip was that the captain was not familiar with how to run this type of boat-engine and got stuck in several places along the river. Another, more serious, problem is the presence and interference of the military authorities near Terekeka.”

DEMOCRATIC REPUBLIC OF CONGO

EASTERN CONGO (NORTH KIVU), LUBUMBASHI, KINSHASA, BAS-CONGO

Conflict and natural disasters have led to an estimated 760,000 displaced people in North Kivu, with uncounted others having moved further afield as IDPs and refugees. There are currently no refugee or IDP camps in the Kivus²; the displaced are primarily self-settled in urban and rural areas, often hosted by family members. Thousands of displaced people have moved to Goma, which was struck by a volcano eruption in January 2002 that destroyed a large section of the central business district.

In North Kivu, as in all conflict situations, there are windows of calm that allow people to restore their homes, plant crops, and pursue their livelihoods. In Goma, the roads and market areas are busy with people selling vegetables, food, charcoal, livestock, furniture and other household goods, providing hairdressing, shoemaking and transportation services. In the rural areas, the land is intensively cultivated, and livestock is gradually being reintroduced (if sometimes by warlords). This economic activity speaks loudly of the resilience of people and their hope to return to a normal life. However, banks and other saving and credit associations face a slow recovery. The few institutions that had offered banking or microfinance services before the volcano eruption have lost their offices and entire client savings.

Goma, North Kivu, Eastern Congo

In Goma, Alchemy has worked mainly with two organizations, the Pole Institute and CREDAP (Committee for Reflection on Agro-Pastoral Development). These organizations have implemented our programs in sites they have identified, and educated us about how to support livelihoods in ways that could reduce tension and conflict.

CREDAP

Grant amount: \$10,000

Start date: September 2001

Purpose: rural goat credit and other agricultural support.

CREDAP is a consortium of 40 farmers and veterinarians that was founded 9 years ago with the aim of helping to rebuild the livelihoods of the agriculturalists and pastoralists in North Kivu. CREDAP has identified 29 sites in North Kivu where they implement and monitor programs.

Three of CREDAP's member NGOs received Alchemy funds to carry out four goat rotating credit projects: one at Nyamilima (near the Ugandan border), and three in Masisi at Nyamitaba, Kichanga and Burunga. Programs are designed to strengthen the household food security of both IDPs and returnees from Rwanda and Uganda.

² There is a small camp of some 100 families of volcano-displaced people about 10 km outside of Goma. There are also camps across the border in Rwanda for volcano-displaced.

A goat credit program is believed to be a less risky investment in a conflict-zone because goats are more easily transported, less susceptible to illness, and more adaptable than other forms of livestock, such as cattle. Goats were also selected because they are less expensive than cattle (a female goat costs approximately \$50; a cow can start at \$200), and more could be purchased with the Alchemy budget, increasing the number of clients. Alchemy funds purchased 185 goats and 18 sheep. In each of the four sites, approximately 100 households will have access to a goat rotating credit program.

Project Impact

For individual women, the extra income from her goat contributes to household food security and overall living conditions. With extra income women are able to pay for health and educational services, increase their access to transportation, and improve the variety and amount of food their household eats. Owning a goat also gives a woman a sense of self-worth.

There is some indication that goat credit programs in conflict-affected communities might have a role to play in reducing tensions. One village committee came up with the idea that in order to reduce ethnic tension within the community, the rotation would occur across ethnic lines, so that a recipient would pay back her baby goat to a woman of a different ethnic group who was next in line. These are admittedly small impacts, and difficult to measure, but they need to be seen in the larger picture of small actions amongst many affected communities that can contribute to a gradual lessening of tension and conflict.

“We cannot afford to wait for this place to be secure. We have to make a living. Even if they come and rob us and take away our goat, at least they have something to take and not just kill us.”

*Alchemy Goat project recipient
Nyamillima, eastern-DRC*

Pole Institute

Grant amount: \$10,000

Start date: April 2002

Purpose: research and coordination of Alchemy projects in the Kivus.

The Pole Institute is a local research organization based in Goma that designs innovative programs aimed at decreasing conflict in the Kivus. Both Alchemy and Pole are committed to understanding ways to increase the economic security of conflict-affected communities, and in so doing contribute towards conflict reduction and the easing of tensions. Alchemy supports Pole to:

- Develop networks that support livelihoods in the Kivus,
- carry out livelihood research, and
- conduct two regional workshops related to these issues. (The first of these was held at the end of July, shortly after Alchemy’s visit.)

