Family Ties: Remittances and Livelihoods Support in Puntland and Somaliland

June 5, 2013

Food Security and Nutrition Analysis Unit - Somalia

Information for Better Livelihood
DISCLAIMER

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Of course, any errors are the responsibility of the lead author.
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CHAPTER 1

Executive Summary

Beginning long before the collapse of the Somali state in 1991, but increasingly since then, remittances have provided crucial support to the people of Somalia. Based on the findings of this survey, we estimate remittances to Somalia to be a minimum of US$1.2 billion per year. The significance of this sum can be seen when compared with international aid flows which averaged $834 million/year between 2007 and 2011, Foreign Direct Investment (FDI) estimated at $102 million in 2011, and exports of $516 million in 2010. The bulk of money sent is used by families to cover basic household expenses – food, clothing, education, and medical care. Contributions are also made to pay for family emergencies or weddings, to community development efforts, to make investments, to promote political projects, and to settle clan disputes.

Most of what is known about the significance of remittances to the Somali economy is based on relatively localized studies of sending habits – conducted in diaspora countries – or the practices of recipients in selected urban areas of Somaliland, Puntland and South-Central Somalia, or in refugee camps in the region. Virtually no research has been done on remittances sent to rural areas. In addition, there is very little information on the sharing of resources between rural and urban relatives. Our analysis shows that resources flow in both directions (urban-rural and rural-urban) between relatives.

This report builds upon the available evidence base by providing results of a survey conducted in June and July 2012 among 718 households in Somaliland and Puntland. Commissioned by the Food Security and Nutrition Analysis Unit (FSNAU), a multi-donor project managed by FAO, the study examines the impact of remittance funds received by Somali households and the extent to which households share resources (both remittances and other income).

The aim of the study was to gather information on the following: Demographic and socio-economic characteristics of households and individuals receiving remittances. It is often argued that those who left the country and remit money back to their families usually come from better-off and the better educated households and clans, and therefore remittances often do not reach the weaker and poorer clans. What is the social status, age group, gender and possibly clan structure, of the recipients and is this argument relevant in the Somali context?

Economic and social impact of remittances at the household level. Livelihood studies in Somalia have found that remittances are usually received by those in the middle and better-off income groups and to a lesser extent by the poor and destitute. Does this imply that remittances play a less important relative role in the livelihoods of poorer households? What proportion of household income do remittances constitute in various wealth groups? What are remittances normally spent on by different social groups (for basic needs such as food, medical care, education or for business activities) and at different times? Is there a difference in the magnitude and utilisation of remittances between urban and rural households and do remittances ‘trickle down’ from urban to rural areas and if so in what way?

Timing of remittance flows. What are the dominant patterns and periods of transfer (Sako Zakaaf, Ramadan, Eid Festival) and how do these periods affect the utilization of remittances? How do various types of shocks affect remittances and what recommendations can be made for the purposes of early warning?

This report provides an overview of the findings of the survey. Findings generally fall into two categories – information about remittance receipt and information about sharing of resources between households.

1 Norris and Bruton, 2011.
4 See Lindley 2010 and Horst 2006 for excellent studies on remittance sending and receiving practices.
5 In the pilot test of this survey it became evident that enumerators were not comfortable asking, and most respondents were not willing to divulge, their clan identities, so unfortunately we have not been able to consider this issue.
Among the major findings:

**A. Remittance Support**

Remittances reach all parts of Somali society. High levels of remittance support were found in urban and rural areas, and among different wealth groups (poorer, middle and better off). 41 percent of the total sample reported receiving remittances; 51 percent of all urban respondents indicated that they receive support from abroad, while 28 percent of rural respondents indicated the same. This is the first time that data about remittance receipts in rural areas has been quantified in such a comprehensive manner.

Urban households receive proportionately more support than rural households. Despite the high percentage of rural residents receiving support, the bulk of money transferred is directed towards urban households. Of the total remittances reported as having been received through the survey, only 13 percent was received by rural respondents. The mean amount received was $946.50/year.

There is high dependence on a single remittance sender. Of those who receive remittances, more than 80 percent receive support from only one relative. This suggests a potential vulnerability in terms of reliance on a single source of support.

More Somaliland than Puntland recipients reported receiving larger amounts of remittance support. The reported amount of remittance support received in Somaliland was higher than in Puntland. In Somaliland, 66 percent received between $1000 and $6000. In Puntland, 39 percent received between $1000 and $6000; the remainder of Puntland respondents received less than $1000.

Remittances are used for basic household expenses. The top-ranked uses of remittances were (in order of importance) food purchases, non-food expenses (including house rent), school fees and medical expenses. 73 percent of all respondents reportedly use the money they receive through remittances to pay for food expenses. Urban households spend more on education and health care than those in rural areas.

Dependency on remittances, measured in terms of what people think the impact would be, if they lost remittances support, is very high. Roughly one third of respondents said that they would not be able to afford basic food, medicines and school fees, if remittances were stopped. Perceived dependence upon remittances was higher among the better-off wealth groups. This is likely due to the fact that they receive more money on a regular basis and therefore have integrated it into their basic livelihood strategies, whereas poorer households do not receive remittances as frequently or in such significant amounts and are therefore less dependent on this source of income.

The bulk of remittances come from Europe and North America (see Fig. 3.2). This has important implications in terms of regulatory frameworks that facilitate or impede the flow of remittance money to Somalia. Keeping these links open through supportive regulation is vital. the need to safeguard the livelihoods of those dependent upon remittances.

**B. Support Between Better-off and Poorer Households**

There is significant secondary distribution of remittances to both urban and rural households. Households that receive remittances are more likely to support poorer relatives (75%) than those who do not receive remittances (54%). Approximately 14 percent of the total value of remittances received by respondent households was redistributed either to urban or rural relatives. Secondary distribution of remittance funds appears to be somewhat higher in Puntland (20%) than in Somaliland (9%).

Rural remittance recipients are heavily involved in secondary distribution of remittances. One of the most significant findings of this study is that 66 percent of rural remittance recipients reported providing support to other rural relatives.

Most urban residents support rural relatives. 61 percent of all remittance-receiving urban respondents indicated that they send support to rural relatives; individual payments to rural relatives tend to be small and irregular.

The obligation to provide support is extremely strong. Ninety percent of respondents – more than the number who actually provide support – reported that they felt obliged to provide support to their relatives if they could. The main reasons that people gave for this were (in order of importance) religious obligations; to strengthen family bonds; because the need is great; and to protect family honour.
Child fostering is extremely common in urban areas. In a sub-sample survey of 46 urban remittance-receiving households, 72 percent reported that they were caring for children who were not their own. The overwhelming majority of fostering families were paying the education, food and other costs of the child. Among the 46 rural households who were asked, 46 percent said that they had sent one or more of their children to stay with relatives. The main reasons they gave for this was lack of schools in the areas where the child parents live or they could not afford to pay school fees or even feed their children.

Table 1.1: Proportion of households receiving remittances from abroad and those sharing with relatives

<table>
<thead>
<tr>
<th>Remittances from abroad</th>
<th>TOTAL %</th>
<th>Somaliland</th>
<th>Puntland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Urban</td>
<td>Rural</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>51</td>
<td>28</td>
<td>41</td>
</tr>
<tr>
<td>Share resources with relatives in urban/rural areas (NB: senders are both urban and rural)</td>
<td>27</td>
<td>62</td>
<td>75*</td>
</tr>
<tr>
<td></td>
<td>49</td>
<td>23</td>
<td>38</td>
</tr>
</tbody>
</table>

N=626
* Total includes those who support urban and/or rural households, so is not the total of Urban and Rural columns.

Implications

The findings show that remittance support is providing an essential lifeline to both urban and rural Somali households. People depend on remittance support for their most basic needs, including food, healthcare and education. 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 itself. If anything should disrupt the flow of remittances – for example the sender becoming unemployed or disabled – the recipients’ basic livelihoods would be dramatically and adversely affected. In addition, remittance companies are sometimes subject to having to suspend their operations in areas where banking counterparts are not willing to work with them (as was seen recently in the US state of Minnesota). The industry has so far been able to adapt to these challenges, but is vulnerable to the suspensions becoming more widespread. Ultimately, it may be desirable for Somalis to diversify their incomes so that they are less reliant on remittances. However in the short to medium term, even in areas that are no longer plagued by conflict, a lack of economic opportunities is likely to continue to hamper their ability to be self-sufficient, without remittance support. Understanding the dynamics of, and uses of, remittances can help FSNAU and other organisations active in food and livelihood security to better anticipate the impact of shocks that affect remittance levels, to understand the role of remittances in rural communities, and to better understand the dependencies between urban and rural households.

CHAPTER 2

Methodology and Demographic Information

Households surveyed

The survey was conducted between 17 June and 12 July 2012 in Somaliland and Puntland (security conditions and access arrangements for FSNAU staff were not adequate to permit the study to be carried out in South/Central Somalia). A general survey was administered to 718 households in rural and urban areas. Respondents were asked about the demographic profile of their household, their livelihood activities, income and expenditure levels and patterns, and food consumption practices. They were also asked whether they received remittances, if so from where, what they did with the funds they received, and whether they shared any household resources (financial or in kind) with relatives not living with them. Additional research was done with ‘linked households’ - households that received remittances and who confirmed to sharing resources with poor rural or urban relatives. Ninety-two households were part of the social network or linked household survey. Table 2.1 shows the breakdown of households surveyed.

