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Beyond Livelihoods: "Financial Health" and the Humanitarian-Development Nexus

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For years, humanitarian and development scholars and practitioners have refined their approaches to understanding people's livelihoods in contexts of displacement. Frameworks such as the Sustainable Livelihoods Framework (SLF)[1] or Making Markets Work for the Poor (M4P)[2] have helped practitioners organize their observations and shed light on complex systems related to livelihoods or markets. We propose that a refinement of these broad frameworks is needed. Simply put, displaced people are primarily concerned with the finances (income, savings and credit) that will enable them to survive and thrive. But the financial assets described in the SLF lack concrete indicators, and are subsumed under other livelihood assets.

The concept of Financial Health (already deployed in financial inclusion discourse) is a way of benchmarking a person's financial situation. We propose that a Financial Health framework is very useful for displacement contexts and adapt the financial inclusion indicators accordingly. We provide five concrete measures that are focused indicators for assessing whether livelihood assets are good enough to enable people to attain resilience, self-reliance or integration. Financial health benchmarks in refugee and migrant settings can become the basis for decision-making and programming in both humanitarian and development circles.

Refugees Livelihoods Programming and Its Shortfalls

For decades, scholars and practitioners have documented the successes and failures of refugee livelihoods programming.[3] The main critiques concern design, implementation and evaluation:

- In the **design** of livelihood programs, UN agencies and non-governmental organizations fail to map out and incorporate the *local* political and economic landscape (city, camp, village) of the host country, and fail to take into account what refugees and migrants are already doing.[4]

[1] Serrat O. (2017) The Sustainable Livelihoods Approach. In: Knowledge Solutions. Springer, Singapore.

[2] Albu, Mike (2008) Making Markets Work for Poor Comparing M4P and SLA frameworks: Complementarities, divergences and synergies, The Springfield Centre, United Kingdom

[3] For present purposes we use the term "livelihoods" to refer only to the ways in which people earn a living.

[4] Jacobsen, Karen and Susan Fratzke. *Building Livelihood Opportunities for Refugee Populations: Lessons from Past Practice.* Washington, DC: Migration Policy Institute. (2016)

- In the **implementation** of livelihood programs, a shortage of trained and knowledgeable staff at the local level and lack of coordination among the different actors supporting livelihood programs tends to erode impact and hamper success.[5]

- **Evaluation** efforts rarely monitor the impact of livelihood programs on the lives of refugees and host populations, as well as on wider institutions (like markets), thus blocking any lessons that might improve such programs. One study of the effectiveness of livelihoods programs in conflict-affected settings found almost no livelihood evaluations.[6]

We believe that some of these problems are addressed by a Financial Health Framework. Conceptually, and as a Theory of Change, a FH framework focuses on a narrower but very important aspect of a person's life, namely one's finances. Rather than try to capture many different aspects of a person's livelihood, as does the SLF, the FH framework assumes that finances are the foundation and number one priority for displaced people as they try to get their lives back on track. From a programming perspective, this more focused approach enables the following:

a. **Design**: FH programming objectives are to help households and individuals strengthen their financial health, i.e. build the financial resilience to weather shocks and pursue wider life goals. Program design take into account what people are already doing to generate income, *and* what they would like to do in the near future and in the long-term.
b. **Implementation**: a narrower FH focus makes it easier to figure out the kinds of skills need by program staff to support FH programs, whether these are new (eg.a new microfinance program) or supporting activities already being implemented by displaced people + hosts (eg. VSLAs).
c. **Evaluation**: the narrower focus and clear objectives of FH programs can be more easily monitored and evaluated, not least because existing financial inclusion programs are already doing this and have a good evelaution methodology.

We elaborate on these contributions in the following sections.

