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Remittances in Fragile Settings: a Somali Case Study

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Abstract: Literature on conflict has largely overlooked migrants' remittances, and literature on migrant's remittances has largely avoided conflict settings. Using a micro-level approach, this paper explores how remittances have affected households coping with conflict and fragility in the Somali city of Hargeisa. Drawing on survey and ethnographic evidence, the paper highlights the transformed geography and diversified participation in remitting, and explores the uneven transnationalisation of family roles. It shows that remittances can help households to meet living expenses, cope with crises, and build livelihoods, although local constraints inhibit the latter. Circulating in the wider community through market relations and social networks, remittances shape Hargeisa's political economy. The policy implications are explored.

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Introduction

Migrants' remittances – the money that migrants send home - are a significant financial flow to developing countries: officially recorded remittances totalled \$160 billion in 2004, compared with \$166 billion Foreign Direct Investment and \$79 billion Official Development Assistance (World Bank 2006a). In recent years, considerable attention has been paid by researchers and policy-makers to the effects of remittances in migrants' countries of origin. Remittances have been highlighted as significant in many conflict-affected countries, but this is only just beginning to generate research. Conflict research largely overlooks remittances, focusing instead on more dramatic local-global links related to aid, crime and terrorism. The remittances literature largely avoids conflict-affected settings as they do not seem to fit with dominant understandings of remittance behaviour and the upbeat migration-development consensus. As we shall see, analysis of remittances contributes to understandings of how households cope with conflict and fragility, and focusing on fragile and conflict settings nuances understandings of the migration-development nexus.

The Republic of Somalia is key example. The conflict provoked massive emigration and estimates suggest that remittances are a significant financial flow. Although Somali money transfer arrangements have been subject to increasing international scrutiny since September 11th 2001, little is known about the dynamics of remittances in Somali households and communities. Using a micro-level approach, this paper explores remittances in Hargeisa, a northern Somali city, the capital of the self-declared, unrecognized Republic of Somaliland. Although in many respects the city is in a phase of post-conflict reconstruction, it remains a fragile setting.

The paper article addresses four key questions. First, what are the patterns of remittances and who is involved? Second, how do remittances reflect or affect social relations? Third, what roles do remittances play in the livelihoods of recipient households? Fourth, how do remittances affect the wider community?

The first section of this article makes the case for addressing remittances in fragile settings, exploring relevant literature. The second section situates Hargeisa in the Somali context. The third section explains the research approach. The next four sections address each of the research questions. The conclusions summarise the findings and explore policy implications.

1. Remittances in Fragile Settings

A recent state-of-the-art review found that evidence on remittances in conflict and fragile settings is scattered and limited (Fagen 2006). On one hand, literature on conflict and fragility has largely ignored remittances. Collier briefly explored the role of the diaspora in conflict situations using econometric methods, suggesting that diasporas in OECD countries increase the risk of a post-conflict society relapsing into conflict – because, he argues, diasporas may fund armed factions (Collier 2000; World Bank 2003). Overall, conflict literature has tended to study global links that are primarily related to criminal or

terrorist activity, aid, regional refugee and conflict spill-over, or the political machinations of belligerent diasporas, rather than opening up the less dramatic issue of migrants' roles in everyday livelihoods. Refugee studies, for its part, has only recently begun to look at refugees as economic actors, rather than political victims (Jacobsen 2006).

There is some movement, however. Livelihood studies in conflict-affected settings and studies of the transnational practices of refugees have highlighted remittances (for example, Al-Ali, Black et al. 2001; Horst 2006; Stites and Lautze 2005; Riak Akuei 2005; Van Hear 2002; Young, Monim Osman et al. 2005). The UK Overseas Development Institute recently commissioned a series of case studies on remittances in conflict or disaster-affected places (of which this study was part) to address the gap in the literature and explore the implications for humanitarian actors.

On the other hand, the growing literature on migration, remittances and development has largely by-passed conflict-affected countries, for three main reasons. First, there is the conceptual challenge of reconciling the notion of migration and remittances as a deliberate economic strategy with the realities of forced migration. The dominant micro-economic model of remittance behavior, the 'new economics of labor migration', conceptualizes migration as an economic strategy to diversify household income sources in response to local constraints (Taylor 1999). Migrants may remit because of altruism, self-interest, mutual insurance motives, or loan repayment obligations (Stark and Lucas 1998). In this model, the household acts as if it has a preconceived notion of what its members will gain from migration, and remittances are central to this. However, many people flee conflict with the primary aim of saving their lives. In such contexts, the relationship between the decision to migrate and that to remit seems much messier.

Second, in recent years there has been great emphasis on the positive effects of remittances on the development of migrants' countries of origin (Maimbo and Ratha 2005). Given the popular view of conflict-affected countries as undergoing an all-pervasive disruption or failure of development,¹ it is little wonder that these countries have tended to remain off the radar of the generally upbeat migration-development research agenda.

The third obstacle for migration-development analyses in addressing conflict and fragile settings is a lack of data. There are deficiencies in many countries' official remittance data: official records often exclude transfers made through non-bank channels, and fail to capture the often large transfers through informal channels (World Bank 2006a).² In fragile settings, where government capacity may be limited and formal financial systems disrupted or mistrusted, data quality can be particularly poor.

But why should analyses of conflict and fragility pay attention to remittances? And why should those interested in the role of migration in migrants' countries of origin examine the dynamics in conflict-affected and fragile settings?

Many refugees *do* remit. While rigid legal and policy separations are made between forced/politically-motivated/refugee migration and voluntary/economically-motivated/labour migration, real life is often more complicated. Sociological analyses conceptualise migration in terms of a force-choice continuum, and suggest that both political and economic factors may play a part in refugee migration (Hayden 2006; Richmond 1994; UNHCR 2006; Van Hear 1998) First, economic factors can influence the decisions of people leaving conflict-affected countries – where possible they often chose to go where they can find work or gain political status. Second, it would seem from the evidence of refugees remitting (Ali-Ali et al. 2001; Horst 2006; Riak Akuei 2005) that even people who left their country precipitously and with no economic strategy may nevertheless be called upon to assist family members back home.

Thus, remittances are part of the experiences of many people – at home and abroad – who are affected by conflict and fragility. Migrants' income is unlikely to be positively correlated with the risks faced by family members back home and there is some evidence that remittances insure insecure households, smoothing their income during difficult times (Schrieder and Knerr 2000; Gubert 2002). At the macro-level, there is some evidence that remittance inflows can be counter-cyclical, increasing during crises, for example economic downturns or natural disasters (World Bank 2006a).

Furthermore, focusing on migration and remitting in conflict and fragile settings gives the opportunity to extend and nuance migration-development analysis. The countries where remittances represent the largest proportions of GDP are, in general, not icons of upward mobility on the global scale.³ Many have, or have had in the past, problems with conflict or repressive regimes that in part explain their now large diasporas (for example, Bosnia and Herzegovina, El Salvador, Haiti, Lebanon, Nicaragua, Philippines, Serbia and Montenegro and Tajikistan). Although remittances are undeniably hugely important to these economies, it is far from proven that remittances are setting off cycles of endogenous growth in these fragile settings.

