Livelihoods of former deportees in Ukraine

Greta Uehling
Livelihoods of former deportees in Ukraine

Has UNHCR been effective in promoting self-reliance through income-generating programmes in southern Ukraine? What can be done to improve self-reliance in Ukraine and other ex-Soviet members of the Commonwealth of Independent States?

Since independence in 1991, Ukraine has sought to restructure its economy in the midst of galloping inflation, rampant unemployment and widespread corruption. The country has received returnees from places of former exile and refugees from areas of conflict. Large-scale population movements in the context of market reforms have created a difficult environment for maintaining livelihood security.

Refugees and Formerly Deported Persons in Ukraine

The Crimean Tatars are a Turkic people who inhabited the Crimean peninsula for more than seven centuries prior to being unjustly accused of collaboration with the invading Germans and deported en masse in 1944. Since the late 1980s, a quarter of a million Crimean Tatars have returned to the Ukraine - and a similar number remain in exile in Central Asia, especially in Uzbekistan.

Some Tatars who returned were refugees from war-torn areas in Central Asia and the Caucasus. The rest were classified as Formerly Deported Persons (FDPs) many of whom were stateless. The scale of unemployment (reaching 70% in some areas) and the extent to which the informal economy has had to be relied upon for subsistence, underscore the need to support self-reliance among this highly vulnerable forced migrant population.

Self-reliance has presented a number of difficulties. Most of the regions in which the Tatars were allowed to resettle lacked paved roads, easy access to public transportation and employment or commercial opportunities. The reluctance of local officials to give residence registration (propiska) has meant many are not authorised to accept formal sector employment. Local fear of Muslims and xenophobia have tended to further isolate returnees from the labour market. These difficulties have had to be overcome while Ukraine dismantles its centralised economy.

Income-generating programmes in Crimea

In 1998 the Danish Refugee Council (DRC) launched a programme for former deportees. Grants and loans were given for purposes ranging from the purchase of a cow to more ambitious projects such as small sewing businesses. When DRC closed its Crimea office, UNHCR stepped in and contracted a local implementing partner - the Tatar Lawyers League in Crimea (Initium) - to monitor the existing portfolio and generate new projects.

When UNHCR in turn closed its Crimea office in August 2002, it proposed transferring responsibility for the microcredit programme to UNDP but later re-established a partnership with Initium when UNDP concluded that the project’s mixed portfolio and history of default made the local microcredit environment too risky.

The period during which neither Initium nor UNDP were authorised to accept payment confused the beneficiary population. When Initium again took charge there was little discipline to repay loans. The mixed grant and loan portfolio fostered an attitude of dependency, reducing rather than enhancing self-reliance. Beneficiaries alleged that when they had visited the UNDP office to make payments they were told that they should consider their loan to be a humanitarian grant.

The challenges of a damaged credit environment

When providing loans Initium charges a once-off, up-front ‘humanitarian instalment’ of 15% which goes into a revolving fund. While this approach is generally well received by beneficiaries – many of whom have had negative experiences with traditional banks – some viewed the NGO as a kind of protection racket. To recipients unfamiliar with Western banking practices the 15% charge appeared to be not the cost of credit but the price of ‘protection’ from Initium.

Initium has discovered that the most successful loans are those that go to individuals who already have established businesses they wish to expand. A wedding dress maker and a business that made professional business cards were recently issued follow-on loans. The strategy most likely to enhance the NGO’s sustainability (lending to experienced borrowers and established entrepreneurs) is at odds with the goal to provide credit to the most vulnerable refugee and FDP beneficiaries.

Initium accepts delayed repayment and has only written off two out of 49 loans. It now has a low quality portfolio. Repayment of all of the loans taken out in 2001 is more than 30 days in arrears. This can be contrasted with the general standards of microfinance institutions which suggest that loans subject to late
payment of one day or more should not exceed 10% of the total portfolio.

Sustainability is also low. Due to the slow repayment rate, Initium was unable to pay its loan officers - which resulted in their gradual departure. Today, having retained only the manager and the accountant on a part-time, voluntary basis, the organisation is ill-equipped to generate new loan activity. With few funds available, Initium has not attempted outreach.