Table 2.1: Overview of Households Surveyed

<table>
<thead>
<tr>
<th>General Remittance</th>
<th>Social Network (linked households)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>Puntland</td>
<td>178</td>
</tr>
<tr>
<td>Somaliland</td>
<td>186</td>
</tr>
<tr>
<td>Total</td>
<td>364</td>
</tr>
</tbody>
</table>

6 Those interviewed as part of the social network survey are additional to those interviewed in the general remittance survey, so the total number of households interviewed was 718. Note that the social network interviewees answered all of the questions contained in the general remittance survey, as well as additional questions, so the presentation of demographic information includes the entire combined sample size.
Site Selection
The survey was conducted in three urban areas of Somaliland (Boroma, Burco, and Hargeisa) and Puntland (Bossaso, North Galkayo, and Garowe), respectively, and in a ‘rural cluster’ associated with each urban centre. A ‘rural cluster’ is defined as a small market town, which has at least one operational money transfer agent, and two nearby “satellite” villages, where people are for the most part engaged in pastoral, agropastoral, or agricultural livelihoods (rather than trade and commerce or waged labour). The figure below demonstrates the relationship between the urban centre, the rural market town and satellite villages.

Figure 2.0: Rural-Urban Linkages

Rural-Urban Linkages: Structure of the Study
The rationale for selecting this arrangement was that urban areas were known to receive significant levels of remittances (though the exact level was uncertain). Urban households were also known to provide support to poorer rural relatives, sharing their resources (some of which were hypothesized to come from remittances) with kin living in rural areas (Medani 2000). However, preliminary research also suggested that some rural people receive support directly from abroad through rural remittance company branch offices or agents. In recognition of the fact that livelihoods in market towns are different than those in areas that are mostly dependent upon production (agricultural and/or pastoral), and also that the interaction between these ‘very rural’ households and their more urban relatives in both market towns and urban areas is likely to be different from those in larger market towns, we selected this three-layered approach. In this way, we considered both the extent to which people in urban and rural areas receive remittances from abroad, but also the extent to which distribution of resources from urban to rural relatives (and in some cases from rural to urban relatives or between rural relatives) takes place. Three rural market towns were surveyed in Puntland and Somaliland (totalling 60 households in Puntland and 59 in Somaliland), with two associated satellite villages per market town, giving a total of six satellites in each region (72 households in Puntland, 71 in Somaliland), or nine total rural locations in Puntland and Somaliland, respectively. Our sampling was purposive, seeking to reach a representative range of different types of households, and the size of the sample was chosen to also reflect the need to reach different types of households (wealth groups, different residential areas).

We consulted with the Dahabshiil Money Transfer company, when choosing rural areas in which to base the survey work, since we wanted to make sure that we targeted rural market towns in which at least one money transfer company was working. Dahabshiil is the largest money transfer company in the Somali territories, with over 300 branches throughout Somaliland, Puntland and South-Central Somalia. The map below shows the spread of Dahabshiil agents working in Somaliland and Puntland, as well as the locations where our study conducted interviews.7

7 There are several other money transfer companies in addition to Dahabshiil, and the map should not be taken as a map of all localities with access to money transfer agents; such a map was beyond the scope of our study. However, the distribution of agents of this single company helps to show the direct access that many rural communities have to remittance receiving facilities. These facilities are also used by rural traders to send money to urban business associates or to facilitate import-export business. For more on how the remittance industry works, see the Centre on Counter Terrorism Cooperation, ‘Capitalizing on Trust’.
The table below summarizes the selected sites for the survey in Puntland and Somaliland.

Table 2.2: Survey Sites

<table>
<thead>
<tr>
<th>Urban areas</th>
<th>Rural markets</th>
<th>Satellite rural villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somaliland</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hargeisa</td>
<td>Allaybaday</td>
<td>Iaaya</td>
</tr>
<tr>
<td>Burco</td>
<td>Xaajisaalax</td>
<td>Obsiye</td>
</tr>
<tr>
<td>Boroma</td>
<td>Boon</td>
<td>Balli-Dacar</td>
</tr>
<tr>
<td>Garowe</td>
<td>Jalam</td>
<td>Xaar-xaar</td>
</tr>
<tr>
<td>Galkayo</td>
<td>Bacadideyn</td>
<td>Tuuloxabibo</td>
</tr>
<tr>
<td>Bossaso</td>
<td>Ufeyn</td>
<td>Gees qabad</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kob dhaxaad</td>
</tr>
</tbody>
</table>

Demographic composition of surveyed households
Household interviews were conducted during the day. Most of the respondents (78%) were women, reflecting the fact that women tend to be in the house during the day more often than men, as well as women’s familiarity with household budget matters. Table 2.3 below shows the main characteristics of the respondent households.

Table 2.3: Household Demographics

<table>
<thead>
<tr>
<th>Household Demographics</th>
<th>Puntland</th>
<th>Somaliland</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of Female respondents (%)</td>
<td>74</td>
<td>82</td>
<td>78</td>
<td>83</td>
<td>71</td>
</tr>
<tr>
<td>Female Headed HHs (%)</td>
<td>20</td>
<td>10</td>
<td>15</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>Average age of Respondent</td>
<td>40</td>
<td>42</td>
<td>41</td>
<td>40</td>
<td>42</td>
</tr>
<tr>
<td>Average size of HH</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Children &lt;1 (%)</td>
<td>29</td>
<td>15</td>
<td>22</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Children &lt;5 (%)</td>
<td>63</td>
<td>47</td>
<td>56</td>
<td>53</td>
<td>60</td>
</tr>
<tr>
<td>Children 6-18 yrs (%)</td>
<td>88</td>
<td>85</td>
<td>86</td>
<td>87</td>
<td>86</td>
</tr>
<tr>
<td>Average number of dependents</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>HH with disabled member(s) (%)</td>
<td>11</td>
<td>12</td>
<td>11</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>
Overall n=718; 356 in Puntland, 362 in Somaliland

The average household size in both Somaliland and Puntland was 7.2, which is slightly higher than the figure (6 persons) usually used by FSNAU and other international organisations. Among households who took part in the social network survey, urban households had 8.5 members. The larger size is likely due to increased child fostering among these households (see Chapter 5 section on Child Fostering).

Education levels

One of the most significant findings related to the demographic profiles of the respondents relates to their level of education. In Somaliland, 56 percent reported that they were illiterate or had not completed primary education. In Puntland, only 28 percent indicated that they were illiterate or had not completed primary education.

Table 2.4: Level of Education Completed (Respondent)

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Puntland</th>
<th>Somaliland</th>
<th>Urban</th>
<th>Rural</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>28</td>
<td>56</td>
<td>35</td>
<td>51</td>
<td>42</td>
</tr>
<tr>
<td>Madrassa/Koranic school</td>
<td>36</td>
<td>16</td>
<td>24</td>
<td>29</td>
<td>26</td>
</tr>
<tr>
<td>Primary School completed</td>
<td>22</td>
<td>15</td>
<td>21</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Vocational school</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Secondary school completion</td>
<td>7</td>
<td>8</td>
<td>11</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Tertiary education or higher</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

The numbers of respondents who had completed secondary education or higher was roughly the same (12% Somaliland, 14% Puntland). The major difference seems to be that in Puntland, more of the respondents had completed primary school (22% as opposed to 15% in Somaliland), and that a much higher percentage of people in Puntland attended only madrassa or Koranic school (36%) than in Somaliland (16%). Most of those in Puntland who had gone to madrasa/Koranic school were above the age of 30. Rates of illiteracy were generally higher in rural areas (51%) than in urban areas (36%).

In our analysis, we queried whether education levels corresponded to differences in wealth group. At the primary level there was not a significant difference between wealth groups. However, the poorer group had much lower levels of secondary and tertiary education (see Wealth Group profiles, below).

Asset Profiles of Rural and Urban Respondents

Housing

In urban areas of both Puntland and Somaliland, people tend to live in stone, brick or cement block houses with corrugated iron (CI) sheet roofs. In rural areas, more people lived in traditional aqal Somali or wood and mud houses.

Table 2.5: Housing types, Rural and Urban Respondents (Somaliland and Puntland combined)

<table>
<thead>
<tr>
<th>House type</th>
<th>Rural %</th>
<th>Urban %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stone/Cement</td>
<td>40</td>
<td>92</td>
<td>70</td>
</tr>
<tr>
<td>Wood/Mud/CI sheet</td>
<td>22</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Aqal Somali</td>
<td>37</td>
<td>3</td>
<td>18</td>
</tr>
</tbody>
</table>

Note: Due to rounding, the columns do not add up to 100%

A high proportion of rural respondents own their own house, but this is usually because they have constructed it themselves, and it tends to be of low value. Table 2.6 shows the type of accommodation arrangements that rural and urban respondents have.

8 A madrassa generally refers to a school that is associated with or part of a mosque. Madrassas provide Koranic education, but may also provide instruction in other subjects. Children tend to attend madrassa or koranic school prior to beginning their formal primary education, but some attend only the former and never attend primary school.

9 Note that this response refers to the highest level of education achieved. Many of those who completed primary or higher levels of education will also have attended madrassa or Koranic school.


11 An aqal Somali is a traditional dome-shaped structure made of wooden branches and woven straw mats; in its modern incarnation it is often layered with plastic sheeting, cloth, and metal sheets and is a semi-permanent structure for rural and poorer urban households.
Table 2.6: Accommodation types, Rural and Urban Respondents (Somaliland and Puntland combined)

<table>
<thead>
<tr>
<th>Housing</th>
<th>Rural %</th>
<th>Urban %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>10</td>
<td>33</td>
<td>24</td>
</tr>
<tr>
<td>Own</td>
<td>80</td>
<td>57</td>
<td>67</td>
</tr>
<tr>
<td>Free Use</td>
<td>7</td>
<td>9</td>
<td>8</td>
</tr>
</tbody>
</table>

We examined whether housing types could be used to assist in identifying wealth groups (see below), but rejected this possibility because most urban dwellers in our sample, regardless of their reported income, live in stone or brick houses with CI sheet roofs, and in rural areas a large percentage of people from all wealth groups live in aqal Somali.\(^\text{12}\)

**Lighting and fuel sources**

Like housing stock, the source of lighting and type of cooking fuel used depended more on what was available in the area than on the wealth of the household. In urban areas, 90 percent of households use charcoal as their main cooking fuel, whereas in rural areas 75 percent use wood. In urban areas most people (83%) use electricity from private companies for their lighting, while in rural areas most (69%) use lanterns or torches. The heavy reliance on charcoal has caused an environmental problem given the limited forest resources available.