2. Situating Hargeisa in the Somali context

Somalia's political upheavals over the last two decades provoked large-scale emigration. In 1991, the dictator Siyad Barre was ousted, but the political factions failed to agree on a new government, leading to the collapse of the state and protracted conflict. Somaliland (the north west, a former British protectorate) declared independence in 1991, although its secession has not been officially recognized by other governments, including the Transitional Federal Government, which is currently struggling for control in the south of Somalia.

With a population of around 6.4 million, there are at least one million Somalians now living abroad (UNDP 2001). Their remittances reach family members in wrecked cities, refugee camps and remote rural areas. The Somali money transfer enterprises, known as *xawilaad*, came under scrutiny in 2001 when the largest enterprise, Al Barakaat, was closed based on US allegations of links to Al Qaida. This disrupted remittances to some

areas in the short-term, and raised international awareness of the role of remittances in the Somali economy and the importance of money transfer services (Maimbo 2006).

There are no official remittance data for Somalia, but estimates based on household surveys and money transfer company figures suggest that remittances may amount to \$700 million–1 billion per year, of which \$360 million is believed to be directed at family living expenses (Omer and El Koury 2005; World Bank 2006b).⁴ Compared with estimated exports and imports of \$265 million and \$461 million respectively in 2004, and international aid of \$170 million in 2002, remittances are clearly a significant financial flow (World Bank 2006b). According to the 2001 Human Development Report on Somalia, remittances have a ‘wide-ranging impact on human development choices.’ (UNDP 2001:132). The limited available evidence suggests that that they represent a major source of income for a substantial minority of (particularly urban) households (Medani 2000, Ahmed 2000). However, little research has been done on the dynamics of remittances in Somali households and communities.

Thus, this study took a micro-level approach, selecting Hargeisa, a major Somali city located in a highland area of Somaliland, as the research site because of its size, relative stability and the reported significance of remittances. The residents, particularly the Isaq majority,⁵ suffered mounting state repression in the 1980s, culminating in civil war between the rebel Somali National Movement (SNM) and the government in 1988. The conflict devastated and virtually emptied the city: people of all social groups fled to rural areas, to neighbouring Ethiopia and Djibouti, and further afield to the Middle East, Europe and North America (Africa Watch 1990). In 1991, internally displaced people and refugees began to return to a bombed-out and nearly deserted Hargeisa, now the capital of Somaliland. Civil strife among Isaq clans in 1994-1996 displaced tens of thousands of civilians in and around the city. From 1997, large numbers of refugees were repatriated from Ethiopia. Some of those ‘resettling’ in Hargeisa had not lived there before the war, but were Isaq fleeing Mogadishu, minority groups persecuted in the South, or pastoralists seeking casual work (Frushone 2001; Ambroso 2002; Cabdi 2005; World Bank 2006b).

Since 1997, Somaliland has been more stable than other parts of the collapsed Republic, although the eastern border is disputed with Puntland (the regional administration in the north eastern zone). In Hargeisa, public order problems or flare-ups of violence are fairly uncommon. Considerable progress has been made in building a democratic political system.⁶ The government raises some revenue from business, and provides some public services, supplemented by community-based, NGO and private initiatives. Hargeisa’s population is well over 300,000, and may reach half a million.⁷ There is widespread hardship: UNDP (2003) estimates that nearly a quarter of urban Somalis live on less than US\$1 per day. Somaliland, including Hargeisa, was hit hard economically by the Gulf states’ bans on imports of Somali livestock (due to disease outbreaks) in 1998 and 2001. Emigration continues: although ever fewer countries give full refugee status to Somalilanders, people still go abroad, looking for work or education opportunities or rejoining family members.

Hargeisa holds a complex position in the global political economy. Somalia is a collapsed, conflict-ridden state that some have preferred to think of as a stateless society (Brons 2001). Within Somalia's 1960 borders, Somaliland has emerged as a fragile, unrecognised state. Hargeisa is the capital of a country that in an international juridical sense does not exist. While in many respects the city is in a phase of post-conflict reconstruction, the social, economic and political uncertainties faced by its people are persistent and significant, justifying its description as a fragile setting (Binzel and Brück 2007).

3. Research approach

The research was guided by two principles. First, various researchers emphasize the need for fine-grained studies of conflict-affected locations which situate their exploration of individual and household livelihood strategies in the wider political and economic context (Collinson 2003; Goodhand 2000). This small-scale study aimed to explore the role of remittances both in recipients' lives and livelihoods and in their wider community.

Second, remittance studies tend to draw on survey data and focus on the economic dimensions of remittances. Economic anthropology and sociology emphasise the social embeddedness of economic action, encouraging analysis of both economic transactions and 'the quality of *relationships* which these transactions create, express, sustain, and modify,' (Firth 1967: 4).⁸ In conflict and fragile settings, where social relations may be subject to complex change, it is particularly important to explore the social texture as well as the economic dimensions of remittances. This encourages the use of ethnographic as well as survey methods.

The research, conducted in Hargeisa in March and August-September 2005, used a three-pronged approach. The first element involved observations, informal conversations, and consultations with relevant people, including money transfer operators, NGO workers, and government officials. The second element involved semi-structured interviews with thirteen Hargeisa residents to explore the role of migration and remittances in their lives. Contacted through personal acquaintances, NGO workers and school teachers, the male and female interviewees were of a variety of clans, occupations and ages. Some interviews were carried out in English, in others an interpreter was used. The aim was not to obtain a representative sample of people living in Hargeisa, but to provide some detailed examples of remittance relationships in context. In citing interviews, people's names and some other details have been changed to preserve their anonymity.

It was not practical for this study to survey of the general population of Hargeisa. Instead, the third element of the research involved a survey of 538 remittance recipients, exploring who receives remittances, how much, how often, from whom, since when, and the role in their livelihoods. The most common method of sending money is through Somali money transfer enterprises which charge a four to six percent fee. Migrants in certain locations sometimes send money through traders or friends, but given the efficient service and wide coverage of the money transfer enterprises, this is uncommon.

Dahabshiil is the longest-established Somali MTO and has by far the largest share of the market in Hargeisa with many more branches than other enterprises.⁹ The enterprise gave permission to approach recipients collecting remittances from local branches. The survey was carried out in twelve branches across the city over a six-day period at the beginning of September, as discussions with money transfer operators and recipients revealed that most remittances arrive after emigrants receive their wages abroad. Randomly sampled respondents were interviewed in Somali.¹⁰ In sum, the sample was not precisely representative of the recipient population of Hargeisa, but paints a broadly indicative picture of incoming remittances.

