Remittances in Conflict and Crises: How Remittances Sustain Livelihoods in War, Crises and Transitions to Peace

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Remittances in Difficult Circumstances

Although migrant workers, refugees and immigrants have been sending home money, goods and ideas for millennia, donors and international finance agencies did not pay very much attention to the phenomenon until about a decade ago. Interest has grown exponentially as statistics show what we now call migrant remittances to be among the most important contributing factors to national economies in several countries. By all accounts migrant remittances reduce poverty in important ways in developing countries. Countries in the conflict, war-to-peace transition and crisis categories are likely to be especially dependent on remittances. Slow recovery of livelihoods and persistent violence or repression ensure high levels of migration and the need for remittances for several years after conflict and crises have ended. Research shows that migrants from such countries transfer funds and invest in their places of origin at times when international investment has all but disappeared.

A sizeable literature has been devoted to documenting and debating the ways remittances increase development or, at least, create conditions favorable to development among the poor, via education, better nutrition and health care, access to credits and so on. Development experts are finally recognizing the importance of huge numbers of migrants who invest in their home countries and thereby promote the growth of communications, tourism, and productivity. However, the extent to which these outcomes hold for the remittance recipients in countries or areas characterized by fragile governance, conflict or disaster—or recovering from either—is not well understood.

Likewise, it is not clear how relevant recent positive steps taken to facilitate remittance transfers are in these circumstances. In the past few years, the governments and the financial institutions in the wealthier countries have taken a number of actions, the results of which have been seen in lower transaction costs for senders, greater use of formal transfer mechanisms via banks and credit unions, increased participation of non-government organizations and more positive actions by governments of migrant sending countries. Most of these outcomes, however, imply the involvement of governments and financial institutions, and the willingness of migrants and recipients to cooperate with both—conditions not necessarily present in areas of conflict or crisis, and often slow to be created in the post-conflict processes.

Thanks to research in academia and within the major financial institutions, frequently underwri tten by governments in both developed and developing countries, there is more and better data about remittances transfer mechanisms, costs and the amounts of funds moving across borders. Nevertheless, most of the data still is based on remittance transfers from migrants in the more developed economies to less developed ones, and on records kept by formal money transfer operators. Rough estimates place south-south remittances at nearly half the remittance total. Unregistered transfers are thought to be about double those transferred formally, especially in countries where state institutions are fragile. While the figures are very tentative, it is reasonable to affirm that existing data is inadequate to cover the dynamics of crisis driven migration and remittances.

In crises circumstances, family survival typically depends on relatives who have been sent outside to earn extra income. While some are able to migrate and work in the developed economies, the majority move within their own countries and regions. They are likely to transfer meager wages personally or through informal means. To capture the impacts, far more research needs to be done on intra-regional remittance patterns and informal transfer mechanisms.

Peace Building, Relief and Development

Families living in conflict zones are at high risk of death, physical harm, loss of livelihoods, forced recruitment, gender based violence, and so on. Only small amounts of emergency international relief reach civilians in war zones. International relief efforts grow as security improves and community development projects can be put in place to provide health care, education, basic infrastructure and/or short term income generation projects. By all measures, however, such assistance nearly everywhere is far from adequate to needs. Following armed conflict, the needs of the war affected population do not disappear and, indeed, they often increase: The number of female headed households grows; returnees do not have the wherewithal to rebuild or recover economically. Fragile post-conflict states are unable to bring benefits to their citizens and foreign investment is slow to recover.

International relief notwithstanding, most war-affected populations devise their own coping strategies for obtaining basic needs and achieving economic recovery. For these purposes, most depend on remittances from family members. By preserving livelihoods and maintaining vital services in countries emerging from or still experiencing conflicts (e.g. Bosnia and Herzegovina, Kosovo, Sri Lanka, Afghanistan, Somalia, Liberia, Congo, Cote d’Ivoire, West Bank and Gaza, Haiti and others), remittances can be seen as a sine qua non for peace and rebuilding.

Although only a small portion of the literature on peace making and conflict resolution/management addresses the themes of migration, migrant remittances and the impacts of both on situations of conflict and post-conflict, these themes are relevant. The dynamics and impacts of
remittances in conflict and transition situations are interwoven with the objectives and modus operandi of peace building processes. During and for long periods of time following conflicts and crises, war affected populations lack the economic means to reconstruct productive livelihoods. Yet, in at least one country, Somalia, remittances have been a vehicle for creating financial service mechanisms, building sophisticated communications technologies, and expanding trade. Private sector investments through remittances there and elsewhere have made serious contributions to building the kinds of institutional mechanisms and services needed for sustainable post conflict rebuilding and for the reintegration of the war affected populations. Nevertheless, there are major difficulties to overcome in order to bring remittances to their intended users in conflict and crisis countries, and efforts to do so have been complicated by a variety of institutional and political factors.