**Composition of wealth groups**

Recognizing that even in a relatively poor community different dynamics relating to livelihood activities, income and expenditure levels, and consumption patterns may be found among different wealth groups,\(^\text{13}\) in our analysis we identified wealth groups in both urban and rural settings. We wanted to understand whether patterns of remittance receipts and resource sharing varied between wealth groups, and whether there were discernible differences in levels of vulnerability among different wealth groups.

**Wealth Groups in Urban Areas**

We used expenditure data to identify wealth groups in the urban areas. Expenditure has been widely used as a direct measure of household wealth. In the survey we asked respondents to provide their estimated monthly expenditure on purchased food and non-food consumption items: food items\(^\text{15}\), basic non-food items, clothing, education, housing, water, healthcare, khat,\(^\text{16}\) gift to relatives, loan payments, services, transport, and business investment. These consumption items reflect the Somali context and can therefore be used to assess each household’s living standard. Reported monetary values reflect the *usual monthly cost of consuming these items in an average year*. It is thus representative of long-term household consumption patterns and is not influenced by seasonal variation or temporary drops or increase in consumption. We compared reported expenditures with a standard minimum basket of expenditures (the Minimum Livelihoods Protection Basket, or MLPB). Using these standards and looking at the distribution of reported expenditure levels, we then generated three wealth groups: the Poor, Middle and Better Off. For a full description of how the urban wealth groups were defined, please refer to Annex 2.

Once we had identified thresholds for defining wealth groups, the urban part of our sample was distributed between the groups in the following manner:

---

\(^{12}\) We recognize that there are parts of each urban area where there is a higher concentration of *aqal Somali*; these areas tend to be informal settlements for displaced persons. We did interview some households in these areas, but most of our respondent households were in sectors of the city where housing did not seem to correlate strongly with income.

\(^{13}\) Wealth group definition and analysis is a central component of Household Economy Analysis, which is used by FSNAU in its regular monitoring activities and which is adapted in the present study. For a description of the use of wealth groups in HEA, see the Food Economy Group/Save the Children UK. 2008. *The Practitioners’ Guide to the Household Economy Approach*. Note that the terms poor, middle and better off are commonly used in HEA analysis. They refer to the relative condition of the group’s livelihoods and thus cannot be equated solely to income levels.

\(^{14}\) We did not collect data on own production since urban residents do not engage in agriculture.

\(^{15}\) We asked the respondents to provide an aggregate monetary value usually spent monthly on all food items.

\(^{16}\) Khat is a mild narcotic plant chewed widely in Somali areas.
Table 2.7. Wealth Group Breakdowns

<table>
<thead>
<tr>
<th>Wealth Group</th>
<th>Level</th>
<th>% of urban population surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>Up to MLPB level + 10%</td>
<td>30</td>
</tr>
<tr>
<td>Middle income</td>
<td>Between (MLPB +10%) and (2 x MLPB)</td>
<td>40</td>
</tr>
<tr>
<td>Better-off</td>
<td>More than (2 x MLPB)</td>
<td>30</td>
</tr>
</tbody>
</table>

Having used expenditure as the defining characteristic of wealth groups, we then examined the demographic composition of each group to determine whether there were other characteristics that distinguished one group from another. Table 2.8 below shows the main characteristics of each urban wealth group.

Table 2.8. Wealth Group Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Poor</th>
<th>Middle</th>
<th>Better-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Monthly Income</td>
<td>$232.66</td>
<td>$342.05</td>
<td>$530.19</td>
</tr>
<tr>
<td>Demographics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Age of respondent</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Average Size of Household</td>
<td>6.6</td>
<td>7.4</td>
<td>7.7</td>
</tr>
<tr>
<td>% Female-Headed</td>
<td>20</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Average # Dependants</td>
<td>5.5</td>
<td>6.2</td>
<td>6.7</td>
</tr>
<tr>
<td>% of Children &lt;=1 yr</td>
<td>23</td>
<td>22</td>
<td>15</td>
</tr>
<tr>
<td>% Children &lt;5 yrs*</td>
<td>52</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>% Children 6-18 yrs</td>
<td>82</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td>Accommodation Arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% paying house rent</td>
<td>38</td>
<td>38</td>
<td>23</td>
</tr>
<tr>
<td>% own house</td>
<td>46</td>
<td>57</td>
<td>67</td>
</tr>
<tr>
<td>% free use of house</td>
<td>14</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Livestock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% who own livestock</td>
<td>27</td>
<td>23</td>
<td>12</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% illiterate</td>
<td>39</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>% Completed Primary School</td>
<td>19</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>% Completed Secondary School</td>
<td>8</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>% Completed Vocational training</td>
<td>5</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>% Completed Tertiary Education</td>
<td>3</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Financial vulnerability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% who have HH members who have withdrawn from education in last 12 months due to financial difficulty</td>
<td>13</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>% who have had insufficient cash to pay medical expenses in last 12 months</td>
<td>13</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>

*Includes Children <=1 yr

Better-off households were slightly larger than poorer ones, and fewer of the better-off were headed by women than the other groups. Poorer households tended to have slightly younger children (and thus more dependants who were not able to contribute resources to the household). More better-off households owned their own houses, while more of the poorer groups paid rent or had the free use of a house that they did not own (for instance, a house owned by a relative who let them live there for free). Poorer urban households were more likely to own livestock. With respect to literacy and primary education levels, there were no significant differences between the households in the different wealth groups, but more of the better-off had secondary or tertiary education, and fewer had received formal vocational training. More of the poor and middle income households had to withdraw members from school or forego medical expenses in the previous year due to financial difficulty.

Food consumption

We considered the food consumption patterns of each of the urban wealth groups by asking people which foods they had consumed over the preceding seven days. The better-off had significantly more variety in their diets, consuming more eggs, milk, and meat. Interestingly, the rate of consumption of vegetables was high among all wealth groups, and more of the better-off reported not eating fruits than did the poor. This may be due to the poor skipping full meals and instead consuming fruits that they either pick themselves or buy in small amounts.
Table 2.9. Dietary Diversity of Wealth Groups - Food Not Eaten

<table>
<thead>
<tr>
<th>Not eaten at all</th>
<th>% of Poor</th>
<th>% of Middle</th>
<th>% of Better-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eggs</td>
<td>71</td>
<td>66</td>
<td>53</td>
</tr>
<tr>
<td>Milk</td>
<td>13</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Vegetables</td>
<td>5</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Fruits</td>
<td>23</td>
<td>21</td>
<td>26</td>
</tr>
<tr>
<td>Meat</td>
<td>14</td>
<td>10</td>
<td>7</td>
</tr>
</tbody>
</table>

Wealth groups in rural areas

In rural areas, where livelihoods are generally more similar and are based on production rather than formal or informal cash-based employment, we used an approach widely practised by FSNAU in its identification of wealth groups during its regular food security monitoring. This approach is also used widely in association with the Household Economy Approach (see FEG/SCFUK 2008). In each market town the teams held focus group discussions with local leaders (comprised in most cases of both men and women) to identify the criteria that distinguished the poor, middle, and better-off. Wealth group descriptions are different for different areas, reflecting the different livelihood practices of the different areas (pastoral, agropastoral, etc.). This identification exercise was also used to help target respondent households, to be sure that representatives from all wealth groups in a given area were interviewed.

In most cases the most significant difference between wealth groups was the size of livestock holdings. Tables 2.10a and 2.10b show the characteristics identified as distinguishing one rural wealth group from another in the individual study sites.

Table 2.10a Somaliland rural wealth groups

<table>
<thead>
<tr>
<th>District</th>
<th>Wealth group</th>
<th>%pop</th>
<th>HH size</th>
<th>Livestock assets</th>
<th>Land holdings</th>
<th>Crops grown</th>
<th>Main livelihood activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALLAY-BA DAY</td>
<td>Poor</td>
<td>50%</td>
<td>4-5</td>
<td>Goat:5 Sheep:2 Cattle:2 Donkey:1</td>
<td>1 Qoodi¹</td>
<td>Sorghum</td>
<td>Livestock sales Agricultural labor petty trade social support</td>
</tr>
<tr>
<td></td>
<td>Middle</td>
<td>30%</td>
<td>5-6</td>
<td>Goat: 8 Sheep:12 Cattle:5 Camel:2 Donkey:1</td>
<td>5 Qoodi</td>
<td>Sorghum Maize</td>
<td>Livestock sales petty trade social support</td>
</tr>
<tr>
<td></td>
<td>Better-off</td>
<td>20%</td>
<td>6-7</td>
<td>Goat:20 Sheep:30 Cattle:12 Camel:9 Donkey:3</td>
<td>10 Qoodi</td>
<td>Sorghum Maize Fruits and vegetable</td>
<td>Livestock sales crop sales trade remittance</td>
</tr>
<tr>
<td>XAAJ SAALAX</td>
<td>Poor</td>
<td>30%</td>
<td>5-6</td>
<td>Goat:20 Sheep:0 Donkey:1</td>
<td>No land</td>
<td>No crops</td>
<td>Livestock sales Social support</td>
</tr>
<tr>
<td></td>
<td>Middle</td>
<td>50%</td>
<td>7-8</td>
<td>Goat: 65 Sheep:0 Cattle:0 Camel:3 Donkey:1</td>
<td>No land</td>
<td>No crops</td>
<td>Livestock sales Social support Petty trade</td>
</tr>
<tr>
<td></td>
<td>Better-off</td>
<td>20%</td>
<td>9-10</td>
<td>Goat:120 Sheep: 0 Cattle:0 Camel:15 Donkey:3</td>
<td>No land</td>
<td>No crops</td>
<td>Livestock sales Social support trade</td>
</tr>
</tbody>
</table>

Footnote:
1 1 qoodi = 0.2 hectares
2 Xiji is a collection area for frankincense that is controlled and used by a group of (usually not more than ten) related households.
Throughout the remainder of this report, analysis of livelihood dynamics, remittance receipts, and support practices are presented according to theme; where differences between rural or urban wealth groups are significant we discuss them; where the patterns are more significant between urban and rural areas or between Puntland or Somaliland (or a combination of these different categories) we discuss the differences.