4. Remittance patterns

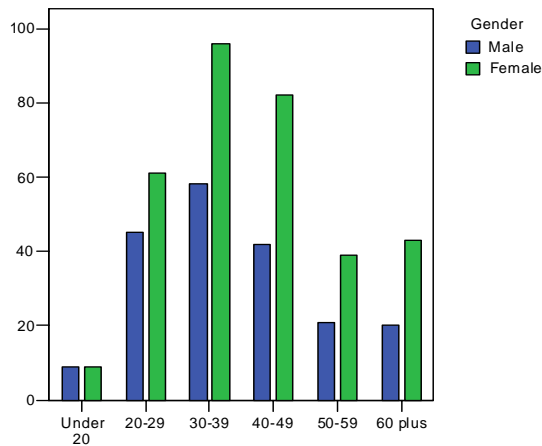
The first step was to establish the patterns of incoming remittances and the demographic profile of the actors involved. Respondents received average remittances¹¹ of around \$2,300 in the last twelve months (\$190 per month). One quarter of respondents reported that another member of their household also received remittances.¹² Total estimated household remittances averaged around \$2,600 per year (\$215 per month). For both individual and total estimated household remittances, the most common range was \$1,000-1,499 (\$85-125 per month).¹³

There was diversity in remittance patterns: not all recipients receives money every month, or the same amount every month, and some receive money on a more ad-hoc basis for specific projects or urgent needs. If we look at the remittance process from the perspective of the *number of people* involved, it is likely that the timing of the survey led to over-sampling of people who receive remittances on a monthly basis. Over three quarters of respondents had received cash remittances each month or more frequently in the last year. However, even in this sample, 7% of recipients had received money three times or less in the last year – relatively infrequently.

The age and gender profile of the respondents is shown in Figure 1. Women represented just over 60% of the recipients, most recipients were in their 20s-40s, and their average household size was 7.7.¹⁴

The age distribution of remittance recipients was broadly similar to Somaliland's urban adult population as a whole, suggesting that remittances do not target particular age groups (APD 2004). Average amounts received were similar for women and men, and across age groups, except that for those under 20 (who received much less and were mainly single students), and those over 50 (who received slightly less, possibly because they less commonly care directly for children).

Figure 1. Age and gender of respondents



Source: Recipient Survey, Hargeisa, Aug-Sept 2005

Most of the 660 migrants who remitted to our respondents in the last twelve months live in the UK (41%), the US (12%), UAE (7%), Saudi Arabia (7%) or Canada (6%).¹⁵ The colonial recruitment of northern Somalis into the Merchant Navy, resulted in small communities in the UK which facilitated migration during the conflict. The proximity of the Gulf and previous migration in the 1970s and 1980s meant that this was also an obvious destination. Around 60% of remitters were men and most were in their thirties or forties.¹⁶ Average individual receipts were highest from migrants in the UAE and Canada, followed by the US and the UK, with only small amounts from neighbouring countries. Women sent less on average to individual recipients in Hargeisa (\$1,750) than men (\$2,000).

5. Local and transnational social relations

This section first examines how remittances reflect or affect relations of co-residence and co-sustenance in Somali society and second explores second how remittances reflect or affect gendered and generational family roles.

In Somali society, relationships of co-residence often diverge from the nuclear family model. The nomadic hamlet, known as a *guri* or *reer*, may include a couple and their children, a polygamous family, or a group of families (Lewis 1994). Urban households traditionally consist of a married couple and children, but often also include parents, siblings and - in better-off households - poorer relatives from the rural areas and domestic workers. Moreover, relationships of co-sustenance often involve inter-household links within (particularly male) family and clan networks. Around two thirds of the population of Somalia live in rural areas, mainly as pastoralists, and there are strong links between rural and urban households (World Bank 2006b). Often some of a group of brothers take employment in town while the others tend their joint livestock. Pastoralist kin traditionally expect assistance in cash and kind from better-off urban relatives (Lewis 1994). One survey found that around half the urban households in Hargeisa (excluding

the poor 'resettlement' areas) support relations in pastoralist areas with monthly contributions of \$10-100 (Medani 2000).

The transnational social relations that channel remittances interweave with these local social relations. In contemporary Hargeisa, many people have immediate family members in the city, in the rural area, and abroad, with different layers of transfer activity between these locations. For example, Hassan, a young teacher, lived in Hargeisa with some siblings, and had other siblings in the rural areas, and an older brother who working in a factory in the United Arab Emirates. This brother had long looked after the family "like a father", sending money and supporting Hassan through his education. These support arrangements could shift: as Hassan said, "Now that I work I said I will take the part of the family in the rural area, my brother supports us here in the town."¹⁷

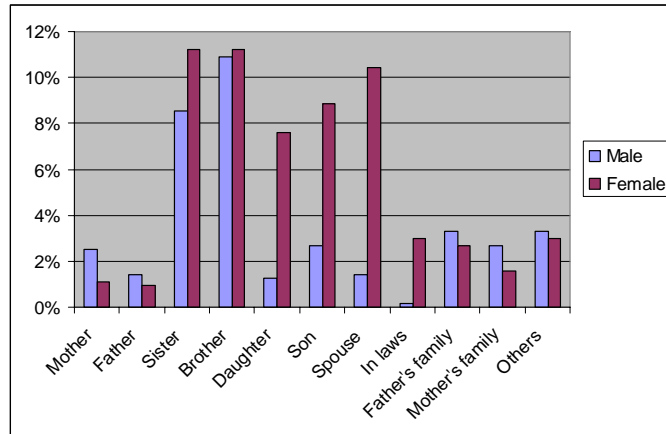
Where migrants support relatives, this can relieve the financial pressure on the family network in Hargeisa.¹⁸ Also, urban households buoyed by remittances are also often in a better position to assist rural relatives. Ali lives with his mother and brothers and his mother receives regular remittances from his sister in the UK.¹⁹ Often when there is drought, his paternal uncle, a pastoralist, comes to stay in Hargeisa. One of the first things he does on arrival is call Ali's sister in Birmingham to ask for help: if she sends some money (which she usually does) he goes home. Meanwhile urban relatives are expected to provide accommodation and food, and may help in other ways. Ali stressed that this is an important part of Somali culture.

Within these strong family networks, to what extent do migration and remittance patterns conform to or diverge from habitual gender and generational roles? In urban households, men were traditionally the main decision-makers and expected to provide for their family: women were discouraged from working outside the home, although petty trade was seen as acceptable where necessary (UNIFEM 1998; Cabdi 2005).²⁰ While these patterns remain common, the conflict has contributed to changing roles. First, more women are alone: the violence left widows, displacement separated other couples, and divorce rates rose, often attributed to low wages, joblessness and male *qaad* use (Cabdi 2005; World Bank 2006b).²¹ Second, displacement provoked changes in couples' roles: men's usual occupations were disrupted; refugee camp rations were allocated by family and collected by women; and in extremis women found ways to supplement meagre rations (Ambroso 2002; Cabdi 2005). In some families old roles were resumed on return to Hargeisa, but overall women play a more active and visible economic role than prior to the war.²²

How do remittances reflect or play into these role changes? Where a particular demographic group migrates there is often a clear set of adjustments to traditional family roles and responsibilities (Conway and Cohen 1998). In the Somali case, although emigration to the Gulf in the 1970s and 80s was dominated by young men, since the conflict there was no clear gender or relationship pattern. Emigrants include men and women, young and elderly, the married and the unmarried, parents and children. Remittance relationships diversified: Figure 2 shows how remitters were related to respondents in Hargeisa. In many cases, the remitter might be traditionally expected to

support the recipient: migrant husbands / fathers, adult children supporting their parents, and men supporting their brothers and sisters. Siblings were the commonest remittance relationship, evidencing that the strong translocal sibling support networks outlined earlier also operate at the transnational level.