Remittances, Criminal Activities and Regulations

For much of the public, there is an almost automatic association between migrant funds to countries in conflict and support for continuing these conflicts. The organized diaspora support for the Liberation Tigers of Tamil Eelam LTTE in Sri Lanka is often raised to establish this point. Migrants who transfer funds to institutionally fragile states like Afghanistan, Somalia or Kosovo undergo intense surveillance due to suspicions that the funds are intended for criminal use. While in all too many places, war is profitable, criminals abound, and the combined effects of both impede subsequent efforts to build durable peace, the evidence now accumulating indicates that migrant remittances are responsible for very little of this activity.

It is difficult and often impossible for remittances going to places where institutions are fragile and violence is prevalent to be transferred through regularly established banks and other financial institutions. Therefore, not only migrants, but also international organizations, NGOs and businesses make use of what have come to be called “informal” mechanisms, including especially some version of hawala. The use of informal transfer mechanisms has been a major factor prompting authorities in developed countries to put in place a strict regulatory regime.

The regulatory regime now in place, especially in the United States, has resulted in the closure of several money transfer operations that were serving as channels for remittances for tens of thousands of families. Yet, users and beneficiaries, especially in crisis countries, may prefer informal transfer mechanisms for several good reasons: because senders and/or receivers do not have access to banks, because they do not trust banks—often for good historical reasons, because they do trust the transfer agents who have served them well at lower cost than formal systems offer, and because financial institutions overall are not functioning in the places where senders or recipients live. The World Bank, the United Nations Development Program and numerous experts have strongly urged the US and other governments to review the present regulatory system so that legitimate businesses are not penalized and families do not lose their income sources.

Migrants who send remittances to families in crisis or conflict countries face much the same issues as those sending them to countries where most of the population is poor, governments are corrupt and unemployment is high. The general literature and the research focused on specific informal transfer mechanisms has been a major factor prompting authorities in developed countries to put in place a strict regulatory regime.

1. It is more difficult to promote development uses of remittances in countries or regions beset by conflict because of the absence of financial institutions, investment opportunities and functioning governments;
2. There is less space to introduce the kinds of innovations that are changing remittance patterns elsewhere, such as providing financial literacy and banking programs for the poor, introducing new technologies, and channeling remittances to micro-credit projects;
3. While governments in a number of migrant home countries, such as Mexico and the Philippines, are promoting policies that encourage migration and defend the rights of migrants, this does not take place in conflict and crisis countries.
4. Because it is difficult to transfer funds to countries where financial and government institutions are not operating adequately or appropriately, remittances and other forms of transfers are likely to take place through informal means that are neither systematically regulated nor registered.
5. The countries in question frequently are believed to be havens for terrorism, drug traffic and crime. This attitude affects both international support for peace processes and views on migrant remittances. Although many crisis countries and fragile states, indeed, are havens for criminal activities, present policies are applied too bluntly. Transfer agencies have been shut down for little cause and without warning, leaving families that depend on them with few options.
6. Perhaps most important, the positive impacts of migrant remittances may be jeopardized by trends in immigration policies. Ever more restrictive immigration policies are appearing in countries across the globe. It is difficult for all poor would-be migrants to be accepted as immigrants. But it is especially challenging for war-affected populations (excluding recognized refugees) to gain lawful admission to places where they can find legal employment. Nor are restrictive immigration policies limited to the developed countries. Regulations are, if possible, tighter and treatment of immigrants is worse in countries that border conflict, conflict affected and crisis countries.

A New Research Initiative Based at Georgetown University

The overall research on dynamics and impacts of remittances in conflict and crisis countries reveals large and important gaps in what is know. More systematic research is badly needed on the following topics:

1. The vast amounts of unregistered, “informal” remittance transfers that move independently of formal mechanisms;
2. The patterns of remittance flows that move across borders within the same region or between cities and rural areas in the same countries.
3. The mechanisms of a variety of informal money transfers in which, authorities contend, family benefits can be inter-mixed with criminal transactions.

In November 2005, a group of 18 researchers from several universities and think tanks in a number of countries gathered for a workshop on Remittances in Conflict and Crises. The main purpose of the gathering was to discuss research needs and to find ways of promoting interest in issues related to the topics above. The outcome was the creation of a Research Consortium. At the request of the newly formed Consortium, the Institute for the Study of International Migration has set up a Secretariat/clearing house to promote the work of consortium members, share information, and encourage collaboration. Research projects in the framework of the Consortium have been undertaken or are in progress in the US, Great Britain and Norway.
A full report under the same title was published by the International Peace Academy (New York) in February 2006. www.ipacademy.org.