Financial Health – A New Analysis Framework for Displacement Settings

Financial Health, a recent paradigm emerging from the financial inclusion sector, addresses both people's ability to withstand and recover from (financial) shocks, and their future orientation, i.e. how they pursue the financial wherewithal to attain household or individual goals including non-financial ones. Helping households and individuals strengthen their financial health thus becomes the

[5] For example, a comparative study of four livelihood programs in South Africa found that structural obstacles to refugee integration hinder the success of livelihood programs (Van Raemdonck (2019). See also Koizumi and Hoffstaedter. *Urban refugees challenges in protection, services and policy. Routledge*. London; New York: Routledge. (2015); and De Vriese, *Refugee Livelihoods: A Review of the Evidence*. Geneva, Switzerland: Evaluation and Policy Analysis Unit, UNHCR. (2006)

[6] Mallett, R. and Slater, R. (2016) 'Livelihoods, Conflict and Aid Programming: Is the Evidence Base Good Enough?'. Disaster 40, no. 2 (2016): 226-45

program/policy goal. Stated simply, Financial Health is achieved when an individual's daily systems help build the financial resilience to weather shocks, and the ability to pursue financial goals.[7]

How Does a Financial Health Framework Differ From Or Complement Other Livelihoods Frameworks?
We are not rejecting livelihoods frameworks, but rather building on their financial capital component, which we consider to be under-specified and relatively neglected, given its outsize importance. The SLF maps the types of capital: human, social, political, physical/natural and financial that underpin people's livelihoods. The SLF takes into account the various external structures, policies and processes that shape livelihood strategies and outcomes. Similarly, the M4P Framework, widely adopted in the development sector, also helps practitioners organize and analyze complex systems, but through a market lens. The Financial Health Framework builds on upon both frameworks to develop concrete, measurable financial indicators useful in contexts of displacement.

The SLF helps us think about – and measure - the ways in which people manage their lives. SLF livelihood assets, or capitals, have benefited from decades of research, evaluation, and changes in program design. For example, **human capital** uses specific health, education and nutrition indicators to measure physical well-being, educational attainment and nutritional status. Anthropometric indicators such as arm circumference and body, or literacy and numeracy outcome measures of people's knowledge and skills. The same can be said for **natural capital** - land and water quality can be precisely measured.

Much more could be done to measure **financial capital**. Financial capital contributes to and benefits from the four other capitals. Without financial capital people cannot pay for their children's schooling, or purchase seeds and fertilizer. A Financial Health Framework can bring simple, measurable benchmarks to the concept of financial capital and in doing so add important dimensions to program design, implementation and evaluation.

Measuring Financial Health in Displacement Contexts – When Is It Achieved?
Based on our own research, we have adapted existing financial health indicators for use in displacement contexts. Refugees or migrants are 'financially healthy' when they are able to do the following over the course of four years, beginning with their arrival:

1. **meet basic needs**. Can they access the resources they need —from gifts, loans, savings, income, bartering, or charity — to secure food, shelter, clothing, medicine or other essential products and services?
2. **comfortably manage debt.** Refugee and migrants arrive indebted to smugglers and those who financed their journeys (friends, family members, other financiers). Some debt is manageable but too much can render individuals and households vulnerable to ostracization, violence and extortion.
3. **recover from financial setbacks.** Loss of a job or loss of an income-earning family member can produce financial hardship. So can a medical emergency or a broken asset. Being able to

7 Ladha, T. (2017). "Beyond Financial Inclusion: Financial Health as a Global Framework", Center for Financial Services Innovation.

borrow from social networks, access humanitarian aid, or dip into savings will enable recovery from a setback.

4. **access a lump sum to enable investment in assets and opportunities.** Many refugees arrive stripped of their assets and savings. Being able to borrow a lump sum can and enable people to invest in assets or opportunities that can produce income or increase safety or improve long-term prospects such as education and training or better housing. A lump sum is at least 5% of per capita GDP, in this case, of the host country.[8]
5. **continually expand their planning horizons.** Over time, new arrivals move from daily hand-to-mouth struggles (what we call survivelihoods) to increase their activities and find themselves able to contemplate a financial future beyond the present day.

Regarding the five financial health indicators, there is more work to be done by humanitarian and development practitioners and scholars. For example: what is a desirable lump sum, or what is comfortably manageable debt? In the US, after years of study, financial health outcomes have become benchmarked. A lump sum is defined as 5% of per capita GDP. And a debt-to-income ratio should be no higher than 33%. Such specific benchmarks will help practitioners and researchers to measure and respond to financial health outcomes in different displacement contexts.