Figure 2. Remitters' relationship to recipients by gender of recipient



Source: Recipient Survey, Hargeisa, Aug-Sept 2005

Note: Based on 632 pairings. Father's and Mother's family include only uncles and aunts (mainly uncles).

Regarding amounts sent, those in the most direct relationships of responsibility - spouses and parents - remitted the highest amounts of remittances, followed by the adult children and siblings of recipients, and more distant relatives tended to send the least.

However, while remittances in some ways do reflect traditional pre-war social relations, they also indicate the modification of expectations of social contacts. First, a surprising portion of recipient-sender relationships cannot be explained by reference to traditional family support patterns. While it is common for adult children to support their parents, in general co-sustenance relationships with one's natal family are much stronger for men than women. Yet around one tenth of the pairings were daughters supporting their parents. Indeed, it is sometimes said that it is better to have one daughter abroad than ten sons. While the numbers of daughters and sons remitting to their parents in this survey, and the average amounts that they remitted, do not in fact confirm this, the fact that so many recipients were supported by daughters overseas is culturally unusual so is popularly noted as a relative change. Another example that does not fit with traditional patterns of support is that nearly one tenth of the sender-recipient pairings involved a woman supporting her brother.

Second, the mode of support may be modified by distance. For example, Amina is well over sixty, a widow in poor health, and lives with her sick son. Her three daughters in Europe jointly funded the building of a house where she lives with her sick son, and send regular remittances for food and other basic expenses, which is Amina's only income. They have not been able to find medical attention for their brother's condition but without their assistance, he would probably be destitute or dead. Amina's brother and sister help her care for her son and with household tasks. If Amina's daughters lived in

Hargeisa, she would probably live with one of them as part of their household. Thus, traditional support arrangements may be replaced by cash and surrogate care work by other family members.

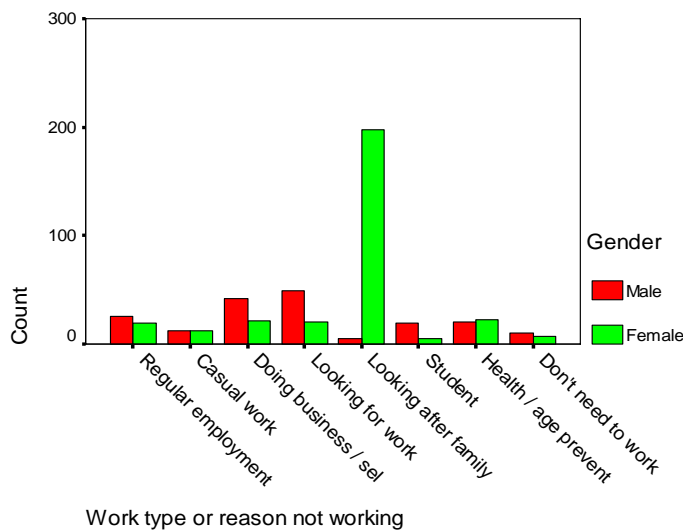
The survey illustrates that within households across Hargeisa, remittances put money in the hands of a variety of female and junior relatives. Interviews in London suggest that migrants tend to remit money to female relatives because they are responsible for buying and cooking food: some fear male relatives will spend the money on *qaad* or on marrying a second wife rather than prioritising the collective needs of the existing family.²³ Women receiving regular money through *xawilaad* may have more control of the household economy than those relying on a male breadwinner: some recipients interviewed certainly seemed to manage their household with very little input or influence from their husbands or sons. However, it remains unclear to what extent women's access to remittances – or indeed cash from employment or business – gives them a stronger voice in wider family affairs. Research on the impact of cash transfers to women in other contexts cautions against assuming that more cash automatically translates into greater influence over male relatives' behaviour – often strong cultural factors mitigate against that (Adato and de la Brière *et al.* 2000; Kabeer 2000). Moreover, research in urban Somaliland suggests that women's increased economic role has not yet translated into a stronger voice in the male-dominated world of family and clan politics (Cabdi 2005).

5. Livelihoods

This section examines the role of remittances in livelihoods, including their role during crises. Ubx's case illustrates how remittances can be one element in a portfolio of livelihood strategies.²⁴ She is in her late forties and used to live in Mogadishu, but moved to Hargeisa in 1991 after one of her daughters was shot dead. Her husband and six of her children live with her. She has many siblings and half-siblings in Hargeisa and the surrounding rural areas and two brothers in the UK (her father had six wives). When they first arrived in Hargeisa, the family survived by her making and selling sweets outside the Madrassa. Then she got on an NGO training scheme and became a health worker. Her wages were fixed by the government several years ago at 240,000 SISH per month, initially worth around \$70, but now worth half that. The rent of their house is \$100 per month and her husband is jobless. To supplement her wages, she runs a small pharmacy business, performs female circumcisions and delivers babies. When money is tight she can also earn money doing polio vaccinations, attending or giving health seminars, and selling headscarves with her daughters. Her brothers in the UK send \$100 each month to pay for the children's education: one son attends Hargeisa University and two others attend a private secondary school. Her household is comfortably-off: her rural siblings often come to her for help when they are sick or need help.

Figure 3 shows recipients' economic activities: around a quarter did paid work outside the home, but the largest group were housewives.

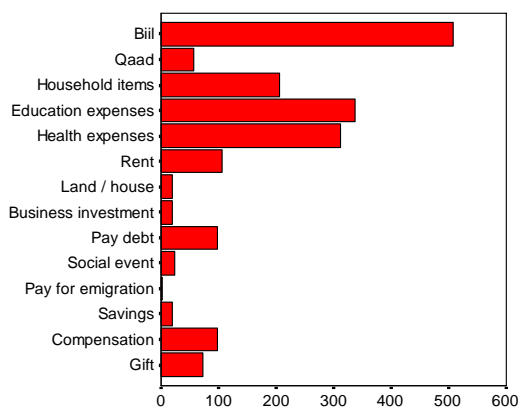
Figure 3. Main paid work and other activities by gender



Source: Recipient Survey, Hargeisa, Aug-Sept 2005

Overall, in 45% of respondents' households, remittances were combined with other income from employment, self-employment and business or other assets. In the rest – a slim majority of households – remittances were the *only* source of income for recipients.²⁵ Figure 4 shows how recipients answered questions about whether or not they had used remittances for a series of specific purposes in the last twelve months.

