

BACKGROUND

A 2012/2013 study commissioned by the Food Security and Nutrition Analysis Unit (FSNAU) of FAO highlighted the importance of remittances to the people and economy of Somalia, providing an essential lifeline to both urban and rural Somali households. The study indicated that remittance flows to Somalia are estimated at US\$1.2 billion per year. The bulk of money sent is used by families to cover basic household expenses – food, clothing, education, and medical care. Due to security constraints, the 2012/2013 study did not cover central and southern parts of Somalia.

Key findings from the 2012/2013 FSNAU study include: (i) 41 percent of total surveyed households received remittances (ii) remittances reach all parts of Somali society (urban and rural as well as poor, middle and better-off wealth groups) (iii) there is high dependence on a single remittance sender (iv) remittances are used for basic household expenses (v) dependency on remittances, measured in terms of what people think the impact would be, if they lost remittances support, is very high (vi) the bulk of remittances come from Europe and North America which has important implications in terms of regulatory frameworks that facilitate or impede the flow of remittance money to Somalia (vii) there is significant secondary distribution of remittances to both urban and rural households (viii) despite the importance of remittances, there are some vulnerabilities in the system, related to the heavy reliance on a single relative to provide support and the fragility of the remittance industry to potential disruption of flows due to changes in the regulatory framework affecting Money Transfer Operators (MTOs).

Given the importance of remittance flows to household food and livelihood security in Somalia, it is important to monitor its flows and the impact of major factors that affect the flow. More specifically, there was a concern that remittance flows to Somalia may have been affected by the recent closure of accounts and suspension of MTOs¹.

Accordingly, in July 2015, FSNAU conducted a brief assessment of remittances in selected urban areas and among internally displaced populations (IDPs) across Somalia as part of its 2015 Post *Gu* seasonal food security and nutrition assessment. Due to security and logistical constraints, the assessment did not cover rural areas.

The assessment was conducted in: (i) selected urban Regions of: Toghddeer, Bari, Sool, Nugaal, Banadir (Mogadishu) and Lower Juba (Kismayo); and (ii) among the 13 main settlements of displaced populations across Somalia: Hargeisa, Burao, Berbera, Qardho, Garowe, Bossaso, Galkayo, Dhusamareb, Baidoa, Dollow, Banadir, Kismayo, and Doble.

The objective of the assessment was to collect basic information on external remittance receipt and use, recent changes in remittance flows and main reasons for it. The assessment was also intended to explore some of the key findings from the 2012/13 remittance study and provide additional insights. A secondary objective was to use the lessons learned from this assessment in the design of future remittance surveys.

The sample sizes (number of households interviewed) for each of the surveyed populations are shown below. Households were selected randomly using a two-stage cluster sampling procedure.

¹ In February 2015, US-based Merchants Bank closed all accounts with Somali money transfer operators (MTOs). It is estimated that Merchants used to be responsible for transferring 60 to 80 percent of remittances from the USA to Somalia. In April 2015, Kenya suspended the licenses of 13 Somali MTOs. The suspension was lifted in June 2015 (?).



Table 1: Household Sample Size for Urban Populations Covered by the Remittance Survey

	Togdheer	Sool	Bari	Nugaal	Banadir (Mogadishu)	Lower Juba (Kismayo)	TOTAL
# of Households	382	377	553	217	385	386	2 300

Table 2: Household Sample Size for Displaced Populations Covered by the Remittance Survey

	Baidoa	Banadir (Mogadishu)	Berbera	Bossaso	Burao	Dhusamareb	Dobley
# of Households	177	381	224	357	146	138	247

	Dollow	Galkayo	Garowe	Hargeisa	Kismayo	Qardho	Total
# of Households	300	322	291	230	186	192	3 191

Questions included in the assessment were the following:

1. Over the past six months, how often has your household received cash remittance from family members, relatives or friends who live outside Somalia?
2. If your household received some cash remittance over the past six months, what is the total amount received?
3. If your household received some cash remittance over the past six months, for what purpose did you use the remittance cash received?
4. Has the cash remittance received by your household declined over the past six months?
5. If the cash remittance received by your household has declined over the past six months, what is the main reason?

Questions 1 through 5 were administered to urban households. Only questions 1 to 3 were administered to IDP households.

Key findings from the assessments are highlighted below. The results are disaggregated by urban area or IDP settlement where possible.

1. Urban Populations

Over the past six months, how often has your household received cash remittance from family members, relatives or friends who live outside Somalia?