Livelihood activities

Our survey asked respondents to name the livelihood activities that provide an important source of income to the household. When grouped into casual work, formal employment, and own business, there are significant differences between urban and rural respondents, as can be seen in figure 2.1.

Note that ‘own business’ can include business of any size, from a small tea shop to a large import-export company. From the perspective of assessing food and livelihood security, however, the high rate of casual work amongst rural respondents in particular is significant because it tends to be less reliable in terms of availability and rate of payment than formal sector work.
When the sources of income for urban wealth groups are considered, it becomes clear that poorer households rely more on casual labour and self-employment through small businesses than the better-off, for whom formal employment is more significant (see figure 2.2):

**Income levels**

Although income levels are notoriously difficult to track with certainty, our survey asked respondents to report their monthly incomes. These were cross-checked with expenditure levels to make sure that obvious reporting errors were not made (for instance, if expenditures exceeded income).

Responses showed marked differences between urban and rural incomes, both in terms of absolute values and the variations reported. Reported incomes averaged US$369/month in urban areas and $199 in rural areas. Figures 2.3a and 2.3b show the differences in distribution.

Although we will go into more detail with regard to remittance recipients below, it is worth noting here that recipients of remittance support reported a higher average monthly income ($356) than households that did not receive remittances ($251).17

**Expenditure Levels**

Figure 2.4 shows the differences in expenditures between urban and rural respondents. Here the greater percentage spent on food by rural households as opposed to their urban counterparts may seem surprising given that rural households produce at least some of the food they need for consumption; the difference is likely explained by the fact that rural households are much poorer than urban households, so a greater proportion of what money they have is spent on food. Most significant are the differences in amounts spent on education and health care (both less in rural areas) and transport (much more in rural areas).

When urban wealth groups are considered (see figure 2.5), it is clear that all three wealth groups spend more than one-third of their total household budget on food. Perhaps counter-intuitively, the better-off reported spending a larger percentage of their budget on food than the other wealth groups. This is likely because of the fact that they have a more varied, and thus more expensive, diet, and also that better-off households tend to have more members than other wealth groups. In addition, the better off tend to purchase all of their food whereas the poor and middle income households may produce some of the food needed for consumption.

17 This refers to the total sample of rural and urban households.
Among the 46 urban households that we interviewed as part of the social network analysis, 72% reported that they were caring for children other than their own. The high rate of child fostering makes many urban households larger, thus driving up the cost of monthly food expenditures (in addition to other expenses). Better-off households also spend a greater proportion of their incomes on education and health care. Another surprise in these findings is that the better-off reported spending a smaller percentage of their income on gifts than the poorer. Again, this is likely due to the fact that urban incomes are significantly larger than rural incomes, so while the value of the gifts given may be higher, the proportion that this represents in terms of total household income is smaller.

Vulnerability and Coping Strategies
A common response to economic hardship is to withdraw children from school. In our sample, 13 percent reported that they had taken at least one child out of school or madrassa in the last twelve months due to financial difficulties; the rate was higher in rural areas (18%) than in urban areas (9%).

Another expense that is often foregone in times of economic difficulty is health care. This is particularly true in rural areas, where the cost of seeking health care is compounded by the costs of travelling to the nearest health care facility and often paying for accommodation costs for the patient and/or their relatives while seeking treatment. Thirty-one percent of the sample in rural areas reported that they had insufficient cash to pay for medical expenses in the last year, whereas eight percent of urban respondents indicated the same.

This chapter has provided profiles of the livelihoods of urban and rural residents surveyed. Some significant differences can be seen in terms of income and expenditure levels in rural and urban areas, differential levels of educational attainment and participation, and use of health services. This information will provide a foundation upon which to analyze the impact of remittances and the practice of sharing resources between better-off and poorer households in the subsequent chapters.

CHAPTER 3

Receipt of remittances
Most estimates about the extent to which Somalis living in their country of origin receive remittances tend to cite a figure of approximately 40 percent (Horwood & Uduor 2012; Maimbo 2006). This data generally comes from research done in urban areas, and seems to have been first used in Medani’s study of remittance receipts in Hargeisa (2000). In our survey, we examined the rates of receipt of remittances in both rural and urban areas. We also looked at whether rates of receiving remittances varied from one wealth group to the next, while furthermore assessing the sending practices of remitters and the uses to which those funds are put.
As shown in figure 3.1, nearly half of the households sampled (48%) said that they had relatives or friends living abroad. Although the percentage was higher in urban areas (58%), 35 percent of rural respondents also reported having ties to people living abroad. Of those who indicated connections with people living abroad, 85 percent said that they received money from them. This constitutes 41 percent of the total general sample. 51 percent of all urban respondents indicated that they receive support from abroad; 28 percent of rural respondents indicated the same. This is the first time that data about remittance receipts in rural areas has been quantified.

Where are the remittance senders?
We asked respondents to identify the countries where their friends/relatives were living. The area most represented in the responses is Europe, with 26 percent of the total sample reporting connections with friends or relatives living in the UK. Other countries in Europe from which remittances are sent include Sweden (9%) and Norway (6%). In North America, 20 percent of the total sample reported having relatives or friends living in the US, while 6 percent said they lived in Canada (in Puntland the US was the country with the highest number of remitters, whereas in Somaliland the highest number was from the UK). Djibouti is an important source of remittances for people from Somaliland, particularly those living in and around the city of Boroma, with 3 percent of the total sample reporting receiving support from that country. Interestingly only one respondent identified a relative in Pakistan, and none mentioned in relatives in Malaysia or India, places that are known to have large numbers of Somali students; likewise none mentioned remittances coming from Ethiopia.

Perhaps surprisingly, the top five countries sending remittances in terms of monetary value vary from urban to rural areas. In urban areas, the top five remitters (in order of significance) are the United Kingdom, United States, Sweden, United Arab Emirates, and the Netherlands. In rural areas, the top five were United States, United Kingdom, Djibouti, Italy, and Canada.

Levels of support
Despite the somewhat high number of rural residents receiving support, the bulk of money transferred is directed towards urban households. Of the total remittance reportedly received by all respondents, only 13 percent was received by rural respondents. The mean amount received was $946.50/year/household. However, almost half of the rural recipients received $500 or less. Figure 3.3 shows the distribution of remittance amounts received over a 12 month period.

Dependence on single remittance sender and irregularity of remittance flows
A worrying finding from the survey is the heavy reliance of people on a single relative for support, which in many cases is only provided infrequently. Table 3.1 below shows the breakdown of respondents in urban areas in each wealth group who have relatives living abroad who send money. The analysis shows that the poor are more likely to rely on a single relative for remittances, and that support is in more than half of the cases irregular (less frequent

18 These figures refer to the total sample of 626 households who participated in the general survey. Households who participated in the social network survey (n=92) are not included as they were selected on the basis of being remittance recipients.
than once a month, and very often unpredictable). However, they are more likely to receive support from their relatives living abroad than the two better-off wealth groups, which suggests that relatives are responding to the perceived need of the poorer households. Slightly more of the better-off have more than one relative who sends them money, and crucially more than three-quarters of the better-off households said they receive support regularly, in most cases monthly. The middle group also benefits from more regular support. It is a matter of concern that all of the wealth groups are heavily dependent on a single relative to provide support. The high level of regular remittances is both a positive and negative factor. On one hand, the reliability of remittances provides an effective social safety net for households. On the other, and particularly because the remittance tends to come from a single sender, there is a high level of dependency of households on this form of support. If remittances were to be disrupted due to the sender being unable or unwilling to continue to provide support, these households would have a very hard time making ends meet.

### Table 3.1. Urban Respondents Remittance Receipts

<table>
<thead>
<tr>
<th></th>
<th>% of Poor</th>
<th>% of Middle</th>
<th>% of Better-off</th>
<th>Total Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relatives/friends abroad</td>
<td>43</td>
<td>57</td>
<td>74</td>
<td>58</td>
</tr>
<tr>
<td>Do they send money?</td>
<td>91</td>
<td>87</td>
<td>86</td>
<td>87</td>
</tr>
<tr>
<td>If you receive remittances:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From 1 person</td>
<td>91</td>
<td>83</td>
<td>80</td>
<td>84</td>
</tr>
<tr>
<td>From 2 people</td>
<td>7</td>
<td>13</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>From 3 or more people*</td>
<td>2</td>
<td>4</td>
<td>4*</td>
<td>3</td>
</tr>
<tr>
<td>Regular Remittances</td>
<td>43</td>
<td>59</td>
<td>78</td>
<td>63</td>
</tr>
<tr>
<td>Irregular Remittances</td>
<td>57</td>
<td>41</td>
<td>25</td>
<td>37</td>
</tr>
</tbody>
</table>

* Only 1 better-off HH reported having 4 relatives who send remittances; all other responses in this category for other wealth groups refer to 3 relatives.