Figure 4. Uses of remittances during the last 12 months



Source: Recipient Survey, Hargeisa, Aug-Sept 2005

Note: Count reflects number of respondents using remittances for this purpose.

While remittances may be the only source of income, or be tagged for specific purposes, the possible fungibility of remittances in the household budget means that close analysis of the impact of remittances on household spending and investment decisions is not possible based on our limited survey data.²⁶ However, three observations may be made regarding the role of remittances in recipients' livelihood portfolios, based largely on the qualitative interviews.

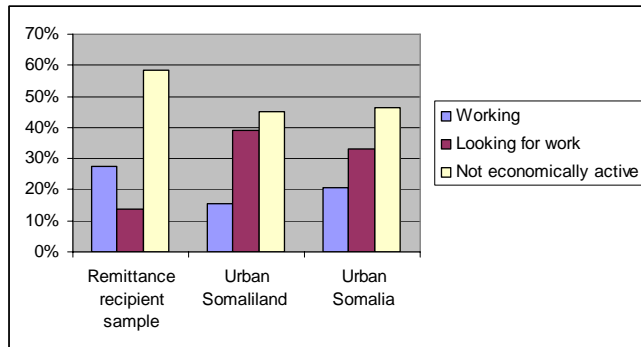
First, the money is commonly used for consumption and human capital investments. The vast majority of respondents – 96% - said that they use remittances for *biil*, or regular living expenses.²⁷ Education is usually a high priority and often something specifically encouraged by migrants (Lindley 2006). Although earlier accounts ignored the significance of this, it since been recognised that spending on consumption not only improves recipients' welfare but can have multiplier effects in the local economy, and that investments in education can improve long-term economic prospects (Durand *et al.* 1996; Connell and Conway 2000). Remittances were also used in Hargeisa in ways that reinforce the social networks of recipients - for example for weddings, social events, chewing *qaad* with friends, clan compensation and gifts, or financing the emigration of relatives – investment in social networks can be particularly important in an uncertain economic climate.

Second, some of the money is invested in building local livelihoods. Interviews suggest that although investments in business, land and property are fairly infrequent, they can be large and life-changing. Some migrants send working capital for shops, import and export businesses, and taxi, bus or trucking businesses. The emphasis is on retail and wholesale trade and services, reflecting the urban economy as a whole: lack of infrastructure and political uncertainty stymies industrial production. Other migrants have been called on to help rebuild or build family homes, and increasingly invest in land and property on their own behalf.²⁸ Overall, remittance investment, as in other countries, depends on the recipient's economic situation (many do not have much surplus money) and the investment climate (options may be limited) (Goldring 2004). Diaspora poverty is a further constraint as many migrants cannot afford to send enough to invest in business.²⁹

However, it is important to note that even when not directly invested, remittances can indirectly foster local livelihoods. Nimco's case is illustrative. She is in her sixties and used to live in Mogadishu but returned to Hargeisa (where she was born) with her husband and children in 1991.³⁰ Her husband then re-married, moved out and stopped supporting her, but she stays on in the family house, which he owns, with one single and two married sons, a daughter-in-law, four grandchildren, and a nephew. She has other grown-up children elsewhere in Hargeisa, Mogadishu, and Ethiopia and two daughters who went to the Middle East then married Somali British men and moved to the UK. Nimco's eldest son used to provide for the household, working as a sheep and goat trader, but was forced out of business in 2000 by the import ban on Somali livestock. He started a small grocery shop, but they were still struggling. Another son is a mason and could earn up to \$10 a day, but only got a few days' work a month. Nimco telephoned her daughter in the UK who had remitted occasionally to ask for more regular help and she began sending \$300 every other month. The shop now generates enough to feed the family. The remittances cover school fees, water, electricity and other expenses. In this example, remittances allowed the family to manage during adverse economic conditions – when business was bad and unemployment high – thus releasing pressure on the shop's profit margins, preventing them from eating into their capital.

A third observation regarding the role of remittance in livelihood portfolios relates to the labour effort of those at home. Figure 5 shows an (imperfect) economic activity comparison between the Hargeisa recipient sample and the general Somalia / Somaliland urban population. Our respondents have higher employment, lower unemployment, and higher economic inactivity rates than the general population.

Figure 5. Comparison of economic activity of individual remittance recipients with the general population



Sources: 1. Recipient Survey, Hargeisa, Aug-Sept 2005. 2. Urban Somaliland data from APD (2004, Draft) 3. Urban Somalia data from UNDP (2003)

Note: These results are interpreted with caution. First, the indicators used in all the three surveys for working status are fairly crude and do not take account of seasonal employment and under-employment ('Working' rates here refers to the number of working age adults in work divided by the number of working age adults in the sample). Second, the data is not directly comparable: there are no baseline data available for Hargeisa specifically and there is a difference in the age bracketing: figures are for 15-64 year olds, except for remittance recipients, which were for under 20-60 year olds.

While the evidence does not allow us to assess causality in the relationship between remittances and economic activity, three points should be noted. First, the higher economic inactivity rate may be because recipients are more likely to be able to get by without actively looking for work. But the direction of causality may run the other way, as remittances may be directed towards those who are economically inactive in the first place, particularly married women and the elderly. Second, the slightly higher employment rate among recipients may suggest an upward spiral whereby remittances improve recipients' economic opportunities through investment in local livelihoods. This suggestion is supported by the fact that employed or self-employed recipients received higher remittances than the rest - at the individual and household level.³¹ However, again the direction of causality is uncertain: as we shall see, better-off families were more likely to have migrants overseas in the first place. Third, additional factors may shape the effect of remittances on the labour effort of recipients, including whether or not they feel that remittances will continue in the medium to long term, and whether they are enough to meet the family's basic needs (conditions more likely to prevail where large income disparities exist between Hargeisa and the migrant's host country). Different interviewees took different views regarding whether remittances generate dependency, emphasising the high unemployment levels, limited local opportunities and the importance of the attitude of the recipients.

Role of remittances in livelihood crises

Of particular relevance to studying remittances in conflict-affected and fragile settings is the concept that migration is a household income diversification strategy and that remittances can insure households against risks. Two issues deserve consideration.

First, on the face of it, as pointed out earlier, the concept of migration as a deliberate household economic strategy, with remittances as the anticipated gain sits uneasily beside the image of forced migration. Migration from Hargeisa in 1988-1991 and the mid 1990s was precipitated by serious political violence, in which thousands of people were killed. People decided to leave the city and the country not to diversify their income but to save their lives. Yet while outward movement from Hargeisa was motivated by the need to seek physical safety, choice of destination or onward movement from neighbouring countries was often understandably influenced by economic considerations. Many of those who could afford to do so chose to seek asylum in the West. The author's research in the UK suggests that for people who migrated overseas during this period, the prospect of sending remittances was not an explicit part of their or their families' decisions: rather they went to seek safety or to escape the hardships, uncertainties and lack of rights in neighbouring countries, in the hope of generally better future. Yet many of these refugees turned into remitters, suggesting that even when migration is not deliberately undertaken in order to diversify household income sources, it may have this effect. Moreover, as the 1990s progressed, with an unrecognised Somaliland moving between fragile peace and resurgent conflict, followed by the economic downturn, the economic rationale for migration, including the possibility of supporting family members back home, became increasingly salient. This view from Hargeisa suggests that in conflict-affected settings there is a more *unsettled* relationship between the act of emigration and the act of remitting than that envisaged in the dominant remittance behaviour model.