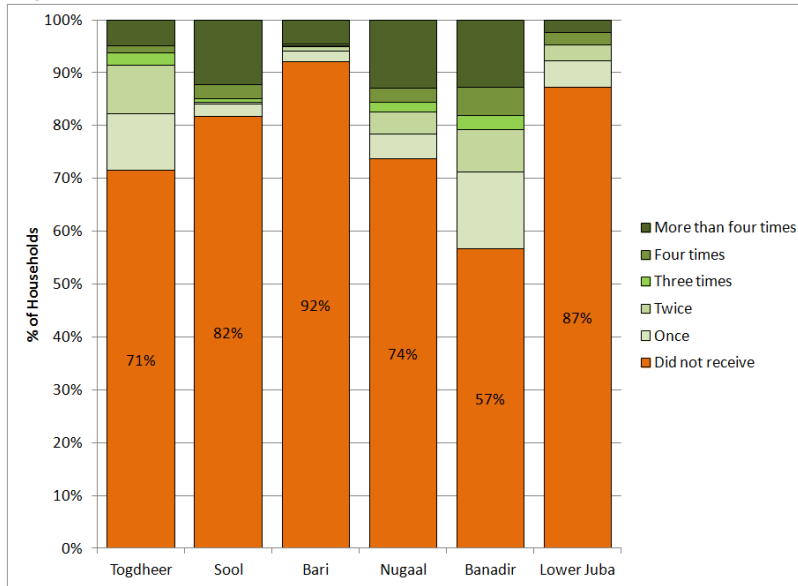
The proportion of households in the selected urban areas that received external remittances between January and June 2015 ranged from eight percent in urban areas of Bari region to 43 percent in Banadir/Mogadishu (Table 1 and Figure 1). The results were higher in the 2012/13 FSNAU remittance study by which indicated that 51 percent of all urban respondents received external remittance support.

Table 1. Receipt of remittance by urban households by region, Jan-June 2015

Region	Household remittance receipts					
	Did not receive		Received at least once		Total	
	Count	Row N %	Count	Row N %	Count	Row N %
Togdheer	273	71.5%	109	28.5%	382	100.0%
Sool	308	81.7%	69	18.3%	377	100.0%
Bari	509	92.0%	44	8.0%	553	100.0%
Nugaal	160	73.7%	57	26.3%	217	100.0%
Banadir (Mogadishu)	218	56.6%	167	43.4%	385	100.0%
Lower Juba (Kismayo)	335	87.2%	51	13.2%	386	100.0%

In terms of frequency of remittance receipts, substantial regional variations were observed. In the urban areas of Sool, Nugaal and Banadir, at least 10 percent of the households have received external remittances more than four times between January and June 2015, possibly indicating a more regular flow of remittance support to these households (Figure 1).

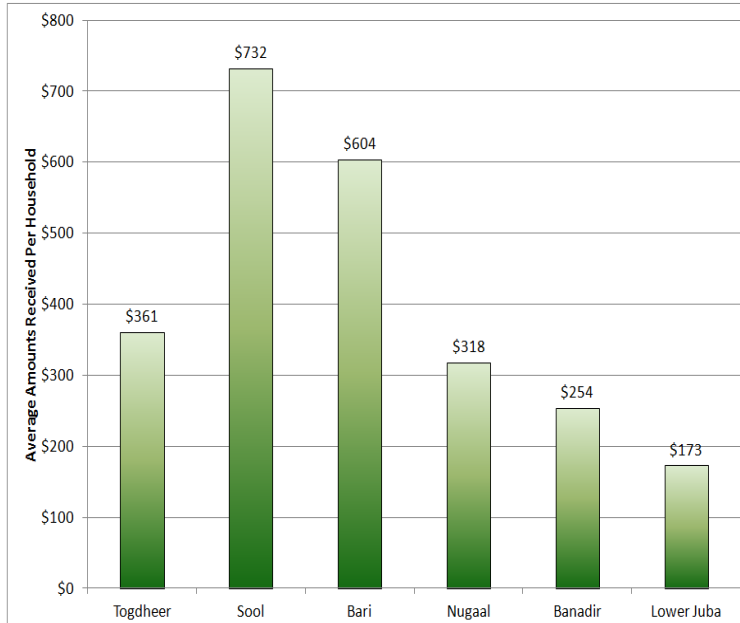
Figure 1. Proportion of Households that Received External Remittances by Region/Urban Area



If your household received some cash remittance over the past six months, what is the total amount received?

