

# Counting the cost: refugees, remittances and the 'war against terrorism'

by Cindy Horst and Nick Van Hear

*Could there be a better way to create more hardship, more instability and more potential refugees, while increasing the appeal of extremism, than to cut off the money transfer lifeline to Somalia by shutting down remittance agencies?*

On 7 November 2001, Somalis around the world were shocked to find that the *hawilaad* offices they use to send remittances to their relatives were on the list of organisations suspected of links with Osama Bin Laden and al-Qa'ida. Without any warning, Al Barakaat offices around the world were forcibly shut down, their assets confiscated and telecommunications lines cut as part of the 'global war against terrorism'. US officials justified these measures by claiming that tens of millions of dollars a year were moved from Al Barakaat to al-Qa'ida but produced little evidence to support this allegation. This article looks into an aspect of the closure that has been largely neglected: the consequences for ordinary Somalis.

## The *hawilaad* system

Derived from an Arabic word, *hawil* in Somali means transfer — usually of money or responsibilities. The *hawilaad* is an informal system of value transfer that operates in almost every part of the world. It is run by Somalis and mainly used by Somalis, for business transactions and to send remittances to relatives. It works remarkably simply. If a Somali man in Minneapolis or East London wants to send money to his mother in Nairobi or Mogadishu, he presents the amount of money to be transferred to the financial broker in his town, providing full details of himself and the recipient. The financial broker then sends a fax, telephone message or email to the Nairobi or Mogadishu office, where the mother will be contacted as soon as possible. She goes personally to the *hawilaad* office and has to provide the full details of the person she thinks has sent the money, as well as

proof of her own identity. If the information corresponds to what the sender has given, she will receive her money, within only a few days of it being sent. Accounts between the different *hawilaad* offices are later levelled out through sending cash or through trade in consumer items, gold or other commodities.

Most of the Somali money transfer business is handled by three main companies: Al Barakaat ('Blessings'), Dahabshil ('Melted Jewellery') and Amal ('Trust'). Though these started to operate in the late 1980s, the transfer system has a long history in Somalia. Remittances have long played an important part in the country's economy, since a large number of Somali nationals have emigrated elsewhere in search of better opportunities, work, business or education.

## Somali migration and remittances

In the last 30 years there have been two main forms of movement out of Somalia, resulting in the formation of a large and influential diaspora. From the early 1970s, many Somalis went as migrant labourers to work in the Gulf States during the oil boom of that time. Some 150,000-200,000 did so annually in the 1970s, while by the end of the 1980s between 200,000 and 375,000 were working in oil-rich Gulf states. The outbreak of civil war in 1988 and the inter-clan fighting after the fall of Siad Barre in 1991 displaced hundreds of thousands of Somalis within the country and drove many others to leave for Ethiopia, Kenya, Yemen and other neighbouring countries, as well as further afield to the UK, Italy, the Netherlands,

Scandinavia, Canada, the US and other Western states. While accurate numbers cannot be established, by 2000 there were thought to be some 300,000 displaced people within Somalia, about 400,000 refugees in Africa and Yemen, and more than 70,000 refugees in Western countries, out of a total diaspora in Western countries of perhaps 200,000.<sup>1</sup>

As the forms of Somali migration have diversified, so too have the sources of remittances. While figures are only rough estimates, from the late 1970s up to \$300 million was remitted annually, about two-fifths of GNP. In the 1980s this rose to \$370 million, with migrant workers in the Gulf accounting for about 75%. From

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the later 1980s and in the 1990s, the wider diaspora, partly formed by refugee outflows, accounted for a greater proportion of remittances. Currently about \$500 million may be remitted to Somalia annually and perhaps the same amount to Somaliland.<sup>2</sup>



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From the 1970s, Somali traders began to collect hard currency from migrant workers in the Gulf and to use it to purchase commodities for sale in Somalia. The equivalent in Somali currency or goods was then handed over to the migrants' family and kinsmen. The first version of this was known as the 'franco-valuta' system: this was banned in 1982, partly because it circumvented the control of the Barre regime. It was supplanted by the *hawilaad* system, encouraged by the collapse of Somalia's formal economy and the burgeoning of the informal sector. Both systems were based on two essential characteristics in Somali culture: strong kinship ties and high rate of mobility. Although family members often move in different directions and may thus find themselves far apart, they still carry a strong responsibility to assist each other.

### **Hawilaad and Somali refugees in Kenya's Dadaab camps**

The *hawilaad* system has been of great importance in the lives of many Somalis, including refugees. For those in the three camps around Dadaab in north-eastern Kenya, survival is a daily struggle in an arid environment. The international community hands out rations of maize and at times wheat flour or beans every 15 days but these last only about ten days. Firewood is distributed a couple of times a year as well but amounts are far from sufficient. Besides, people have other needs that are not catered

for through handouts. It is very difficult to find additional sources of income in the area. Those who came with their own resources may have been able to set up a small business. Others have managed to bring live-stock or have bought it in Dadaab. Ecological constraints and insecurity hamper agriculture. Salaried employment is largely confined to jobs available with relief and development agencies working in the region. Mostly, people are involved in such petty trade activities as weaving, baking, brewing tea, selling small quantities of camel milk, sugar or tea leaves or collecting firewood. Profits are minimal and risks may be high: when women go into the bush to collect firewood, for instance, they run the risk of being raped by *shifto* or 'bandits'.<sup>3</sup>

Receiving a monthly allowance of \$100 a month from a relative in Toronto or Nairobi therefore makes an immense difference to refugees in Dadaab. Even if that person is not in a position to send remittances on a monthly basis, at least he or she can be called upon in times of contingency, like illness or death. Yunis Ahmed was a refugee in his mid-forties, living in Dagahaley camp. He had worked for the agencies as teacher and translator on a number of short-term assignments.