Second, there is the notion of remittances responding to crises experienced by family members. Five main types of crisis affected Hargeisa's residents in the last two decades, illustrating a mixture of 'shock' and 'institutional' channels of conflict and fragility described by Binzel and Brück (2007):

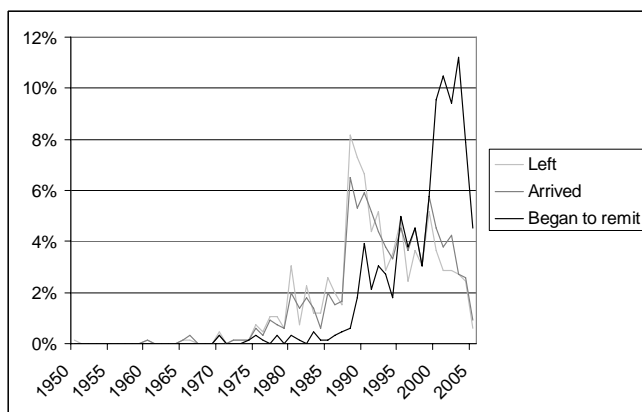
- Outright conflict in 1988-1991 and 1994-1996, which destroyed homes and assets, disrupted livelihoods, and killed or displaced civilians.
- On-going crisis of state institutions - while Somaliland's political future remains uncertain, foreign investment steers clear, inward investment is cautious, most aid is directed through NGOs and government capacity remains limited (Gaani 2005).
- Urban ramifications of disruptions to the pastoral economy, such as food shortages, social conflict, forced sale of livestock at depressed prices, and the urbanisation of pastoralists.³² The import bans on Somali livestock had serious consequences in the city economy (King 2003; Gaani 2005).
- Exchange rate depreciations: unless wages keep pace, imports become too expensive. The Somaliland shilling, introduced in 1994, depreciated steeply against the dollar when the government printed large quantities of new currency: in the mid-1990s to finance the war effort; in 2003 apparently to finance the electoral campaign; and in 2000 after the livestock ban was imposed (King 2003).

- Personal crises of people’s everyday lives – asset loss, livelihood deterioration or collapse, and violence, death, displacement, illness, family break-up – occurring within and frequently linked to the wider institutional fragility.

At the micro-level, asking migrant relatives for assistance was as one of several mechanisms for coping with income shocks (whether a loss of income or the emergence of a large necessary expense) in the households of interviewees. If successful, there may be an increase in the amount remitted, the initiation of regular remittances for subsistence (for a period or permanently) or a one-off transfer. As in Nimco’s case above, remittances are often initially sought and sent during a time of particular stress, but appear easier to start than stop or decrease. The majority of recipients surveyed reported that their remitters have continued to send the same amount in dollars since they began remitting, or increased the amount that they send. Funds from abroad can help prevent liquidation of local assets, destitution and displacement. They can also help reverse these processes when they have taken place: rebuilding assets, providing basic needs, and facilitating resettlement.

Some commentators have claimed that the flow of remittances to Somalia increases during periods of economic stress or inter-clan warfare (e.g. Gaani 2005). Although longitudinal data on migration and remittance volumes is not available, Figure 6 shows that contemporary remitters left in large numbers at the turn of the decade, when the civil war in the north was at its height; in the mid 1990s, a time of renewed civil strife in Hargeisa; and in 1999, corresponding to the first Saudi livestock export ban. 40% of the remitters began sending money within two years of arriving. There was a significant peak in recipients beginning to receive remittances in 2000-2003: over 40% of these remittance senders began sending during that recent short period.

Figure 6. Years of emigration of remitter, arrival in current country of residence and initiation of remittances



Source: Recipient Survey, Hargeisa, Aug-Sept 2005

This marked ‘triggering’ of remittance activity in 2000-2003, might be explained in two main ways. First, it may be due to the timing of emigration: possibly the large numbers of people who left Somalia in the early 1990s were more able to send remittances as they got more socio-economically settled abroad.³³ Second, migrants may have begun to remit

in this period in response to events in Hargeisa. The most obvious trigger is the second Gulf livestock import ban in 2000, which deprived Somali pastoralists of the most important markets for their livestock. The resulting general economic slowdown affected all businesses in Hargeisa and government bodies which lost tax revenue. Remittance companies reported an increase in the volume of remittances received during the livestock ban (Cabdi 2005; World Bank 2006b).³⁴ It is a popular belief in Hargeisa that “Remittances have occupied the space vacated by livestock trade.”³⁵ Remittances may also be initiated in response to inward migration to Hargeisa, with the resettlement of people displaced by conflict in the mid-1990s, and the urbanisation of struggling pastoralists. The consolidation of democracy in Somaliland since 2001 may also have encouraged migrants to begin to send money, re-investing in family networks and livelihoods in anticipation of returning or otherwise re-engaging with their place of origin, or to support dependents who have returned. These issues might be explored in further research, ideally with longitudinal data on remittance amounts.

Meanwhile, it is important to note that while remittances may be triggered by income shocks, *lack* of remittances would be a serious shock for many households: “Many households would suffer significant setbacks in food security and access to private medical care and private schools if remittance flows were interrupted.” (UNDP 2001: 131). Moreover, they insulate households against local currency depreciations as they are received in hard currency (then converted into Somaliland Shillings). If the local currency weakens against the dollar, recipients are better able to afford imported goods than those on local wages

7. Wider effects

The effects of remittances are not limited to the recipients and their families, but ripple out into the wider community in a variety of ways. This section examines the distribution of remittances in the city, the wider repercussions of spending and investment, and effects on the wider political economy.

Fortunes in conflict settings may be made and lost: it is hard to pin down the effects of remittances on a shaken and evolving social order (Binzel and Brück 2007). Yet even before counting any other sources of income, remittance recipients are much better off than average Somaliland town-dwellers. Around \$200 a month is generally seen as enough to meet all the living expenses of a normal Hargeisa household - the average per capita urban household income is \$491 per year (APD 2004).³⁶ This means that remittances tended to reinforce middle-income households, or life poorer households into the middle-income group (see also King 2003). Remittances less often benefit the poorest people in Hargeisa, who survive by casual work or begging - many live in miserable conditions in nine particularly deprived areas of the city.³⁷ An earlier survey found that remittances were the main source of income for 23% of urban households in Hargeisa, but only 5% of the households in these poor areas (Medani 2000).