Pole is now institutionally linked with the Famine Center and Fletcher and two staff members from the Pole Institute will travel to Boston in the Spring to further our joint

research on livelihoods in conflict. The Pole Institute is a pivotal partner for Alchemy in the Great Lakes region because it is able to act as both our research partner and as a trusted conduit for providing Alchemy funds to local NGOs such as CREDAP and COOPEC (see program description below). Pole will continue to help us monitor and evaluate our NGO projects in the Great Lakes Region.

World Relief/COOPEC

Grant amount: \$10,000

Start date: August 2002

Purpose: microfinance services in Goma

Alchemy initially awarded the Kigali-based NGO, URWEGO/World Relief, a grant to carry out microfinance services in Goma. However, World Relief was unable to secure funding to cover its running costs, so in August it was agreed that the funds would be transferred to the Pole Institute, which would in turn negotiate a loan to COOPEC-Imara, a community bank in Goma, to provide loan funding for Goma residents, including the displaced. The Pole Institute will help manage the relationship between COOPEC and Alchemy. COOPEC is ready to begin making loans to small business traders. The proposed loan size is \$500 and the program will begin with 18 clients.

Lubumbashi, Kinshasa, and Bas-Congo

Both cities are sites of significant IDP and refugee inflows since the wars of the late 1990s in the DRC. Kinshasa, like other urban centers in Africa, hosts different communities of IDPs, returnees and refugees from all over the region and further afield. The region of Bas-Congo hosts large numbers of Angolan refugees.

Jesuit Refugee Services

Grant amount: \$10,000

Start date: March 2002

Purpose: income-generating and vocational-training programs

The grants support economic activities such as sewing and embroidery, bakeries, a restaurant, and agriculture. Funds have been used to buy land for cultivation and equipment, such as sewing machines and ovens, all of which are owned by JRS and then made available to the community. Alchemy funds also purchase agricultural supplies (seeds, tools and fertilizers) and rabbit hutches.

These income-generating activities yield modest profits at best. Access to agricultural land is seen as the most beneficial as the displaced can eat the produce they can't sell. JRS staff helps to sell some of the sewing and embroidery products overseas but there is a limited market for these products in Kinshasa.

Bureaucratic delays and personnel transfers meant the program got going rather late in the year, so it is too early to judge what impact, if any, the program has had. Initial impressions suggest that this program suffers from the usual problems, namely inadequate market research (there is no market for the products or services resulting from the material support and vocational training). However, we have not been able to visit this program and gain a real sense of how it is affecting people's lives.

BDOM (*Bureau Diocesain des Oeures Medicales des Kisantu*)

Seed Grant amount: \$3800

Start date: September 2002

Purpose: income-generating programs and training

BDOM is a NGO serving Angolan refugees near the Angolan border in Bas-Congo. The project's goal is to reduce the economic vulnerability of refugees through the promotion of income-generating activities such as soap making; sewing (mending and fabrication of clothing); and bread making. BDOM provides basic materials such as cloth, sewing machines, caustic soda for soap, and materials for building ovens for bread making, as well as training. Trainers will be refugees who have already proven their capacity to carry out these activities. Currently there are 77 beneficiaries.

BDOM has proposed three fairly typical types of income-generating activities that we expect to provide a marginal real increase in income. One of the major problems confronting organizations implementing these types of activities, as we have noted, is the lack of markets for products. In the case of this project, however, the beneficiaries can use their products—soap, mended clothes, or bread—if they are unable to sell them.

One of the most important aspects of this project is the training component, which we believe will have long-term livelihood benefits for the beneficiaries, whether they repatriate to Angola, or remain refugees in the Bas-Congo.

GUINEA, LIBERIA AND SIERRA LEONE

The troika of states constitutes a region of chronic forced displacement, as conflict ebbs and resurges. Liberia's civil war is resurgent at this writing and new displacement has occurred in the past few months. Guinea continues to receive large numbers of refugees, and its policy towards them becomes increasingly restrictive. Over the past few years, Guinea has hosted some 500,000 refugees from Sierra Leone and Liberia. The government for many years maintained an open-door policy toward the refugees, allowing them to move freely, establish themselves, seek employment or conduct business. However, regional insecurity has begun to take its toll on Guinea and its refugee policy and the humanitarian operations there.