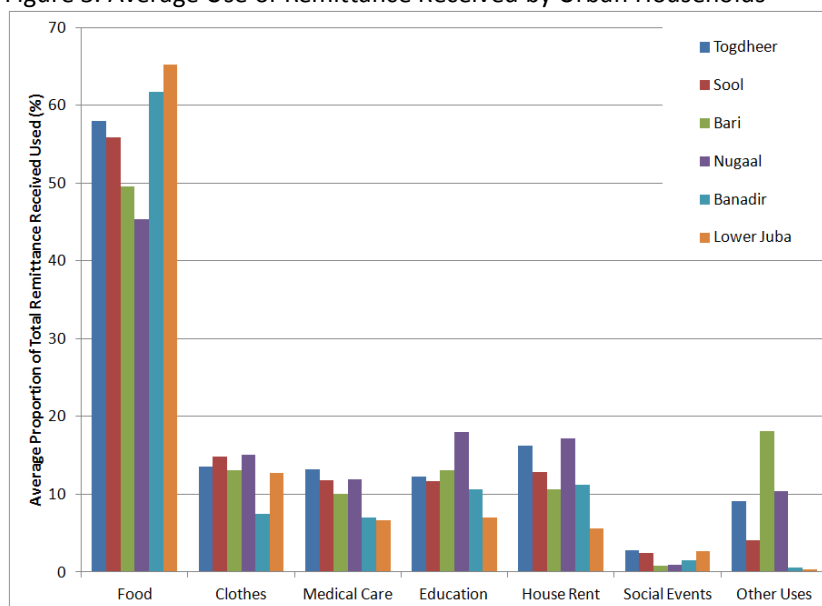
Across regions, there is substantial regional variation in the average amount of external remittance received by households over the January to June 2015 period (Figure 2). The average amounts ranged from \$173 in Lower Juba (Kismayo) to \$732 in urban areas of Sool.

Figure 2 Average External Remittance Received by Urban Households



If your household received some cash remittance over the past six months for what purpose did you use the remittance cash received?

Figure 3. Average Use of Remittance Received by Urban Households



A majority of the households that received remittances used it mostly to buy food (45-65% of households). The rest is mostly used to pay for basic household necessities: clothes, medical expenses (i.e. healthcare), education, house rent and other uses (Figure 3). Both the current and the 2012/2013 remittance study show that recipients overwhelmingly use the funds they receive for food, basic non-food expenditure, clothing, education, healthcare, house rent, etc.

Has the cash remittance received by your household declined over the past six months?

Among households that received remittances, except in Banadir, a large proportion (23-49%) reported that their remittance receipts have declined over the past six months (Table 3).

Table 3: Number and Proportion of Households who Reported Decline of Remittances

Region	Has the cash remittance received by your household declined over the past six months?					
	No		Yes		Total	
	Count	Row N %	Count	Row N %	Count	Row N %
Togdheer	84	77.1%	25	22.9%	109	100.0%
Sool	34	50.0%	34	50.0%	68	100.0%
Bari	31	70.5%	13	29.5%	44	100.0%
Nugaal	28	50.9%	27	49.1%	55	100.0%
Banadir (Mogadishu)	157	96.9%	5	3.1%	162	100.0%
Lower Juba (Kismayo)	24	60.0%	16	40.0%	40	100.0%

If the cash remittance received by your household has declined over the past six months, what is the main reason?

Among urban households that reported decline of remittances over the past six months, the main reasons for the reported decline in remittances are: (1) remitters reduced the amount they send;

and (2) money transfer to Somalia no longer possible from the country where the remitters live (Table 4).

Considerable proportions of households that received remittances over the January to June 2015 period have reported a decline in the amounts of remittances received. However, lack of possibility for money transfer to Somalia from the country where remitters live is not the primary reason. This result could be interpreted together with the primary reason that remitters reduced the amount they sent. Whether the reduction in the amount sent by remitters is linked to potential increase in the transaction cost associated with finding an alternative but potentially more costly money transfer mechanism remains a possibility that should be explored².

Table 4: Main Reasons Reported by Households for Decline of Remittances

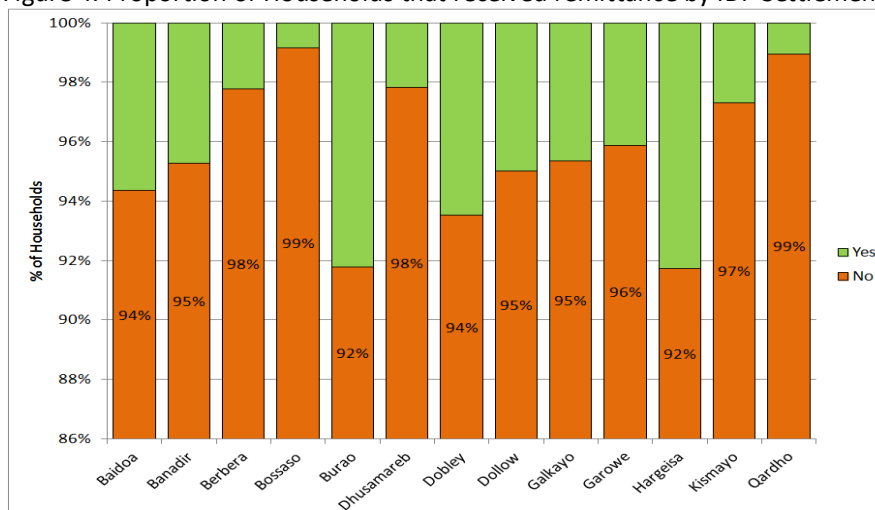
Region	Money transfer to Somalia no longer possible from the country where remitters live	Family members/relatives/friends reduced the amount they sent	My household's need for remittance support decreased	Other reason	Total
	Count	Count	Count	Count	Count
Togdheer	1	9	11	3	24
Sool	7	23	0	0	30
Bari	8	3	1	1	13
Nugaal	2	24	1	0	27
Banadir (Mogadishu)	4	0	1	0	5
Lower Juba (Kismayo)	14	1	0	0	15