Most community members are under the impression that Initium no longer offers loans. This is a problem that further underscores the need to select professional partners with microcredit expertise.

The separation of grants and loans is crucial

Many beneficiaries continue to subsist on produce from kitchen gardens and barter and report no improvement in their ability to meet daily needs. What little income they have is either reinvested in business or used to cover increases in the cost of living. Due to poor planning some businesses have never managed to become operative. The design of a macaroni factory failed to meet sanitary requirements and miscalculations meant that other businesses were bought sewing equipment but not fabric because Initium had run out of funds.

In Ukraine:

- Many businesses have failed as a result of unforeseen shocks: family illness, death or car crashes have led to diversion of loans to immediate needs; clients have not had the financial reserves to remain in business, suggesting that what returns really needed was not credit but relief.
- The tax and regulatory environment is not business-friendly: for some, simply paying the price of registering the business is prohibitive.
- Loan recipients’ enterprises sometimes lack official status, making them precariously dependent on powerful patrons. One woman opened a seaside café but fell out with a local official who wanted to be a business partner; she was threatened and prevented from operating by racketeers.
- Beneficiaries need assistance in a complex tax and regulatory environment; many complain that paying all taxes required would bankrupt them.

Lessons learned

The experience of microcredit in the Crimea suggests that:

- Future efforts to enhance livelihoods must more directly address the specific technical assistance needs of FDPs who are not just new to the region but also unfamiliar with banking and business.
- Microfinance initiatives must communicate a clear vision and be clearly defined.
- The separation of grants and loans is crucial to ensure that beneficiaries receive the right message about their rights and responsibilities – grants and loans must be provided by different institutions.
- Efforts to facilitate sustainable livelihoods must be complemented by pressure on officials to grant residence rights and business permits. Without such advocacy, returning forced migrants will continue to be excluded from mainstream economic activities and then blamed for dependence.
- In transitional economies like Ukraine’s, intensive monitoring and oversight are required to educate a beneficiary population conditioned not only by Soviet reporting practices and ‘double’ accounting but also by a mentality of entitlement.
- The poorest and most vulnerable loan recipients - those least likely to repay loans on schedule - should be offered alternative programmes.
- Receiving a loan in a corrupt business environment can hinder more than it helps if loan beneficiaries become targets of racketeers and mafias.
- Would-be entrepreneurs must be trained and given advice on tax, business skills, marketing and development of vocational skills and advocacy tools.

Revolving funds and other assets should only be handed over to qualified and experienced microcredit professionals who can meet the challenges that the Ukrainian business and microcredit environment presents. Effectively promoting microcredit requires a special knowledge and skill set.

There is some reason for optimism. In the first half of 2003, Ukraine’s GDP increased by 7.5%. The hyperinflation of the mid-1990s has been tamed. The FDP target population has a significant proportion of educated and entrepreneurial individuals eager for opportunities to become self-reliant. While Crimea’s business environment is complex, conditions for small and medium enterprises are better than they were in the 1990s. The challenge is to replicate the success of some Crimean Tatar FDPs in the Crimean capital and to start promoting income-generating programmes in rural neighbourhoods lacking adequate roads, water supply, sewage and public transportation.

Greta Uehling is a long-term consultant in UNHCR’s Evaluation and Policy Unit.
Email: UEHLING@unhcr.ch

The Tatar Lawyers League in Crimea can be contacted at: initium@crimea.com

1. For information on the Crimean Tatars, see: www.egenet.nl/users/sota/krimtatar.html and www.kcentre.org.html

Arabic edition of FMR
www.hijra.org.uk

The Editors wish to acknowledge their gratitude both to UNHCR’s Department of International Protection and to the agency’s Regional Bureau for Central Asia and South West Asia, North Africa and the Middle East (CASWANAME) for timely support which has tided us over while we endeavour to secure permanent funding for Nashrat al Hijra al Qasriyya.

To subscribe to Nashrat al Hijra al Qasriyya, email: fmr@qeh.ox.ac.uk