With its 10-year-old civil war concluded, Sierra Leone saw a significant return of IDPs, combatants and refugees from Guinea and the region, and is in the process of construction. But there are few resources to rebuild their lives. Sierra Leone's economic and social infrastructure were largely destroyed during the civil war and is only now being restored. This destruction was especially serious in the financial sector, where the system of rural and postal banks collapsed. Returnees and non-displaced alike lack the capital necessary to restart agricultural or business activities. In this situation, banking and credit services are essential to jump-start the economic recovery process

Nzerekore, Guinea

The Nzerekore prefecture hosts over 90,000 Liberian refugees settled in the town and in the refugee camps.

American Refugee Committee (ARC)

Grant amount: \$10,000

Start date: February 2002

Purpose: microfinance for refugees

Alchemy's grant was originally for loan capital to ARC for its microfinance program in Liberia. In June, lack of donor funding and renewed conflict throughout Liberia forced ARC to phase out its programs. After a second proposal to Alchemy in August, we agreed to transfer the loan capital to one of ARC's microfinance programs serving refugees in camps in Nzerekore, Guinea.

The fund is earmarked for vulnerable Liberian refugee women in camps. The program seeks to increase self-sufficiency and reduce dependence on food-aid support, and specifically seeks to enable those with risky livelihoods such as prostitution, to make a livelihood change. Alchemy funds provide approximately 55 additional loans for groups of 6-8 persons. Loan amounts on average are \$180 per group, or \$30 per person.

ARC started its first microcredit program in Guinea in 1997, serving refugees from Sierra Leone and Liberia. A pioneer in the use of microcredit with refugees and displaced persons, ARC has created a model that includes training in health and literacy, and on-going business support for its clients. ARC has a proven record of successfully running

microfinance in Guinea. According to ARC's records, 93 percent of their clients' were still in business two years after the initial loan was issued. ARC/Guinea has repayment rates of 96 percent.

Monrovia, Liberia

LEAP/World Relief

Grant amount: \$10,000

Start date: February 2002

Purpose: microfinance services for IDPs

The Local Enterprise Assistance Program (LEAP), a microfinance institution based in Monrovia, provides credit and savings services to 200 IDPs and their families in Monrovia.

Over the summer months, the Liberian conflict escalated throughout the country and LEAP had to deal with an upsurge in Monrovia's displaced population. As a result of the worsening security and humanitarian situation, LEAP placed a temporary moratorium on the establishment of new groups and the disbursement of loans to most groups between April and June, 2002.

Notwithstanding these difficulties, as of August 31, 2002, LEAP had started 5 new groups and served 3 pre-existing groups for a total of 123 clients, with Alchemy funds. An additional 77 clients will receive Alchemy-funded loans in the next two months.

LEAP's microfinance program provides loans to self-selecting groups in populations with a high percentage of displaced. LEAP loan officers assist prospective clients based on criteria set by the group. The LEAP program provides loans of approximately \$36 to each member. Over 80% of its clientele are women. The loan period is for four months and carries a 4% per month interest rate. Loan sizes range from \$21-43. Clients are encouraged to save with LEAP and are able to apply for subsequent loans based on the initial loan and their accumulated savings. The primary types of businesses are: trading (53%); sale of food stuff (25%); food preparation (12%); and production (10%). LEAP currently boasts an exceptional repayment rate of 100%.

Project Impact

To date, LEAP's programs have demonstrated the following achievements:

- Increased income and assets;
- Improvement in family nutrition, education, and health. LEAP clients cite improved household nutrition as the predominant impact on their lives; and
- Improved confidence, dignity, and status.

In addition to these achievements, loan activities have also helped clients to rebuild social capital—such as trust and peer support—in their new communities.

Remaining Challenges

LEAP continues to face serious challenges in providing microfinance services to IDPS and their host communities in area of on-going conflict and violence. In our discussions with LEAP, they have outlined many of the same challenges that programs operating in other parts of Africa grapple with:

- How to deal with the mobility of IDPs and the increased potential risk they pose to loan portfolios? How to support long-term program sustainability and economies of scale for clients on the move?
- How to successfully select candidates that have business skills?
- How to enforce repayment in areas of extreme poverty where LEAP faces the possibility of being branded as an institution that is trying to worsen the condition of poor people.