Remittances are also differentiated along clan lines. Large numbers of the Isaq majority were displaced in 1988 and there has been significant migration to the West, building on earlier communities, such that receiving remittances among these clans is fairly common.³⁸ While Darod people - fewer in number in Hargeisa - were displaced in 1991 and also went West, for the Dir and small minority groups emigration was more rare - a fact attributed to more sedentary customs, lack of an existing overseas community, and resource constraints.³⁹

However, social networks and market relations ensure a certain amount of redistribution of the gains of migration. Social networks rarely feature in analyses of remittance effects, but in Hargeisa are an important vehicle for the circulation of remittances in the economy, sharing the gains with rural relatives and neighbouring households often in very informal, commonplace ways. For example, sharing food with poorer neighbours – indeed, with anyone who turns up around lunchtime - is common. The religious and social practices of *sako* (zakaat or compulsory alms), *sadaka* (voluntary alms) and *qaraan* (clan-based collections), target people needing help, and may be collected in the diaspora and in Somali society (Le Sage and Menkhaus 2004). Furthermore, around one fifth of respondents said that remittances that they received had been spent on *magta* or *diya* - clan-based compensation usually for injury or death (Lewis 1994). This reinforces traditional mechanisms of resolving conflicts that otherwise might escalate, and helps the victim's family cope with the crisis. Thus, remittances support existing social buffers: as money is drawn from the diaspora to Hargeisa, so money and resources are drawn from better-off to poorer households, and from urban to rural households.⁴⁰

The circulation of remittances via consumption and investment affects the wider economy. Remittances buoy demand for locally produced goods and services (milk, meat, charcoal, fruit and vegetables, education, health, domestic work, construction, telecommunications) and imported goods (rice, pasta, sugar, cooking oil, Ethiopian *qaad*, consumer goods, vehicles, construction materials and petrol). Through civil war and economic downturn, the fact that a portion - albeit a minority - of the city's population receives regular dollar amounts and others are sometimes able to call on their assistance, has been crucial in stabilising demand in Hargeisa. The remittance-fuelled boom in construction generates casual employment for city-dwellers and rural migrants - in 2003, there were twelve construction companies in Hargeisa, and several brick-making businesses (Hargeisa Municipality 2003; King 2003).⁴¹

Family remittances and diaspora donations have direct and indirect repercussions in the wider political realm. First, the diaspora supported the war effort and subsequently helped to build a political system in Somaliland. The Somali National Movement, established in Saudi Arabia and the UK, was largely financed by the contributions of Isaq merchants and others migrants (Lewis 1994). The three main political parties in Somaliland have sought finance abroad as well as locally.⁴² While civil servants' and ministers' wages are notoriously low, most have businesses, receive remittances or are returnees from the West themselves: in one government office visited for the research, they declared "We are all diaspora here".⁴³ The government does not tax incoming remittances – there would

be a public outcry – but it does collect some revenue from money transfer enterprises and on occasion persuades them to donate to public projects.⁴⁴

Marchal *et al.* have suggested that in the southern Somali zone: “One negative aspect of remittances is that they have allowed the factions to survive without delivering anything to the people,” (2000: 14). In Somaliland, it would seem that the diaspora and their remittances have – in direct and indirect ways – both fuelled conflict and helped to secure the victory of a faction, and helped a new political system to endure despite delivering little more than a delicate peace to the people.

Second, emigrants have sponsored public services in Hargeisa and elsewhere by funding the reconstruction and contributing to the running costs of many health facilities and schools, as well as by remitting fees to relatives needing to use such services. The Somaliland diaspora is been active in fundraising for collective initiatives and many would agree with Foreign Minister of Somaliland, Edna Adan Ismail (herself the founder of Hargeisa’s only maternity hospital, financed by a combination of diaspora and NGO donations and user fees), that “the diaspora has brought Somaliland to where it is today.”⁴⁵

Third, the considerable macro-economic scale of remittances affects Hargeisa. According to the Secretary General of the Chamber of Commerce, remittances have contributed to rebuilding the asset and capital base of families and communities.⁴⁶ One interviewee summed up the dominant view: “Remittances are the backbone of the Somaliland economy... If they were not sent people would not have survived like this.”⁴⁷ By helping some families return, rebuild homes and business, and cope in a difficult economic climate, remittances contributed substantially to the repopulation and reconstruction of a bombed-out and deserted city.

8. Conclusions

This paper identified several features of the remittance process in the fragile setting of Hargeisa that may be relevant to other fragile and conflict settings, and to general understandings of remittances.

The conflict transformed the geography of overseas migration and remitting as for the first time significant numbers of people from Hargeisa went to Western Europe and North America seeking asylum. Compared with the model of migration and remittances as a household income diversification strategy, this study revealed a rather more unsettled relationship between the act of emigration and the act of remitting. Large-scale emigration from Hargeisa responded to severe violent conflict rather than the wish to diversify income sources. Yet many refugees in rich countries still send remittances, even though this was not anticipated as they fled their country. Economic considerations – the wish for more secure political and economic rights and opportunities than those available in neighbouring countries and in some cases explicitly to support relatives left behind – were more prominent when it came to choice of destination, onward migration, and later migration as Hargeisa moved from a conflict to a fragile setting.

The importance of wider family networks (often reaching into rural areas) in co-sustenance and in remittance dynamics in Hargeisa called into question the use of the nuclear household as the main and exclusive unit of analysis in remittance studies. There is a somewhat uneven transnationalisation of family relationships and roles, with a significant portion of remittance relationships breaking with conventional patterns of family financial support. Due to the conflict, there has been a diversification – particularly, a growing feminisation – of participation in the remittance process. All this underlines the importance of exploring the social relations of remitting in fragile settings.

Remittances play a significant role in the livelihoods of regular recipients in Hargeisa and are commonly used for general living expenses and human capital investments. Remittances are sometimes invested in business and property, although diaspora poverty and local constraints inhibit the building up alternative local livelihoods. The evidence in this study suggests that remittances may help mitigate the effects of conflict and fragility on the population of Hargeisa, but that this often leads to a more permanent remittance relationship.

Remittances have several wider effects in Hargeisa. They tend to benefit middle income households and the Isaq majority. However, considerable social recirculation of remittances was evident, something which has rarely featured in the remittance literature reviewed. Diaspora donations and remittances directly and indirectly shaped the political and economic development of Hargeisa as capital of Somaliland in the last twenty years, fuelling the insurgency and the fledgling democracy, but some of the most significant effects are simply making life more liveable in a fragile post-conflict context. However this micro-level perspective reveals that many of the local benefits of remittances in Hargeisa are associated with repairing damage caused by the conflict via reconstruction and regeneration of destroyed homes, infrastructure, and public goods.

More research would be necessary to ascertain to what extent these patterns apply elsewhere in the urban and rural Somali areas of the Horn of Africa. In particular, the migration patterns of people from different areas vary, as do institutional contexts and the types of shocks to which households are exposed, especially in more violent areas.