The decline in the amounts sent by remitters could also indicate the economic situation of the remitters themselves linked to the overall economic performance in the countries where they live.

2. Internally Displaced Persons (IDPs)

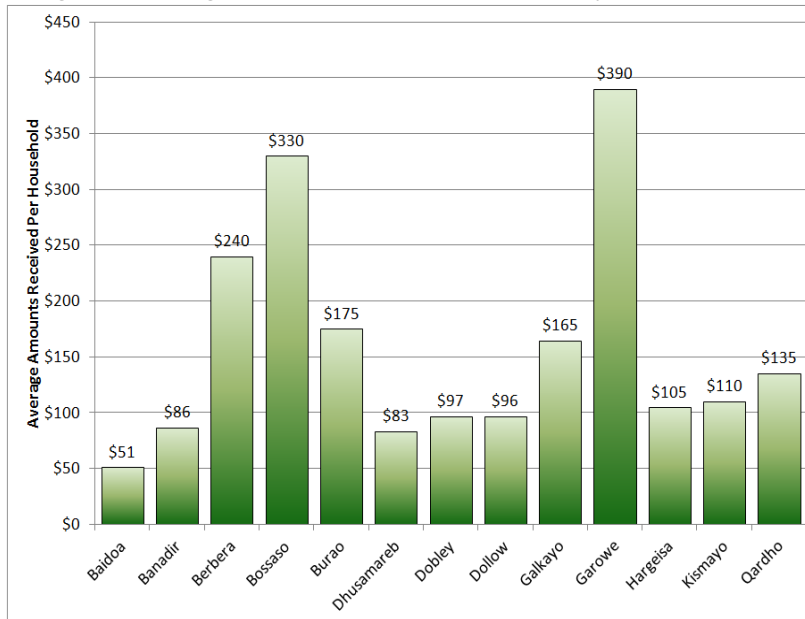
In contrast to urban populations, the proportions of displaced households that received external remittances between January and June 2015 were found to be generally low. These ranged from one percent in Qardho and Bossaso to eight percent in Hargeisa and Burao (Figure4).

Figure 4. Proportion of Households that received remittance by IDP Settlement



² Anecdotal evidence indicates that Somali national living in Kenya and Nairobi based humanitarian and agencies have been using such alternatives following the suspension of money transfer operators by the Kenyan Government in April 2015.

Figure 5. Average External Remittance Received by IDP Households



Across IDP settlements, there are variations in the average amount of external remittance received by households over the January to June 2015 period (Figure 5), ranging from \$51 in Baidoa to \$390 in Garowe.

Conclusions and Recommendations

The assessment results reported in previous sections highlight important aspects of external remittance flows to selected urban areas of Somalia: receipt of external remittance by households, its frequency and main use; decline in external remittance received by households and main reasons for the reported decline.

Based on assessments findings highlighted in previous sections, it is evident that a considerable proportion of the population in the selected urban areas received remittances between January to June 2015 and primarily used it to meet food and other essential basic necessities, including healthcare, education and house rent.

The declines in remittances received over the January to June 2015 period and the reasons for the reported decline underscore the importance of the need for monitoring remittance flows and their dynamics more closely. An important aspect of such monitoring should also include fostering collaboration and partnership with the major Money Transfer Operators (MTOs) currently serving Somalia in order to access their data on remittance flows to the country on a regular (preferably monthly) basis and at disaggregated (preferably district or sub-district) levels.

Additionally, given the importance of (external) remittance to the population and economy of Somalia, a more comprehensive remittance study, covering all parts of the country would be critical in order to fully understand its current and potential role; and to inform the design of monitoring its flow and impact as well as the development of appropriate enabling policy and regulatory framework.

The lessons learned from the July 2015 assessment exercise are useful in informing the design of future remittance assessments by FSNAU and others. In this regard, provision of adequate training to supervisors and enumerators and advance pre-testing of questionnaires are important.