In rural areas, the breakdown in remittance receipts looks like this:

### Table 3.2. Rural Respondents’ Remittance Receipts

<table>
<thead>
<tr>
<th></th>
<th>% of Poor</th>
<th>% of Middle</th>
<th>% of Better-off</th>
<th>Total Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relatives/friends abroad</td>
<td>23</td>
<td>39</td>
<td>67</td>
<td>35</td>
</tr>
<tr>
<td>Do they send money?</td>
<td>72</td>
<td>76</td>
<td>100</td>
<td>80</td>
</tr>
<tr>
<td>If you receive remittances:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From 1 person</td>
<td>91</td>
<td>91</td>
<td>70</td>
<td>85</td>
</tr>
<tr>
<td>From 2 people</td>
<td>10</td>
<td>9</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>From 3 or more people*</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Regular Remittances</td>
<td>35</td>
<td>49</td>
<td>69</td>
<td>55</td>
</tr>
<tr>
<td>Irregular Remittances</td>
<td>65</td>
<td>51</td>
<td>31</td>
<td>45</td>
</tr>
</tbody>
</table>

This data suggests that while more of the better-off receive remittances, they are by no means the only recipients. Nor does whether or not remittances are received serve to define the different wealth groups. A significant percentage of the poorest people in both urban and rural areas receive remittance support. This is an important finding, since very often remittance support is considered to be relevant only to the better-off.

Looked at in the aggregate, the heavy reliance on a single sender of remittances can also be seen.

### Table 3.3 Number of Relatives Living Abroad and Who Send Remittances

<table>
<thead>
<tr>
<th>Household</th>
<th>Relatives Living Abroad</th>
<th>Relatives Sending Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 only</td>
<td>2 or more</td>
</tr>
<tr>
<td>Rural (all)</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>Urban (all)</td>
<td>128</td>
<td>84</td>
</tr>
<tr>
<td>Puntlanders</td>
<td>98</td>
<td>41</td>
</tr>
<tr>
<td>Somalilanders</td>
<td>102</td>
<td>62</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>103</td>
</tr>
</tbody>
</table>

n=number of relatives

Thirty-five percent of all households surveyed receive remittance support from only one relative living abroad; 5 percent received from two relatives. In rural areas, 24 percent of all respondents had only one relative living abroad; in urban areas 43 percent received support from a single relative. Somalilanders were more likely to have
more than one relative living abroad than Puntlanders (20% of Somaliland and 13% of Puntland reported having more than one relative living abroad). However, the percentage of those relatives who send remittance support was almost identical between the two places (SL=15%; PL=17%). Of those who receive remittances, 84 percent receive support from only one relative; the sender was usually a close relative. These findings reinforce the conclusion that there is a potential vulnerability in terms of reliance on a single source of support.

In aggregate, the mean amount of remittances received in the preceding twelve months was $2040; however, the amount received by urban and rural recipients varied greatly ($2465 in urban areas and $947 in rural areas). The average amount reportedly received in Somaliland ($271/month) was much higher than in Puntland ($98/month). In Somaliland, 66 percent of respondents reported receiving between $1000 and $6000 in the previous twelve months. Figures 3.4a and 3.4b show the distribution of remittance receipts received in the last twelve months for Puntland and Somaliland, respectively.

**Frequency and Means of Receiving Remittances**

As shown in figure 3.5 below, across the whole sample more people receive remittances regularly (on a monthly or more frequent basis) than infrequently, but the percentage of infrequent receipts is extremely high (40%). Remittances to Somaliland tend to be received on a monthly basis, although a significant minority (20% in urban areas and 31% in rural areas) reportedly receive money irregularly. In Puntland, more people reported receiving remittances irregularly (60%) than regularly (defined as weekly or monthly, 40%). Overwhelmingly recipients said that they receive remittance money through Somali money transfer companies (93% for Somaliland and Puntland combined).

**Seasonality of Remittance Support**

Remittance support over the year is influenced by a variety of factors. Many relatives send support to their relatives during the month of Ramadan. Not only are people obliged to give a percentage of their income in the form of zakat (alms to the poor), they also reported that they try to send money to poor relatives to be able to purchase new clothing and food for the Eid festivities that mark the end of the month. In addition to this, remittance support may increase during times of drought or in response to a flood or other disaster.

Dahabshill, the largest money transfer company operating in the Somali territories, provided us with data to show the fluctuation of their business in one of the regions in the Somali territories over a 12-month period, from May 2011 to April 2012, shown in figure 3.6. Key dates which correspond with the most dramatic rises are:

- July 2011, when Ramadan fell that year, as well as when famine was declared in the Horn of Africa
- October-November 2011, when the Hajj and Eid al Adha was celebrated. This spike is largely related to an increase in livestock exports to Saudi Arabia more than a surge in remittance traffic, although some increase in support during this time to families to help them celebrate the Eid holiday is also likely.
Note that the percentages given are based on the October level (100%), when transfer rates were at their highest. Rather than aiming to show the volume of remittance traffic (which anyway would not be that useful since it is reflective of only one company’s business), this figure is meant to show the typical variation between months and the seasonality of support (which in this case tends to follow significant periods in the Islamic calendar). The figure does, however, also show a general increase in the volume of traffic over the course of the year.

Money Transfer Companies: An Essential Link

As noted, virtually all of the respondents in our survey reported receiving their remittance support through money transfer companies. The heavy reliance on money transfer companies to deliver remittances from abroad (in addition to the other vital banking services they provide which are beyond the scope of this report) means that protecting this mechanism is vital to safeguarding the livelihoods of remittance recipients. The Somali remittance industry has been challenged repeatedly particularly since the terrorist attacks of 9/11. Those events brought heightened suspicion, and increased regulation, of the industry. While most remittance companies have been able to accommodate the increases in regulation (despite their frustration at the continually changing set of rules and forms of compliance they are expected to adhere to), considerable suspicion on the part of regulators about the workings of the remittance industry persists. In a report looking at the mechanisms by which money transfer companies work, and the vulnerabilities they face, the Center on Counterterrorism Cooperation argues persuasively that ‘SROs [Somali Remittance Organisations] face a serious trust deficit on the part of formal regulators and banks who serve under the existing anti-money laundering (AML) regime as a kind of informal regulator.’

This distrust is due to a lack of information about how Somali remittance organisations function and the actual path that money takes; ultimately it is centred on fear that money that travels through these networks will be used for illegal purposes to fuel conflict or terrorist activities. Such fears were instrumental in decisions by banks in the US state of Minnesota, for instance, to refuse to do business with Somali money transfer companies at the end of 2011. If this distrust were to spread to other areas, the ability of senders to provide support to their families living abroad would be seriously compromised.

The current report provides important information which can help to dispel these problems in two ways:
- Our data shows what people do with the remittance support they receive; overwhelmingly they spend it on essentials like food, education, and healthcare. They also share quite a lot of it with their relatives, who similarly use it for their own essential expenses.
- We also show how reliant most households are on the support of a single relative. This reveals a level of vulnerability that is of concern, and which relates to the money transfer system. If the viability of the transfer system were to break down in an area where the single sender of support is located, effectively preventing them from being able to provide support, the effect on many of the households would be severe. Basic food security would be threatened. Clearly, the supply of remittance funds can be affected by factors other than a disruption in the money transfer system, including unemployment, illness, injury or death of the sender, or by competing obligations on the sender (such as if the sender gets married or has additional children). However, the fact remains that protecting remittance channels is essential to the viability of the remittance economy.

19 CTCC’s report ‘Capitalizing on Trust’ provides an excellent description of the mechanics of how these companies function.
Importance of remittances to overall household income

Figure 3.7 below shows the reported importance of remittances to overall household income for Puntland and Somaliland. These figures were derived from a question in the survey that asked people to estimate the overall significance of remittances to their household incomes, and may not be accurate if people over- or under-estimate remittances relative to income. These findings suggest that households in Somaliland perceive themselves to be proportionately more reliant on remittances than do households in Puntland.

Looked at from the perspective of urban and rural respondents (Figure 3.8), and if the data obtained is indeed reliable, it becomes clear that remittances comprise a much higher proportion of overall household income in urban areas than in rural ones. This finding may be somewhat at odds with our finding below (see figure 3.13) about people’s perceptions of the likely impact if remittances were to be suspended – as noted above only 8 percent of rural households indicated that they thought that their life would not be changed, whereas 18 percent of urban households said that they felt that their life would not be affected if they lost remittance support. Figure 3.8 shows the importance of remittances to urban households, with 31 percent saying that they depend on remittances for 80-100 percent of their total household income. Here there is a significant difference between Somaliland and Puntland responses: 48 percent of urban households in Somaliland said that they derived 80-100 percent of their total household incomes from remittances, whereas in Puntland the figure was only 12 percent. Rural households in both Somaliland and Puntland appear to be less reliant on remittances (7% in both places said they derived 80-100% of their overall income from remittances) because they are able to produce some of the food they need (rather than depend on the market for all of their consumed food) and because of the relatively lower cost of living.

Close Family Support

Most senders of remittances (72% of the entire sample) are reportedly close family (mother, father, husband, wife, son, daughter, brother or sister). Extended family accounted for 28 percent of remittances sent. This finding suggests two things. Firstly, it supports the thesis that remittance is an important tool often used to keep and strengthen family/clan ties (see Hammond 2010). Secondly, it points to the inherent vulnerability of these households that depend upon remittance from extended families. When family bonds are more diffuse, or over time as children of extended relatives take over the task of providing remittances, these bonds may not be as reliable as closer family bonds (Carling 2008).

The survey asked respondents whether they maintain regular communication with senders of remittances even when they did not need financial support. 76 percent said that they did have regular communication with their relatives. In urban areas, 84 percent indicated that they did, whereas in rural areas 56 percent said that they did. Possible reasons that could account for this difference may be poorer access to phone networks in many rural areas or the high cost of telephone communications for a rural household. Virtually all (96%) of those who do communicate with relatives said that they do so by...
telephone rather than email or in-person visits (note that there is no functioning postal service in Somaliland or Puntland so direct communication by post is not an option).

