

## COMPAS

CENTRE ON MIGRATION · POLICY &amp; SOCIETY

## FINDINGS

## Research Project Outcomes

## Migrants' Remittances in Insecure Settings: The Somali case

### Background

Remittances – the money that migrants send home – are a significant financial flow to developing countries. There has been growing research and policy work focusing on the effects of remittances in countries of origin, but information on conflict-affected contexts remains limited. Somalia is an important example. The civil war has provoked massive emigration and remittances are a major financial flow. But little is known about how remittances play out in Somali households and communities, in the country of origin or in displacement settings. Taking a micro-level, interdisciplinary and transnational approach, this project focused on remittances in Hargeisa, in self-declared Somaliland; in Nairobi, where many refugees have settled; and in London, a major western destination. It investigated the dynamics of the remittance process and the effects on people's lives.

### Methods

The research, a doctoral project undertaken in 2003-2006, involved a review of secondary sources, and several months of ethnographic and survey fieldwork, including interviews with 120 residents and relevant professionals, and surveys in money transfer outlets of 538 recipients in Hargeisa and 175 senders in London.

### Key Findings

Transformed geography and diversified participation – While pre-war migration mainly involved Somali men going to the Gulf, the conflict transformed the geography and demography of remitting. Flows from Europe and North America, where many Somali people become citizens or recognised refugees, greatly increased in importance. Among refugees in neighbouring countries - encamped in miserable conditions or self-settled in cities – there are recipients *and* senders. Regarding demography, while men still seem to dominate as remitters and women as recipients, the substantial contribution of women as remitters indicates a relative change. Spousal remitting is less common than in many stable settings and while many remittance relationships conform to conventional family roles and modes of support, others indicate radical departures.

Variable patterns but considerable reliance - A substantial minority of people in Somalia and those displaced in the wider region receive remittances. Some receive set amounts on a regular basis, while others receive variable amounts on a more ad-hoc basis. For some recipients, remittances are one in a portfolio of often flexible livelihood strategies; for many, remittances are their primary or only livelihood strategy. Recipients surveyed at Hargeisa money transfer outlets received an average of around \$200 per month, and around half reported no other source of income. Beyond food and other essential items, the funds also support access to education and health. Remittances helped some people cope with conflict and other crises, preventing liquidation of assets, destitution and displacement (or reversing these processes). Funds received by Somali refugees in Nairobi's Eastleigh district help them cope with protracted displacement.

Supporting local livelihoods – In Hargeisa, remittance investments can be large and life-changing, with some emigrants sending working capital – usually in lump

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sums - for shops, import-export, and taxi, bus or trucking businesses. The emphasis on trade and services, rather than production, reflects the urban economy as a whole. Relative stability, limited regulation, good telecommunications and efficient money transfer facilitate remittance investment; but poor infrastructure, poor credit facilities, political uncertainty and diaspora poverty constrain it.

Far-reaching effects in the local political economy – Many remittances go to urban areas, but some reach rural areas and refugee camps. Clan and socio-economic background shaped emigration, with some implications for remittance distribution. In Hargeisa, regular recipients tend to be middle-income, although often highly reliant on remittances, but there is some recirculation through social networks, with resources drawn from better-off to poorer households and urban to rural households. There is substantial recirculation through market relations: remittance spending buoys demand for local goods and services and imports, and diaspora-driven land and property investment fuelled a construction boom. The fact that a portion of the city's population receives remittances in hard currency helps stabilise demand. People overseas have been drawn into the politics of peace and violence in the Somali regions in complex ways. For example, diaspora donations fuelled both the insurgency and the fledgling democracy in Somaliland. Overseas communities can back armed groups, but also help pay clan compensation payments, continuing an age-old mechanism for avoiding violence, and fund schools and hospitals. In Hargeisa, remittances helped people return to and reconstruct a once deserted and bombed-out city.

Intertwining with mobility patterns – Remittances can facilitate or help reverse regional mobility, for example between Somalia and Kenya, or the refugee camps and Nairobi. The diaspora also facilitates global mobility, sponsoring relatives wishing to work or study in the Middle East and Asia, or helping them move to Europe and North America through official refugee resettlement or informal arrangements. Remittances can encourage global mobility by suggesting the gains that can be made for oneself and one's family overseas. Remittance responsibilities can discourage return, even to more stable areas, and existing emigrants may bring people out in part to share these responsibilities. Immigration restrictions in part maintain the remittance economy by separating family members who might otherwise regroup overseas.

Someone pays: the North-South divide in Londoners' everyday lives – The diaspora incurs a substantial economic and social cost. While for some people remitting is perfectly manageable, others face the double economic difficulty of managing in low-paid work and meeting considerable remittance commitments. While remitting allows senders to reaffirm relationships with loved ones, associated social difficulties include stress and marital and intergenerational strife in diaspora households. People develop various strategies to cope with expectations. Apart from future political and economic developments in the Somali regions, migration patterns are likely to be affected by the narrowing opportunities for asylum in the West, and future remittance patterns are likely to be influenced by settlement processes, ageing, growth and attitudes in overseas communities.

The role of Somali remittance infrastructure – In the absence of an official banking system, the Somali remittance infrastructure, popularly known as *xawilaad*, have played a crucial role, connecting people in the Somali regions, neighbouring countries, and overseas. The sector came under scrutiny in 2001 when the largest enterprise (Al Barakaat) was closed based on US allegations of links to Al Qaida. There are diverging tendencies as, depending on the regulatory environment, some businesses professionalise and develop their services and others disappear. The sector is in a phase of rapid change, with some evidence of consolidation around key players.

Policy issues - The diaspora is a lasting legacy of the conflict and is likely to continue to shape Somali society in the decades to come. Although remittances undoubtedly improve the welfare of recipients, this does not automatically translate into broader-based development in the country of origin and it does not represent a durable solution to the problems of displacement. Improving political and economic infrastructure in the country of origin, and ensuring the basic human rights of refugees forced to stay in neighbouring countries, is likely to be the best way to maximise the potential benefits of remittances in the long term. Beyond this, there are several specific policy issues to consider, including:

- The importance of keeping money transfer channels open - withdrawal or even disruption of these funds would be a catastrophic blow for Somali communities in the Horn of Africa;
- The need for more detailed and transparent 'top-down' and 'bottom-up' estimates of remittances;
- Exploring ways of 'leveraging' remittances in more stable areas, including the actual and potential role of money transfer enterprises in providing financial services to recipients and wider communities;
- Enhancing dialogue between the numerous diaspora charitable initiatives and 'mainstream' NGOs and donors, particularly vis-à-vis the provision of education and health services in the Somali regions.