Given that many other relief organizations, including ARC, have closed down their microfinance programs in Liberia, it will be very interesting to see how LEAP will adjust its program to deal with the escalation of violence and displacement throughout the country. We will support LEAP's capacity to provide microfinance in such harsh environments during this turbulent period.

Kenema District and Port Loko, Sierra Leone

American Refugee Committee (ARC)

Grant amount: \$10,000

Start date: March 2002

Purpose: microfinance services for IDPs and other vulnerable groups

Alchemy loan funds were to be used to expand ARC's existing microcredit program in Kandu-Leppiama chiefdom, in the Kenema District. The funds were intended to support war widows, spouses of teachers and health care workers, and other vulnerable, but business-capable individuals. A variety of problems, primarily lack of repayment as a result of problems with the local chief, led to the project being put on hold in July, when ARC closed down all of its operations in that chiefdom. ARC requested and was granted approval to restart the microfinance program in September, 2002, in Port Loko (in the western portion of the country), where repayment has been less problematic and repayment rates better than in Kandu-Leppiama.

Port Loko is host to a large number of IDPs, refugees, and ex-combatants/military, all considered factors for the spread of sexually-transmitted diseases and AIDS. The Sierra Leone HIV/AIDS program, part of a regional consortium of NGOs, is based in Port Loko and shares an office with ARC's microcredit program. Among the target groups for the AIDS awareness campaign are commercial sex workers (many of whom are IDPs and a small number refugees), and ARC offers them awareness training as well as microcredit

loans. Alchemy support of the loan program will allow commercial sex workers to support themselves through legal means, or at least reduce their reliance on dangerous sex activities.

MOZAMBIQUE

MAPUTO AND NAMPULA

Mozambique currently hosts over 6,000 refugees, mainly from the Great Lakes (DRC, Burundi, Rwanda). In addition, large but unknown numbers are self-settled in both the rural and urban areas of Mozambique, with the main concentration is in the southern part of Mozambique, around the capital, Maputo. Approximately 1200 refugees live in the main camp at Bobole, which is about 50km outside Maputo and was set up in 1998.

Refugees arriving in Mozambique must present themselves to the government refugee agency where they are registered and sent to the camp (Bobole). After two-three months, they are issued with a document permitting their presence in Mozambique, but conferring no legal status. There is a major backlog in granting refugees status. Currently out of more than 6,000 asylum seekers, only 207 persons have refugee status, and no asylum seekers have received status since 1999. ³

In practice, the lack of legal status does not seem to hamper either the economic activities or freedom of movement (within Mozambique) of asylum seekers. Many work in the informal sector, and some even work for the government, primarily in the education and health sectors. However, lack of legal status as refugees creates serious documentation problems. It means the refugees do not have passports and thus cannot travel outside the country. They cannot open bank accounts because they do not have proper identification. It also means that their status as workers and residents is not fully legal, and at any time the government could decide to change its hitherto laissez-faire position and impose new restrictions. The status and documentation problems are fully recognized by UNHCR and refugee NGOs in Mozambique, and they are actively lobbying the government to address the problem.

Maputo

World Relief/ Fundo de Crédito Comunitário (FCC)

Grant amount: \$10,000

Start date: April 2002

Purpose: microfinance for refugees

FCC is a microfinance institution which is a subsidiary of World Relief, the main implementing partner for UNHCR in Mozambique. The grant provided loan capital for FCC's refugee program, serving refugees in the urban area of Maputo and the camp at Bobole. Loans range from \$50 to \$2,000, and as of August 2002, FCC had 51 refugee

³ The GOM has ratified the 1951 and OAU Conventions. Mozambique appears to serve primarily as a country of transit to South Africa, accurate data on the number of asylum seekers in Mozambique is difficult to obtain. In addition, the GoM and UNHCR face the problem of "irregular movers" because of the location of Mozambique whereby many asylum seekers have already presented their cases in neighboring countries such as Tanzania or Zambia.

clients, who have used loans to establish small businesses, such as grocery stores, used clothing stands, or hair dressing salons. FCC's repayment rate is over 98%. Operational costs for the refugee program are nearly fully covered by the interest earned from the loan portfolio, but the overhead costs are subsidized by FCC. Alchemy funds have been used to provide 32 loans to participating refugee clients.