He lived in the camp with his aged mother, close to the house where his brother stayed with his wife. The brother was having mental problems that were aggravated to the point where he became a danger to his wife, threatening to kill her. Yunis tried to do whatever was in his power, even giving up his teaching position; he went to the local hospital for assistance but was told that they could do nothing for his brother. When matters got out of hand, he contacted a cousin in Nairobi who passed the message to their relatives in different places around the world, collecting \$100 from one family, 3,000 Kenyan shillings from another, and so on. Eventually, he was able to send a total amount of \$600, which Yunis used to take his brother to Nairobi for treatment.

### **Beneficiaries and benefits**

The majority of the refugees are not as fortunate as Yunis, having no relatives to assist them when they need it.

However, even though the proportion of refugees who do receive remittances may only be 10-15%, others benefit indirectly from the existence of the *hawilaad* in the camps. Those who receive a regular or occasional amount mostly share this with others; money enters the camp economy, which benefits shopkeepers and businessmen; and those who can afford it occasionally employ others as domestic workers or for construction work. Thus, even the poorer segments of the population may eventually benefit from the *hawilaad* system.

Habibo Omar, a woman from the Bantu minority in her late thirties, learned through a radio conversation with her brother in Kismayo, with whom her disabled daughter was staying, that the security situation was worsening there. She borrowed 1,000 Kenyan shillings in the market, giving her ration card number as security, then travelled to Mombasa to find work as a maid. A Somali woman employed her and after one month Habibo was able to send back the 1,000 shillings she borrowed. Another three months later, she had saved enough money to send to Kismayo to urge her brother to come to the refugee camp with her disabled daughter.

### *the remittances transferred give people a choice*

Among the many advantages of the *hawilaad* are that the system is much faster and cheaper than conventional ways of transferring money. Besides, in many instances these conventional means cannot be used — for example, when sending money from Dadaab to anywhere in Somalia. The system is relatively safe in a rather insecure area, since travellers do not need to carry their money but can simply transfer it to their place of destination.

Beyond helping Somalis to survive, the remittances transferred give people a choice. The money can be invested in business, or used to assist others or for children's education. The recipient can decide to use it to move: away from insecure areas, towards economic opportunities, towards a better life or family members, elsewhere in the world. These resources give refugees in difficult conditions the capacity to assist themselves. This capacity has been greatly undermined by the closure of Al Barakaat.





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### Remittances, terrorism and refugee livelihoods

A few years ago, the Ministry of Justice in the Netherlands carried out a study on informal value transfer systems (IVTS) and criminal organisations.<sup>4</sup> The conclusions are highly relevant for the closure of the *hawilaad*: "IVTS are by no means infested or controlled by criminals, but rather they are one of numerous alternatives available to criminal organisations. Many others resort to IVTS simply to transfer money to their relatives because they follow cultural traditions or services are faster, cheaper, less bureaucratic and more convenient than any other alternative. Before implementing drastic measures against IVTS, more solid evidence of negative consequences is required. The legislative arsenal in the West can adequately deal with those who have committed crimes, and Western governments have already attempted to render IVTS more transparent by requiring them to get a license and report unusual transactions of certain magnitude. After all, criminals are the main problem, not the way they move their money."

Terrorist networks may well have used the *hawilaad* system, as have Somali warlords buying weapons and sponsoring war, but, as UN agencies

and others in Somalia have attested, the system is mainly used by ordinary Somalis, including refugees, with no such connections.

Life in the Horn of Africa is often life on the margins, and assistance from outside is needed for survival. The Somali economy as a whole, and Somali refugees in particular, are highly dependent on remittances. Urban households, including those in refugee camps, are the main beneficiaries of remittances, which may account for between 20 and 60% of household income. While there is an urban bias, some remittances are redistributed among people in rural areas.

About \$60 million was injected into the Somali economy in 2000 through international aid (EIU 2001). In contrast, between \$200 million and \$500 million may have been transferred to Somalia through the *hawilaad* system, and these funds reach many more people than does international aid. There are other *hawilaad* companies still operating, and new telecommunications and internet companies are emerging, but none of them has the reach of Al Barakaat; besides, many of them depend on infrastructure owned by Al Barakaat. Alternatives might be found but would probably involve higher costs and risks. The refugees

in the Dadaab camps in Kenya are among those who will end up paying the highest price of the measures taken against the *hawilaad* in the name of the 'war against terrorism'.

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1. UNHCR *The State of the World's Refugees*. 2000, Oxford: OUP; US Committee for Refugees *The World Refugee Survey 2000*, Washington DC: USCR; J Gundel *The migration-development nexus: Somalia*, 2002. Copenhagen: Centre for Development Research working paper.

2. L Ahmed 'Remittances and their impact in post-war Somaliland', *Disasters*, 2000, 24, 2, pp380-389; Economist Intelligence Unit. *Country Report: Somalia*, 2001, EIU: London. Gundel is also a source on remittances.

3. For further information about life in Dadaab, see J Musau *Protecting refugees in Dadaab: processes, problems and prospects*, FMR11, pp34-36.

4. N Passas *Informal Value Transfer Systems and Criminal Organisations. A study into so-called underground banking networks*. Onderzoeks - notities 1999/4. Ministerie van Justitie, Den Haag.