What are the policy implications of this research? The proposition emerging from this study is definitely not that remittances can compensate for the massive loss of people (labour power and human capital) and the devastation of livelihoods and infrastructure resulting from the conflict. But the diaspora is a lasting legacy of the Somali conflict and it is likely to continue to shape Somali society in the decades to come. The fragile institutional context has constrained the extent to which remittances have been able to contribute to cycles of endogenous growth. It is important to remember that although remittances improve the welfare of recipients, this does not automatically translate - even in non-fragile contexts - into broader-based liberal development in the country of origin as more euphoric migration-development accounts sometimes suggest, unless appropriate political and economic infrastructure is in place (Ballard 2003; Connell and Conway 2000; de Haas 2006). Concentrating on improving political and economic infrastructure

in fragile settings, which is already seen as a development priority, is likely to be the best way to maximize the benefits of remittances for the wider community in the long term.

Meanwhile, these findings support Kent *et al.* (2005) who underline the need for humanitarian and development actors working with Somali people to understand the remittance economy. In the more stable areas, the concept of migrant-funded social insurance schemes and initiatives to facilitate diaspora investment in partnership with family members merit further exploration by humanitarian actors, local institutions, and businesspeople. Beyond remittances, migrants mobilise considerable donations to provide education and health services in the Somali regions: dialogue between the larger 'mainstream' and diaspora-funded NGOs and initiatives might be fruitful. Last but not least, this analysis of remittances in Hargeisa points to the importance, in the context of increased global financial regulation and international scrutiny of international funds transfers (particularly to Islamic countries affected by conflict), of ensuring that financial channels are kept open so that migrants can continue to support their family members. Withdrawal or even disruption of these funds would be a catastrophic blow for the city.

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ENDNOTES

¹ In contrast, political economy approaches conceptualize the conflicts of the 1990s as processes of political and economic re-ordering, linked to the affected countries' postcolonial and post-Cold War situation and to their relations with the global economy (Keen 2001; Duffield 2001; Goodhand 2000).

² Official remittances data are produced based on the IMF's *Balance of Payments Yearbook*. Unofficial remittances may represent as much as 50% of official remittances (World Bank 2006a).

³ In 2004, official remittances were 10% or more of the GDP of Albania, Bosnia and Herzegovina, Dominican Republic, El Salvador, Haiti, Honduras, Jamaica, Jordan, Kiribati, Lebanon, Lesotho, Moldova, Nepal, Nicaragua, Philippines, Samoa, Serbia and Montenegro, Tajikistan, Tonga, and Yemen (World Bank 2006a).

⁴ These estimates are not transparent and beset by issues of data quality and definition.

⁵ The Somali clan families: Darod, Digil and Mirifle, Dir, Hawiye and Isaq (Brons 2001).

⁶ For a more detailed account of political developments, see Bradbury, Abokor *et al.* (2003)

⁷ According to King (2003), in 2003 the municipality estimate was 445,000, the UN was using an estimate of 300,000, the Ministry of Planning 375,000 and the Water Development Authority 600-700,000.

⁸ See also Granovetter (1985)

⁹ King 2003; Interviews and informal consultations with various remittance company managers.

¹⁰ Data were analysed using SPSS. Methods are described in more detail in Lindley (2006)

¹¹ 'Average' denotes mean unless otherwise specified.

¹² For the purposes of the survey a crude co-residence definition of the household was used – 'people you usually live with'. As people may not know for sure whether other family members receive remittances or how much, total household remittances calculated here is taken as an estimate, probably an underestimate.

¹³ Amounts in this paragraph are rounded to the nearest \$5. These findings contrast with the higher average remittance amount of \$4,170 obtained in Ahmed's (2000) survey of 116 recipient households in Hargeisa, possibly due to differences in the sample size and sampling approach.

¹⁴ This is broadly supported by other sources: managers estimated that over half of their money transfer customers were women and this author's survey of Somali remitters in London found 55% of regular recipients were women.

¹⁵ 20% of respondents had received money from more than one remitter.

¹⁶ Note this is similar to the finding of the London survey (see above) and Ahmed's (2000) Hargeisa survey.

¹⁷ Notes 050402

¹⁸ Interview 050816 (Resident)

¹⁹ Interview 050824 (Resident)

²⁰ Notes 050912, 050809 and 050818

²¹ *Qaad* is a green leaf that is chewed as stimulant: its use is on the increase since the conflict (Cabdi 2005).

²² Notes 050809 (also 050818)

²³ Interviews in London, during 2004 and May 2005

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- ²⁴ Interview 050828 (Resident)
- ²⁵ Remember that the survey sample is a little biased towards people who received remittances regularly.
- ²⁶ Reliable total income data was not obtained in this study.
- ²⁷ *Biil* is a catch-all term and can cover food, water and electricity, rent, school fees, and *qaad*. In some contexts *biil* can also mean ‘regular remittance’ (Notes 050228).
- ²⁸ Interview 050823a (Resident)
- ²⁹ For example, Somalis in London have the lowest foreign-born employment rate (Greater London Authority 2005).
- ³⁰ Interview 050824 (Resident)
- ³¹ Average individual remittances were about \$200 higher for recipients who were working than those who were not, and average estimated household remittances were about \$500 higher in households that did have an alternative source of income to remittances.
- ³² Many urban households see drought as a major environmental threat (UNDP 2003)
- ³³ Note that also some migrants who left and began remitting earlier may have stopped (they may have set up a business, helped relatives to emigrate or feel that they have ‘done their bit’) and therefore not appear in the sample.
- ³⁴ Notes 060813
- ³⁵ Interview 050823a (Resident)
- ³⁶ Notes 050326, 050910 and 050809; Interview 050823a (Resident)
- ³⁷ Sheikh Nur, Mohamed Mooge, Aw Aden, Ayaha, Sinia, Stadium, Dhami, State House and Beerta Xorriyada
- ³⁸ Medani (2000) found that no particular Isaq clan had the monopoly on remittances.
- ³⁹ Interviews 050823b (Government Official), 050811 (Educational Institution), 050326 (International NGO worker); Notes 050813, 050326, 050909, 050823, 050818, 050328.
- ⁴⁰ Interviews 050326b (Research Institution), 050823a (Resident) and 050424c (Remittance Company Manager)
- ⁴¹ Notes 050321, 050812, 050320, 050813, 050323; Interview 050326b (Research Institution)
- ⁴² Notes 050621 050813, 050606, 050630; Interview 050917 (Somali NGO)
- ⁴³ Notes 050328
- ⁴⁴ Interviews 050821a (Government Official), 050821a (International NGO worker), 050913 (Government Official) and 050324c (Remittance Company Manager)
- ⁴⁵ Quote from her speech at the Somaliland Recognition Debate, Portcullis House, London (Notes 040317).
Also Notes 050524, 050606, 050326, 050815, 050909, 050320, 050321
- ⁴⁶ Interview 050329 (International NGO worker)
- ⁴⁷ Interview 050824 (Resident)