Project Impact

Refugee clients have experienced an average *increase in income* of \$112 per client. Profits from businesses range as high as \$2000 a month, with an average of \$385 a month. This increase in income has enabled refugees to:

- *Leave the camp.* All of FCC's refugee clients and their families, with the exception of one client (who chose to stay because he is a pastor and teacher in the camp), have been able to leave Bobole or Massaca refugee camps and move into the Maputo area. They are *no longer reliant on humanitarian assistance*.
- *improve their food security* (by increasing the types and quantity of food consumed), finding a *place* of their own to live,
- *pay for transport* to send their children to school, or visit health clinics.
- *increase in self-confidence.* Many clients spoke of the sense of being worthwhile, and the feeling that they have a future.

SOUTH AFRICA

South Africa is perceived by refugees and other migrants as a desirable destination, given its relative wealth and stability in comparison with the rest of the African continent. Since 1994, 80–90,000 people have requested asylum in South Africa. UNHCR describes this as a 'phantom' figure, however, because it is difficult to ascertain what portion of those individuals are truly refugees versus illegal and/or economic migrants. Currently, UNHCR estimates that about 30,000 asylum seekers and refugees are in South Africa.

Refugees are concentrated in South Africa's urban areas, predominately in Johannesburg. Historically, South Africa has not had the legislative infrastructure or the institutional capacity to receive and process asylum applications. As a result, by the end of 2000, an administrative backlog of approximately 25,000 outstanding asylum applications existed. Lack of legal status as refugees creates serious economic problems. Asylum seekers are not allowed to work or study while they are awaiting the outcome of their asylum application. Many refugees wait well over a year – and sometimes longer – for their application to be processed.⁴ During that time they cannot gain legal employment and must rely on friends and/or humanitarian NGOs for food and accommodation, or engage in non-sanctioned and sometimes illegal income-generating activities for survival. Their lack of legal documentation prevents them from opening bank accounts and establishing credit. They also are prohibited from obtaining a passport, and thus are unable to travel outside the country.

Johannesburg

Jesuit Refugee Service (JRS)

Grant amount: \$10,000

Start date: November 2001

Purpose: microfinance for refugees

JRS is UNHCR's implementing partner in South Africa. The grant provided loan capital for their business loan program that began in 1999 with funding from UNHCR.

The JRS loan program serves refugees in the urban area of Johannesburg. Loans range from approximately \$300 - \$500. By September 2002, JRS had granted 19 loans to establish small businesses such as restaurants, used clothing and cosmetics stands, or hair salons. The JRS program does not charge interest, and repayment has been inconsistent and low – only 10% of the loan capital (combined Alchemy & UNHCR funds) has been repaid.

Program Impact

The JRS Small Business Loan program has had both positive and negative impacts on the program's participants. There is some evidence that the loans resulted in an improved

⁴ They may apply for this restriction to be lifted if their application has not been decided on within 180 days, but this does not always occur, and certainly not within the timeframe intended.

financial situation for most of the recipients. For some, the loan meant they could meet basic needs such as being able to pay for accommodation, food, or children's school fees. Other participants benefited from the new business skills they acquired from the program. Two of the start-up businesses were profitable enough to employ other individuals.

There have also been negative impacts associated with the program. Inability to pay back the loan imposed guilt and negative feelings on some people, on top of their problems of figuring out how to survive, and some felt reluctant to request other services from JRS. Some loan recipients claimed that their financial situation had actually worsened because of the loan – they felt obliged to repay it and were forced to borrow or make other sacrifices to do so. Clearly, people who are not able to repay, should not be given loans in the first place; they should only be eligible for grants.

In light of these problems, and having learnt from the success of Alchemy's Mozambique program, JRS and the Alchemy team together decided to change our approach. From next year, the loan component of JRS's Small Business Program will be 'outsourced' to an existing microfinance organization in Johannesburg. JRS will retain control of the program, but will not implement the financial aspects of it (final selection of clients, monitoring, repayment, etc). JRS will be instrumental in identifying potential refugee clients to be sent to the microfinance institution, doing business and vocational training, and providing related services to the refugees. We are still in the process of working out the modalities, but Alchemy has facilitated a meeting between JRS and FCC (Mozambique), so that mutual learning can occur.

JRS and Alchemy are pleased that we were able to learn from our joint experience and develop a new approach that is more likely to work. The JRS-Alchemy partnership has been conducted in a spirit of cooperation, institutional learning and mutual enthusiasm. While the loan program has not had the dramatic impact of other microfinance programs, we have every reason to believe that future developments will yield positive results.