Our Field Research

For the past four years, the authors have focused their research on the financial integration and self-reliance of refugees and migrants. The Refugees in Towns project at Tufts University features more than 40 in-depth cases studies that examine how refugees and migrants adapt to the towns they live in. The Journeys Project, also at Tufts features essays, reports, and videos on the financial journeys of refugees and migrants in diverse environment, and how they manage in those environments. Below we draw on two recently completed projects, one that focuses on Uganda and Mexico, and the other on Jordan and Kenya. For the full reports see here. Our research questions included:

- What factors contribute to the financial integration of displaced people?

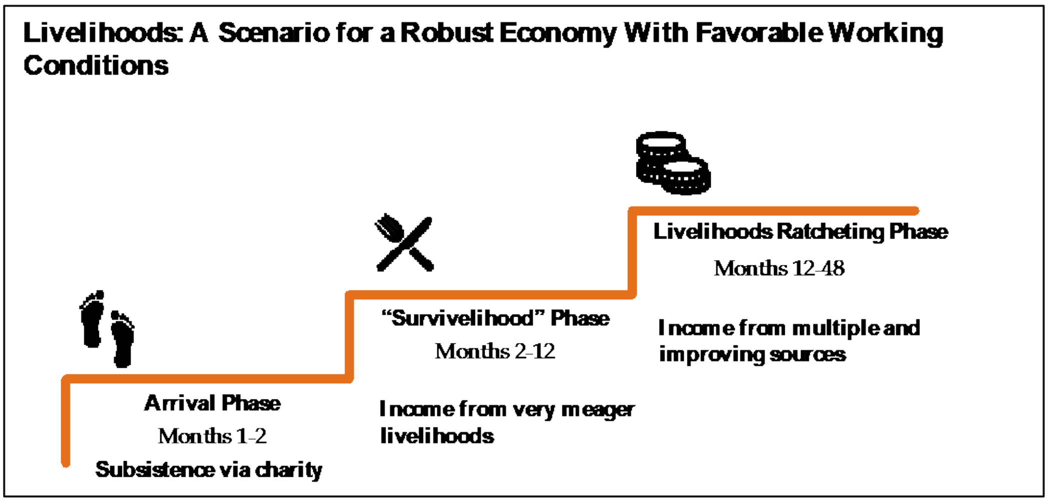
[8] As noted by the Center for Financial Services Innovation. So, for example, if the US is the host country, a lump sum would be 5% of $62,794 (per capita GDP), or $3,140.

- How do these factors vary in urban settings vs. rural settings, and in camps?
- How do financial services foster financial integration compared with other factors?

Understanding people's financial status and their choices in managing money sheds light on both financial *and* non-financial issues. Answers to simple questions about money, a subject many people consider neutral and will speak about quite openly, reveal customs, preferences, and strategies that seem at first disconnected from money. But in our research about people's financial lives, we also came to learn about the importance and specific roles of networks, information, language, gender, social norms, skills, safety, and documentation.

Livelihoods and Financial Health

The livelihoods of poor refugees unfold in a pattern.[9] On arrival they typically rely on the charity and help of friends and family, humanitarian assistance from local, national and international agencies - especially cash assistance, and houses of worship.[10] After getting their bearings most find menial work — in cities this could be sweeping the steps of a church, selling food in the street, or washing clothes. In rural camps and settlements refugees find farm work outside the camp. We call these activities "**survivelihoods**," our term for menial work that shows a person's willingness to work, but which seldom brings in enough money to support themselves or their families. During the survivelihoods stage, refugees continue to rely on local support, and some get remittances from family members in the sending country or abroad, for help with housing, school fees, access to land, and even food. Then, after some period of time (months or more), some refugees are able to save a little, invest in their livelihood or secure better employment, and, for those with connections, skills, and a sense of industry, a **ratcheting up process** begins that continues over several years. (See diagram below)



[9] Not all refugees are poor. Some refugees have significant resources and wealth and are able to survive in their host country without having to work for a living.

[10] There are unexpected humanitarians, too. In Kampala the police station often helped new arrivals, including giving them leftover food.