Respondents were also asked how many times in the past year they had asked for additional support from relatives living abroad; 66 percent of remittance-receiving respondents had done so at least once (half had done so only once). Of those who had asked, a bit more than half said that their relatives always sent the money requested. Those who did request additional support from relatives were asked the reasons that had prompted them to make their requests. Rural residents were more likely to have requested support during times of drought (25% had done so), whereas urban respondents were more likely to request funds due to an illness in the family (19% had done so at least once). Other reasons included (in order of importance) family wedding, higher food prices, investment costs, increase in education costs, death in the family, higher fuel prices, family member emigrating from home, clan expenses, increase in house rent cost, and to pay for a major expense (land, house, vehicle, etc.). Figure 3.9 shows the breakdown in responses (urban and rural areas combined).

In this figure ‘Other’ refers to higher fuel costs, clan demands, emigration and major purchase.

Uses of Remittance Support
Remittance recipients overwhelmingly use the funds they receive for basic expenses – food, basic non-food items, education, and healthcare. Figure 3.10 shows the uses that people reportedly make of the remittance support they receive.

The fact that people tend to use remittance support for basic expenses is probably indicative of the fact that few of the respondent households can afford to spend much on the remaining items.

When urban residents’ responses are analyzed by wealth group, the range in uses of remittance support becomes evident, as shown in figure 3.11.

The survey asked people what they thought the impact would be if the remittance support they receive suddenly became unavailable. We disaggregated these findings by wealth group. As shown in figure 3.12, the better off reported being significantly more dependent upon remittances for food, health care and education than the poor or middle wealth groups. This is likely due to the higher levels of regular remittances being received by the better off (which indeed may help them to achieve better off status); the poor receive remittances in smaller amounts and more infrequently so they are more likely to have to make ends meet without the expectation of remittances.
This chapter has demonstrated the importance of remittances not only to urban households, but to many rural households as well. The heavy reliance on a single sender of remittance is a concern, as is the proportion of overall household income that is made up of funding from remittances. The chapter has demonstrated that, contrary to most thinking about remittances in the Somali context, these flows are important not only for urban but for rural households as well. In the next chapter, the interrelations between urban and rural households are considered in more detail. We consider not only secondary distribution of remittance support, but also other forms of inter-household resource sharing that forms an important safety net for many poorer households.

CHAPTER 4

Inter-household Support in Urban and Rural Areas

In addition to looking at the impact and use of remittances by Somali households, the survey gathered information on the extent to which households share resources. This can take place between urban and rural households, as when an urban household sends cash, food, clothing, or other in-kind support to relatives living in rural areas, using either funds it receives from remittances or other income. It can also take the form of rural households helping other poorer rural relatives, or sending farm products to relatives in urban areas. The survey sought to gather information on all of these practices.

All households were asked whether they send support to relatives in rural areas. Those who receive remittances were more likely to answer that they did (62%) than those who do not receive remittances (46%). Support is given both in cash and in kind. Non-remittance recipients were more likely to support relatives irregularly (60%) or when they ask for it (20%) than regularly (19% support monthly), and remittance recipients were more likely to send monthly (34%) or irregularly (53%) than when they ask for it (14%). Approximately 1/4 of remittance recipients and 1/5 of non-recipients said that they also support relatives living in urban areas; this support appears to be more irregular and in response to specific requests than support to rural relatives. Figure 4.1a and 4.1b summarize these findings.

Looking at the total cost of support to rural and/or urban relatives; remittance receiving households reported that they shared approximately 12 percent of the total remittance they received with poorer households (both rural and urban).

Urban to Rural Support

Among urban remittance recipients, 61 percent reported sending some support to relatives in rural areas. Twenty-six percent reported that they provide support monthly, and 73 percent said that they provide it irregularly. Figure 4.2 shows the total value of support given to poorer relatives.
Secondary or In-Country Distribution of Remittance Support

More than three-quarters (76%) of remittance recipients reported that they provide support to other relatives. We also investigated this kind of support between households by asking respondents whether they receive support from their relatives who are better-off; 20 percent responded that they did. Of those, half reported that the relatives who support them are themselves recipients of remittance support. The average cash value of support received was $26/month, or $311/year.

What do people do with what they receive?

In-kind support provided to rural relatives included (in order of importance) food, clothing, medicine, imported goods, and fuel. Those who receive remittances were more likely to provide their urban and rural relatives with imported goods than those who did not receive remittances.

The survey asked what respondents thought that their relatives did with the support they gave them. Most (75%) said that they thought relatives used the support to purchase food and for general consumption. They overwhelmingly said that they knew what their relatives did with the support they were given, either because they visit or communicate with each other regularly, or because they are aware of their needs. Only 2 percent said that they did not know what their relative did with the support they provided them.

Overall, the top-ranked uses of support that people received from their better-off relatives were (in order of importance) food purchases, non-food expenses, school fees and medical expenses (See figure 4.3). In Puntland medical expenses were somewhat more important than school fees, with 48 percent identifying the former as important and 35 percent indicating that school fees were important (the rate in Somaliland was 62% for school fees and 55% for medical expenses).

Rural to Rural Support

One of the most significant findings of this study is that 66 percent of rural remittance recipients (as opposed to 46 percent of rural non-remittance receiving households) reported providing support to other rural relatives. These were nearly evenly split between people living in rural market towns and those living in satellite villages. Most of these households (71%) provide less than $50 per month. Among remittance recipients, 12 percent of funds received from abroad were reportedly redistributed to poorer rural relatives.

Support during Ramadan and other Holiday periods

All of those who provide support to rural relatives were asked whether they sent support during Ramadan. In all groups, the percentage of respondents (both rural and urban) who said that they did was about 6 percent. The percentage that supports urban relatives during Ramadan was much lower (2% of remittance recipients and no non-recipients reported this activity).

Rural to Urban Support

Our survey asked rural respondents (whether or not they receive remittances) whether they provide support to relatives in urban areas. 11 percent indicated that they did. Type of support given to urban relatives was split evenly, with half giving in cash and half in kind (generally in the form of milk deliveries). It should be noted that the number of households reporting that they supported urban relatives was only 8 households, so it is not possible to conclude much about patterns in giving, including frequency, amount, or use.

20 However 30% did not answer the question.
The Obligation to Give
The survey asked whether people felt an obligation to provide support to relatives or friends when they request it, regardless of whether or not the respondent was in a position to provide that support. An overwhelming majority – 97 percent – reported that they did feel such an obligation. The main reasons that people gave for this were religious obligations; to strengthen family bonds; because the need is great; and to protect family honour. These findings, reflected in figure 4.4, suggest the significance of social and religious practices and expectations in determining how resources are distributed.

Two-thirds of respondents said that they sometimes sacrifice their own immediate family’s needs in order to provide for other relatives. Food was overwhelmingly the expense that most people said they had foregone, as reflected in figure 4.5.

**Figure 4.4 Why do People Provide Support to Relatives?**

**Figure 4.5. Household Sacrifices to Provide Support to Relatives**

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**CHAPTER 5**

Social Networks
This chapter provides new evidence on the extent to which better-off and middle income households share their resources with poorer relatives. Not only is remittance support shared by many households, other income and in-kind resources are also shared with poorer households, mostly from urban to rural relatives, but also in other directions. The next chapter deepens this analysis by considering the resource-sharing relations between urban remittance-receiving households and their poorer relatives.

As discussed above, we conducted research with 92 ‘paired’ households. Forty-six of these were urban households who were identified as being remittance recipients, and who provide support to their rural relatives. We then interviewed the rural households that received this support. In addition to the questions we asked of the larger purposive sample, we asked this group questions about the nature of the support they gave or received, the reasons for providing it, its significance to their overall household well-being, and their expectations about the viability of the support links being able to continue in the longer term. In this section we highlight the main findings from this part of the research.

**Figure 5.1 Criteria for deciding which relatives to support**
Urban households who were interviewed came from all three wealth groups in roughly equal numbers. Perhaps surprisingly (if one assumes that urban households only support poorer relatives), the rural recipients of support came from poor (54%), middle (35%) and better-off (11%) wealth groups.

Urban senders of support send mostly to rural areas, although 16 percent said that they also support urban relatives. The group that was most likely to receive support was the closest relatives, followed by neediest relatives, and then those who asked for support (see figure 5.1).

Twenty-four percent of urban respondents said that they provide support to relatives regularly, while 44 percent said that they support relatives irregularly (less frequently than monthly). This finding was somewhat at odds with what the rural recipients said: 60 percent of rural respondents in the linked pairs said that they receive support regularly. The mean level of support over the past twelve months was roughly equally reported by both urban and rural respondents, at $883 and $846, respectively (roughly $70-75/month).

Most (52%) of the urban respondents who provide support said that they expect that the recipients used it for basic food and non-food household expenses. Among rural recipients, 88 percent said that they used the support they receive for basic food expenses, and 71 percent said they use it for essential non-food expenses (see figure 5.2).

When asked whether they felt that they must provide support to relatives when they request it, 96 percent of urban respondents answered that they did. The reasons they gave for feeling a duty to support relatives was generally related to the level of need to fulfil religious obligations, and to uphold family honour as shown in figure 5.3.

About one quarter of rural recipient households said that they sometimes provide support to urban relatives who send them money, including providing them with livestock, working for them on an occasional basis, preparing food to send to them, and herding their animals. Figure 5.3 provides a somewhat different picture of the reasons that people feel obligated to support their relatives than that presented in figure 4.4. This may be explained by the fact that the former reflected the views of the entire sample (urban and rural, remittance recipients and non-recipients, and those who supported as well as those who did not) whereas figure 5.3 represents only urban respondents who are both remittance recipients and actual supporters of poorer relatives.

