

7.1 Remittances to Somalia

Somalia constitutes the archetype of a failed state. But remittances from Somali expatriates play an indispensable role in sustaining what remains of Somali society.

As a result of long-lasting violence, continual social and political unrest, and the collapse of the state, Somalis have emigrated in droves. About one million are living abroad (one-sixth of the population), while some 80 per cent of the nation's total skilled population are outside the country. Somalis work on the construction of the Tanzania-Zambia railway, drive trucks in Central Africa, study abroad, or travel to Africa's global gateway cities such as Nairobi, Kenya or Lagos, Nigeria. Moreover, about one million IDPs and 395 000 Somali refugees were counted by UNHCR in June 2006 (IDMC, 2006).

While most attention is paid to Somalis in Kenya (165 900) and Ethiopia (15 900), less is known about the large population of Somalis who have sought asylum in Egypt (4200), Yemen (78 600), and Saudi Arabia (USCRI, 2006). The number of Somalis fleeing on small boats to Yemen has surged in recent years. At least 8000 were counted by the UN in the first five months of 2007. Although conditions in Yemen are undesirable for most, the desperation many Somalis face at home makes the option of starting over in Yemen or moving on to a more stable nation- Saudi Arabia, for example - worth the risk (Shadid, 2007).

Somalis living throughout the world have not forgotten those still in their homeland. Remittances in 2004 totalled US\$750 million, dwarfing revenue from the country's livestock trade and the US\$174 million received in international aid (which largely went to the administration of the failed state located in Nairobi, Kenya). An estimated 23 per cent of household income came from abroad, and 35 per cent of all respondents in a recent UN survey received transfers from between two to eight different emigrants at a time.

Money is often sent not through a bank but through services referred to as *hawliaad*. A foreign agent is paid by a migrant, that agent calls another in Somalia, and that agent then pays the migrant's family the sum. Generally, companies can depend on communities for theft protection since so many families rely on their

payments for survival. Individuals even keep large sums of money in remittance companies because conventional Somali banks have become increasingly unreliable or have closed altogether. Domestic remittance companies may be the future of banking for most Somalis.

The US government alleged prior to 9/11 that al-Barakaat—the largest Somali remittance company at the time—was initially funded by Osama Bin Laden and, in turn, funded the Al-Qaeda and Al-Ittihaad al-Islami (AIAI) terror organizations. After shutting down the company in November 2001 and conducting an additional investigation, the FBI concluded that there was no direct evidence proving the allegation (The 9/11 Commission, 2004). Nevertheless, the closure negatively affected many Somalis for some time. Terror investigations, suspicions, increased regulation, and prohibitively high commissions from international money transfer services such as Western Union have pushed remittance transfers further into the informal sector.

Many migrant-funded projects have been established as a result of this incoming flow of capital and remittance companies have invested in many Somali industries. While remittances have been important for many years, Somalis cannot rely solely on money transfers for long-term sustainable growth (Maimbo, 2006). However, loyalty from those abroad has helped to keep Somalia and many of its people alive in recent decades (Ahmed, 2000; Lindley, 2005, 2007)

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