Not all refugees are able to ratchet up their livelihoods; many enabling factors must be in place – indeed, a vast literature explores the success and failure of refugee livelihoods.[11] Some portion of the population will continue to struggle with physical and mental health problems (the latter are often higher in refugee populations as a result of their displacement experience[12]), with being a single parent, and with other personal challenges. They will always need targeted humanitarian assistance, and extra help with their livelihoods. As in all populations, whether displaced or not, **only some individuals will have the entrepreneurial ability, the luck, the resources and the networks to be successful**.

Applying the Financial Health Framework

In our two recent studies, we found that in the arrival phase, most of our respondents were financially *unhealthy*. They relied on charity (local or remittances) to meet basic needs; were burdened by debt; could not weather financial setbacks; had no access to funds (lump sums) to pursue opportunities; and their planning horizons barely extended beyond a day. For these people, most of whom eventually found some form of survivelihoods, it was difficult to pursue any kind of income-earning activity until they found their bearings, which could take months. Income from survivelihoods was too modest to contribute to financial health, and charity was key to survival. But some of our respondents were able to strengthen their financial health after a year or two in the ratcheting phase. Their income began to cover basic needs and they were paying down debts. Some were able to pool a small reserve that eased financial setbacks and allowed modest investments, typically in schooling, housing and business assets. Planning horizons expanded to months and even years. However, these were often best-case scenarios, where working permits and business licenses were available and in (usually urban) contexts where economic activity was vibrant.[13]

Supporting Financial Health in Displacement Settings

A range of services, programs or initiatives could support financial health. These include financial services (best provided by development actors), and humanitarian assistance such as cash programs, but also other programs such as skills-bulding, and help with the provision of documentation.

Financial Services and Financial Health

Our research found that financial services co-evolved with and supported growing financial health. Many respondents said well-designed and appropriate financial services related to savings, loans and remittances strengthened their livelihoods, which in turn generated more reason to use those services.

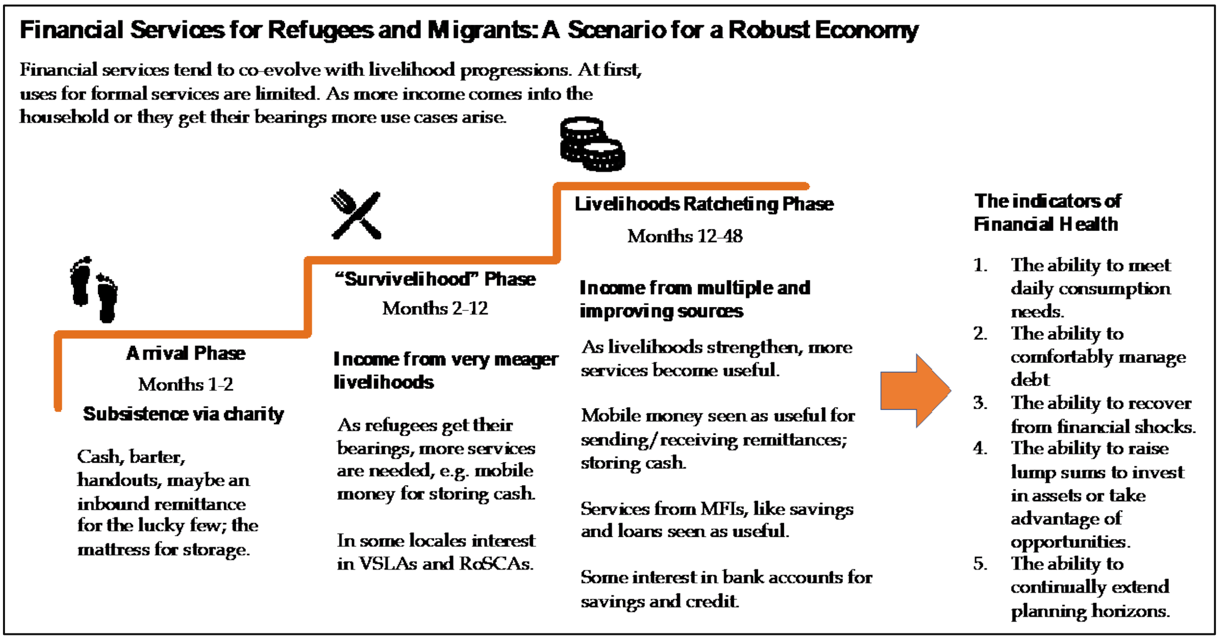
[11] The barriers to livelihoods are well-documented in the literature and made obvious by our respondents. Being able to obtain work permits and business licenses including drivers' licenses is a major barrier. Without permits to sell goods, local police not only harassed our respondents but would force them into the practice of bribing. Many shut their street-selling businesses down altogether. Those who could get the right paperwork, could begin to grow their businesses, but they were few and far between.