**Child Fostering**

One of the most significant findings from the social network survey relates to the practice of child fostering. This refers to the practice of caring for a child who one is not the parent of – usually the child of another relative. Households that foster children are expected to pay the costs of feeding and clothing the child, and in most cases also paying the school fees of the child. Among our sample of urban households who receive remittances and provide support to rural relatives, 72 percent reported that they also have at least one child who is not their own living in their household: 39 percent of those who foster care for one child; 49 percent care for two or more children.21 Two-thirds of the fostered children were reportedly going to school. Eighty-six percent of those households said that they were paying the school fees of the foster children.

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21 Four households did not indicate how many children they were fostering.
When we asked rural recipients of support whether any of their children were living with other relatives, 46 percent answered affirmatively.22 Relatives fostering children included aunts, uncles, grandparents, brothers, a niece and an ex-spouse. Virtually all (94%) of those who have children living outside their household said that the children were in school, and 88 percent said that the relative they were living with was paying the school fees. The most significant reasons for child fostering were that there were no educational facilities in the area where the parents were living (61%) or that the parents could not afford to pay for their school fees (17%).

Reducing Reliance on Relatives for Support

When rural recipients were asked about what they would do without the support from their urban relatives, only 5 percent said that their lives would be unaffected. The overwhelming majority, 86 percent, said that they would not be able to afford basic food (See figure 5.4).

We asked urban respondents whether they had a plan to help reduce their relatives’ dependency on them. Twenty-eight percent said that they did, and this for the most part involved providing their relatives with an education so that they would become economically self-sufficient. Smaller numbers were helping relatives to purchase livestock or build a business. Among recipients, 70 percent said that they expected the level of support they currently have to continue, mostly either because they felt they could rely on close family bonds to provide support or because their need is so great that they felt that their relatives would understand that they needed help. Around 1/5 of the rural sample said that they had a plan to reduce their reliance on their urban relatives. Plans included starting a small business, investing in their children’s education so that they could assume responsibility for the family, investing in property and investing in livestock.

Although the paired household survey was much smaller than the general survey we conducted among rural and urban households, the data provides more detailed analysis of the importance of support between urban and rural households, the use of such support and the obligations that drive it.

In this chapter a more nuanced picture of inter-household resource sharing is developed. Not only do households share some of what they receive from remittances, they also share resources in-kind and take care of the children of their poorer relatives. These activities form an important safety net for poorer urban and rural Somalis.

CHAPTER 6

Conclusions and Implications for Food Security and Livelihood Support

This study provides a detailed picture of dynamics surrounding remittance use and resource sharing in Somaliland and Puntland. Based on the findings of this study, we estimate private remittances (not including most diaspora funding for development and humanitarian activities or for private investment) at $1.2 billion/year. This represents the largest source of international funding. By way of comparison, international humanitarian and development funding between 2007 and 2011 averaged $834 million/year.23 Foreign direct investment (FDI) averaged $102 million in 2011,24 and exports were estimated at $516 million in 2011.25 It is clear from this analysis that remittances play an important role in supporting basic household food security and livelihoods not only for the individuals and households who receive them directly but also from those who benefit from secondary distribution of remittances.

22 This is not necessarily a contradiction of the urban relatives’ responses, since we did not ask whether the fostered children came from the household that they reported being linked to for the purposes of the study; people may be fostering children from other relatives than the one that they have given information about being linked to.
23 Norris and Bruton, 2011.
In addition, contrary to being an urban phenomenon, the study shows that remittances reach deep into the rural economy. Many rural residents rely on remittances for their basic necessities as well as to help them out of difficulties such as drought or a sudden illness in the family.

The importance of remittances is tempered by the vulnerability that comes from people’s reliance on this single source of regular support. The heavy reliance of most remittance recipients on a single sender is a potential problem. If the sender were to stop sending remittances, due to an inability or unwillingness to continue to provide support, the result would be severe not only for the primary recipient of the remittance but for poorer relatives who are dependent upon him or her sharing that support. Although study finds that the obligation to provide support to relatives is extremely strong in Somali society, and is a source of great resilience, the ability and willingness of senders to be able to continue to provide should not be taken for granted. In addition, if a breakdown in the remittance transmission system were to occur and senders from a particular area were prevented from being able to transmit remittances to their relatives, the impact would potentially be devastating for primary and secondary recipients.

The findings of this study can be used to inform two different kinds of recommendations:

- They provide important information about the resilience and vulnerability of urban and rural Somali households.
- They provide implications for FSNAU’s ongoing monitoring work in Somalia, particularly in understanding the role of remittances in both urban and rural economies and on the economic inter-relations between urban and rural households and communities.

**Recommendations on Resilience and Vulnerability of Urban and Rural Somali Households**

While remittances provide essential support to many Somali households, the system is made vulnerable by the reliance of most recipients on a single sender. This dependency may be reduced in the long run through economic diversification and strengthening of communities that currently receive high levels of remittance support. Vocational training and employment generation activities are needed to create these alternative sources of income.

Remittances have a positive impact not only on the direct recipients, but also through the redistribution of resources between urban and rural households, and particularly between the better-off and the poor. Remittances enable the better off to provide support to poorer relatives and to foster children of poorer households so that they can obtain an education. They also enable the better off to help poor and vulnerable households during times of crisis (drought, illness, conflict, etc.). The strength of Somali extended kinship networks facilitates this onward distribution of funds in a way that is quick and effective.

While some senders and recipients have plans for reducing their family’s reliance on remittances, most do not. This may be because they use the money they receive for essential household expenses and have no money available for investment in education, job training, building a business, or purchasing property. Microfinance or other schemes that match remittance recipients’ investments may help make more economic diversification possible and ultimately reduce dependency on remittances.

Greater protection of remittance channels can help safeguard remittance flows. The better understood and the more transparent the remittance sector is, the more likely it is that banks and regulators will be willing to work with them.

Many people rely on remittances in times of crisis – when family members become sick or during times of drought. The lower the transaction costs are, the more remittance support can go to these important costs.

**Recommendations for FSNAU’s Monitoring Work**

The study shows that remittances are an important feature not only of many urban households, but also of rural households. FSNAU currently considers remittances as an income source only in urban areas. Consideration of remittances should be expanded to include receipts in rural areas.

The study shows the ways in which urban and rural – and better off and poorer – households interact. This is an element of analysis that FSNAU’s monitoring has not been able to gather much detailed quantitative data...
Data is collected from focus group discussions rather than from household surveys. Moreover, remittances, gifts (presumably meaning social support), and loans are aggregated as ‘Other Cash Income Sources’. If these were to be disaggregated, it would be possible to learn more about both remittance receiving and social support practices in rural communities. This should be done as part of the focus group discussions with individual wealth groups. Gathering this data at different times of the year will provide important information about seasonality and any possible fluctuation in support levels.

In addition to disaggregating remittance and support in the rural interview instruments, it is also advisable to revise the tools used in urban baseline surveys and monitoring exercises. Urban baseline studies contain some information about remittances, but they are not quantified separately as they are considered together with income and thus cannot be tracked as a separate resource. In urban studies, remittances and social support should be considered as two separate categories (distinct from income) so that they can be more easily analysed. This can be done without substantially altering the way that the data is collected.

To link the urban and rural analysis more directly, it would also be useful to ask urban respondents (who will be representatives of different wealth groups) what percentage of their received remittances they send on to relatives living in rural areas. This information could be triangulated with data collected through focus group discussions in rural areas.

In addition to incorporating information into the regular monitoring instruments, it would be useful to follow up this study with some in-depth qualitative research aimed at developing a more nuanced understanding of the economic interrelationships between better off and poorer households. Such research could include gathering information on the exchange of labour, the fostering of children, the sharing of in-kind resources, the joint business strategies of extended families, the seasonal fluctuations of remittances and other support, and the use of extended kinship networks during times of economic crisis.

In the short- to medium-term, it can be expected that remittances will continue to be an important and regular source of support to Somalis in both urban and rural areas. Recipient households will depend on remittances for their basic needs, and can be expected to continue to share resources with relatives who are poorer than they are. This makes implicates the Somali economy in global economic processes in important ways, and this can be both a form of resilience and of vulnerability. Greater prosperity inside Somalia, including economic diversification, more employment, and investment in the human and physical resources of Somali territories may reduce the reliance on remittances or free them up for more involvement in development. However this will take some time to happen; in the meantime Somali families continue to be their own best safety net.

References


Annexes


Medani, Khalid. 2000. ‘Report on internal migration and remittance inflows Northwest and Northeast Somalia,’ UN Coordination Unit and Food Security Assessment Unit.


Annex 1. Methodology

Selection and Training of Enumerators

Before conducting the field survey work, two key exercises were conducted: (a) selection of enumerators and government focal points from Puntland and Somaliland; and (b) training for data collection.

Selection of enumerators and focal points

Fourteen enumerators (seven each from Puntland and Somaliland) were recruited. For the seven enumerators from Puntland who had previously participated in a Coastal Deeh household survey (October 2011) several criteria were used for selection: level of education, experience and competence in data household surveys, prior training in household surveys, fluency in English and Somali language, physical fitness, minimal data collection errors from the Coastal Deeh study, gender representativeness. Somaliland enumerators were identified and recruited through the FAO Hargeisa office. All the enumerators from Somaliland and Puntland were either current university students or recent graduates. Three government focal points each from Puntland and Somaliland also participated in the study.

Training for data collection

A training workshop was conducted at the Mansoor Hotel in Hargeisa from 9 to 16 June 2012. The training workshop covered the following thematic areas:

Theoretical sessions, which included:

- A clear explanation of the objectives of the assessment.
- A clear explanation of roles and responsibilities of each survey team member, the team leader, and the supervisor
- An explanation of the sampling method for urban areas, rural markets and villages
- Background to remittance flows in Somalia
- Ethical issues in research
- Using the field questionnaires (urban, rural and social network questionnaires)
- Practical sessions
- Field pilot testing and Standardization test (in both urban and rural settings)

During the training, the teams pilot tested the survey in residential areas of Hargeisa city and in two rural market towns (Abaarso and Arabsiyo). The objective of the pilot test was to assess whether or not the enumerators understood their tasks and to test their precision in questionnaire administration and data capture.

Sampling

Three teams each in Somaliland and Puntland were formed for data collection as follows:

Urban Team (1 supervisor, 3 enumerators in Somaliland and Puntland): These teams collected data from households in the selected cities in Somaliland (Hargeisa, Burco, Boroma) and Puntland (Garowe, North Galkayo, Bossaso). In each city/town, each team identified the existing administrative sectors and randomly selected households which were spread across different residential sectors to ensure a wide clan and class representation. In total 186 urban interviews were conducted in the cities in Somaliland and 178 in Puntland. In each sector every third house was selected to facilitate random sampling within each area for interview, ideally (unless no one was home or the household refused to participate, in which case the next available house was approached and asked to participate).

Rural Team (1 supervisor and 3 enumerators in Somaliland and Puntland): The rural teams collected data from households in selected rural market towns and satellite villages. In each rural area, the team and the overall supervisor, held discussions with local community elders and categorized the households in the rural market into different wealth groups (poor, middle and better-off) based on asset holdings, using a proportional piling technique. Four households from each wealth group were interviewed in each market town. In the satellite villages the team interviewed poor and middle-income households. As a general rule, 6 poor and 6 middle income residents were interviewed in each satellite village, unless it was not possible to find 6 of each, in which case more of the other group (e.g. 3 middle and 9 poor) were interviewed, giving a total of 12 households per village.
Social Network Team (2 focal point enumerators): This team conducted quantitative and qualitative research into the social networks that bind urban and rural households. Their main task was to identify case studies among the urban households who receive remittances and support and mutually assist their relatives living in the rural areas. These households were used to build typical case studies that characterize rural-urban social and economic linkages. The team first identified a household as fitting the description above, then obtained contact and sought consent to interview the household to which it was linked. The team produced 8 completed case studies over a 20-day data collection period, giving a total of 46 pairs (24 pairs each for Somaliland and Puntland). In a few instances, the urban team identified suitable respondents who met the description for the social network team. In such a case, the social network team would revisit the household, ask a few more detailed questions and proceed to the rural household linked to the urban household interviewed.28

Supervision
A team of three supervisors (2 in Somaliland and 1 in Puntland) coordinated the fieldwork activities, assisted in the wealth group breakdown exercise and ensured good data quality by the enumerators. The supervisors also ensured adherence to the survey methodology, checking of data collection forms for completeness, and timely identification of errors in data through consistency tests and recommended timely feedback.

Fieldwork debriefing
After the fieldwork, a debriefing session was held in Hargeisa between 13-15 July 2012, where the consultant, all of the supervisors and members of the Somaliland survey team discussed the challenges and limitations of the study, experiences in the research design and data collection as well as lessons for future studies.

Data analysis
A team of 8 data entry clerks were hired to assist in data coding, entry, cleaning, and analysis. A qualified data analyst, Nimo Ilhan Ali, was recruited to carry out the statistical analysis on the dataset under the supervision of the consultant. Analysis was done using SPSS. Interpretation and report writing led by the consultant, with input from Zoltan Tiba (FSNAU), Nimo Ilhan Ali, Ahmed Tawakal (FSNAU), Charles Songok (FSNAU) and Ahmed Mohamoud (FSNAU).

Annex 2. Urban Wealth Groups

This Annex describes the means by which urban wealth groups were defined and households assigned to each group.

Household Actual Expenditure Aggregates and Construction of a Minimum Livelihood Protection Basket (MLPB)

To analyze household expenditures, we undertook the following steps:

Step 1: We added up the monetary value reported for each consumption commodity.29 This included expenditure values for all items considered necessary for protecting a minimum livelihoods level. It included food, basic non-food items (soap, clothing, etc.), education, health care, housing, and fuel. We did not include values or depreciation of other assets.

Step 2: We created a standard minimum livelihood protection basket (MLPB) required for a household to maintain a basic livelihood in each of the surveyed regions. We created this MLPB for three reasons. First, since our survey covered diverse regions of Puntland and Somaliland, where regional food and non-food prices vary significantly, households’ actual expenditure alone did not give us enough of a detailed picture of household welfare relative to requirements. Second, it did not provide a way of directly comparing the well-being of households across different localities. Finally, the MLPB provided a regional benchmark for ranking households into wealth groups on the basis of how far above or below their actual consumption aggregates were from a MLP threshold. This may be valuable in targeting assistance.

To create a MLPB, we used the FSNAU minimum expenditure basket (MEB) for the Somali region (South/Central/North) as a guide to identify the basic food and non-food items to include in our MLP calculations. The FSNAU

28 All rural linkages were successfully interviewed except one in Garowe and one in Burco, but these were not included in the analysis.

29 Since all the expenditure values are monthly estimations, no adjustments were made in converting the monetary values into a common reference period.
MEB identifies basic food and non-food items required by a household of 6 to 7 members each month. However, since the FSNAU MEB was designed for both rural and urban areas, it excludes items such as charcoal, rent, and transportation which have been observed as vital for household survival in urban areas. For this reason, we adjusted the original content of FSNAU MEB to include these items. To obtain regional prices for each of the items, we used the FSNAU base market data (June 2012) collected from the main urban market centres in each region.

Table A2a shows the composition of the basic MEB used by FSNAU, to which we have included transport and housing costs.

**Table A2a. FSNAU Minimum Expenditure Basket (MEB)**

<table>
<thead>
<tr>
<th></th>
<th>SOUTH</th>
<th>CENTRAL/NORTH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minimum Basket</strong></td>
<td><strong>MINIMUM FOOD</strong></td>
<td><strong>MINIMUM FOOD</strong></td>
</tr>
<tr>
<td></td>
<td>Urban town</td>
<td>Rural town</td>
</tr>
<tr>
<td>Red sorghum/Rice</td>
<td>95kg/71.25kg</td>
<td>95kg/71.25kg</td>
</tr>
<tr>
<td>Wheat flour</td>
<td>3.75kg</td>
<td>3.75kg</td>
</tr>
<tr>
<td>Sugar</td>
<td>5kg</td>
<td>5kg</td>
</tr>
<tr>
<td>Vegetable oil</td>
<td>4Lt</td>
<td>3Lt</td>
</tr>
<tr>
<td>Milk</td>
<td>16Lt</td>
<td>-</td>
</tr>
<tr>
<td>Meat</td>
<td>4kg</td>
<td>2kg</td>
</tr>
<tr>
<td>Tea leaves</td>
<td>0.5kg</td>
<td>0.5kg</td>
</tr>
<tr>
<td>Salt</td>
<td>1.5kg</td>
<td>1.5kg</td>
</tr>
<tr>
<td>Cowpeas</td>
<td>6kg</td>
<td>-</td>
</tr>
<tr>
<td><strong>MINIMUM NON-FOOD ITEM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kerosene</td>
<td>1.5Lt</td>
<td>1.5Lt</td>
</tr>
<tr>
<td>Soap (Laundry)</td>
<td>4pcs</td>
<td>4pcs</td>
</tr>
<tr>
<td>Firewood (bundle)</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Water (Jerrican 20Lt)</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Human drugs</td>
<td>20,000</td>
<td>10,000</td>
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<tr>
<td>School fees</td>
<td>90,000</td>
<td>52,000</td>
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<tr>
<td>Grinding cost</td>
<td>30kg</td>
<td>30kg</td>
</tr>
<tr>
<td>Clothes</td>
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<td>30,000</td>
</tr>
<tr>
<td>Social tax</td>
<td>12,500</td>
<td>12,500</td>
</tr>
<tr>
<td>Any other</td>
<td>30,000</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Step 3. We used the MLPB for each urban area to define a general cut-off point between poor and middle wealth groups (we added 10% to the value of the MLPB calculation to allow a margin for measurement errors).

The following are the calculated MLPB thresholds for each of the regions studied in each area:

**Table A2b. Minimum Livelihood Protection Basket Thresholds for Urban Areas (US$)**

<table>
<thead>
<tr>
<th>City</th>
<th>Puntland</th>
<th>Somaliland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosaaso</td>
<td>$241</td>
<td>$174</td>
</tr>
<tr>
<td>Galkayo</td>
<td>$230</td>
<td>$130</td>
</tr>
<tr>
<td>Garowe</td>
<td>$184</td>
<td>$200</td>
</tr>
<tr>
<td>Boroma</td>
<td>$130</td>
<td>$141</td>
</tr>
<tr>
<td>Erigavo</td>
<td>$200</td>
<td>$130</td>
</tr>
<tr>
<td>Las Anood</td>
<td>$184</td>
<td>$200</td>
</tr>
<tr>
<td>Burco</td>
<td>$130</td>
<td>$141</td>
</tr>
<tr>
<td>Gabiley</td>
<td>$200</td>
<td>$130</td>
</tr>
<tr>
<td>Hargeisa</td>
<td>$184</td>
<td>$200</td>
</tr>
</tbody>
</table>

NB: Data was taken from the three cities in Puntland, as well as Boroma, Burco, and Hargeisa only.

We then looked at the distribution of reported expenditure levels and determined that a meaningful division between middle income and better-off groups could be made at the level of two times the MLPB level, given the clustering of households at different levels. Table A2b shows the ultimate breakdown in wealth groups based on the thresholds identified. Note that, because the MLPB is different for different cities, the benchmarks that define the different wealth groups will be different in each urban centre.