[12] See for example, Arevalo, SP et al. (2015). "Beyond cultural factors to understand immigrant mental health: Neighborhood ethnic density and the moderating role of pre-migration and post-migration factors." *Social Science Medicine* 138: 91-100, Chan, CS. Et al. (2015). "The contribution of pre- and post-disaster social support to short- and long-term mental health after Hurricanes Katrina: A longitudinal study of low-income survivors." *Social Science Medicine* 138: 38-43.

[13] Where licenses and permits were not available, local authorities did not always enforce the rules — "turning a blind eye" is a common enabler of refugee small enterprise or employment

In the arrival phase, respondents used cash (loans and charity) primarily, and some used mobile money and money transfer services to receive remittances. But as they found their footing some joined savings clubs like village savings and loan associations (VSLAs) or rotating savings and credit associations (RoSCAs). People used the mattress, so to speak, rather than banks as their main vessel for saving any spare cash.

As respondents moved through the ratcheting phase, they kept up their use of cash, mobile money accounts, and savings clubs, and continued to borrow from (and often loan money to) friends and family. Some began saving in mobile money accounts, especially those with small businesses where storing cash on their person or in their home was dangerous. Others got bank accounts (often as part of a humanitarian cash assistance program) and reported saving modestly.[14] Some, such as those with a retail business or mobile money kiosk, saved aggressively. The demand for credit in the ratcheting phase increased but options were limited to VSLAs, family and friends, and the occasional MFI. Some borrowed from the few MFIs that offered credit to refugees and migrants, but many refugees wanted more credit options as they continued to strengthen their financial health and expand their planning horizons.



Other Humanitarian and Development Programs and Financial Health

Financial services enhance the financial health of displaced people, but are rarely the most important contributing factor. Specific types of humanitarian assistance – and whether households have access to them - also affects financial health. Examples are cash assistance, skills building programs (such as language, business skills, literacy (including computer literacy) and numeracy), the presence of a

[14] Most respondents could not access bank credit, because without ID documents they couldn't meet banks' customer due diligence policies. The difficulty and confusion surrounding documents adds to many refugees' lack of confidence in financial service providers. Other factors limiting demand for bank accounts were low literacy levels (and the shame of being discovered as incompetent) and the fear of surveillance by financial institutions, government authorities or aid agencies.

resettlement program and possession of appropriate documentation.[15] Each of these factors has a direct role to play in financial health, and could be incorporated into programs.

Financial Health at the Nexus of Development and Humanitarianism

Supporting displaced people in protracted situations is no longer a matter of humanitarian assistance alone. Development perspectives and programming, with their long-term view and experience of financial inclusion programs has much to offer. Our adapted financial health framework for displacement settings applies both to the displaced and to local populations and offers a way to explore how all people move toward financial health, supported by both development and humanitarian actors.

Like the Comprehensive Refugee Response Framework (CRRF), the Financial Health Framework adopts a sustainable approach that links humanitarian and development actors including national and local authorities, financial institutions, civil society, private sector, and refugee and host communities. Like the CRRF, the Financial Health Framework can be used to measure change for both migrants *and* refugees and for host families. The Financial Health framework thus fits with the guiding principles outlined in the Global Compact for Safe, Orderly and Regular Migration[16].

[15] Less discussed, but very real, was the hope of resettlement to a third country, as borne out by our research in Jordan. Non-Syrian respondents, primarily Yemenis and Iraqis, reported that the prospect of resettlement was their best hope, so they had little interest in investing in their livelihoods, especially since they were not allowed to work legally.

16 The Global Compact for Safe, Orderly and Regular Migration (2018) The UN General Assembly