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Remittances during crises: implications for humanitarian response

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Remittances – migrants sending money home – are an important part of many people's lives around the world. Globally, the amount of money sent home as remittances may be greater than foreign direct investment and aid combined. Moreover, this money flows directly into people's household incomes. In disasters, remittances can play an important part in how people survive and recover; however, humanitarian actors often fail to consider remittances in assessments and response design. This neglect of remittances in humanitarian planning reflects a broader tendency to undervalue the capacities of crisis-affected populations: affected people are frequently portrayed as helpless and vulnerable, when in fact people's own efforts are often crucial to their survival.

This HPG Briefing Paper reports on a study into the role that remittances play in crises. This work explored how affected people use remittance income to survive and recover from crises, the effect that crises can have on remittance flows and the way that humanitarian responses consider the role of remittances. The study was based on a review of relevant literature, as well as detailed case studies in Haiti, Pakistan, Somaliland, Sudan, Indonesia and Sri Lanka. The study concludes that, while remittances should not be seen as a panacea or substitute for humanitarian action, there is clear potential for humanitarian actors to do more to explore the complementarities between emergency relief and people's own efforts to support friends and family in times of crisis.

Remittances: an overview

Globally, remittances have grown significantly in the last decade. In 2006, remittances through formal channels – banks and other financial institutions – were put at $268 billion; informal mechanisms, such as traditional money-transfer systems and hand-carried remittances – account for perhaps half as much again. Remittances are particularly important for the world's poorest countries, which are also often the most prone to crises and disasters. In 2006, $199bn in remittances is thought to have flowed to developing countries through formal channels.

Box 1: Definitions and concepts

Remittances are usually understood as transfers of money between migrants and the families they have left behind. This study defines them as income (of money or goods) received by a household in one distinct place, from individuals living in another place. Remittances are transferred in many different ways: through formal banking systems and money transfer companies and informally by hand, through businesses and through long established transfer systems such as hawala and hundi, based on social and cultural trust networks.

Remittances, migration and development

Globalisation has meant that it is increasingly easy for people to travel and communicate around the world. Migration patterns are now more complex and less permanent, with quicker journeys to more places, involving more diverse groups of people. Migrants today are often part of 'transnational' networks connecting them with distant friends and family, providing social engagement, solidarity and exchange.

Humanitarian agencies and other actors concerned with the welfare of migrants have tended to neglect the importance of migration in livelihoods, or to see migration purely in negative terms, as a symptom of distress. A focus on remittances helps to demonstrate the potentially positive value of migration and mobility, and to direct attention to the diversity

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and complexity of people's livelihoods. At a household level, migration can be a critical part of diverse, 'multi-locational' livelihoods, and can be an important way for people to reduce and manage risks. The remittances people send home provide for the basic household needs of daily life, such as food, clothing, shelter, health and education.

The effects of migration and remittances may not, however, be entirely positive. Large inflows of remittances could inflate exchange rates and harm trade competitiveness. Outflows of skilled workers raise concerns about 'brain drain'. Migration may create new forms of vulnerability if migrants are predominantly from the working age population, leaving those who stay behind with greater numbers of children and the elderly to support. Remittances may help to perpetuate conflict if they support warring parties, and the obligation to provide remittances may create hardship for those sending them. There is also concern that remittance transfer mechanisms may be used to fund terrorism and crime.

Remittances and crises

Remittances are often of importance following disasters, as they represent a relatively stable form of income, usually increase in times of crisis and directly contribute to household income. The stability of remittances arises from the fact that senders are unlikely to be affected by the same shocks as recipients, because they are in other parts of the country or overseas. For example, the 2004 tsunami affected Sri Lanka, but not the Gulf States, where many migrant Sri Lankans work and from where they remit earnings home; in the months following the tsunami, the Sri Lankan Central Bank recorded a substantial increase in remittances. Increasing remittance flows in Bangladesh have become a key element in the economy's resilience to monsoon floods. After Hurricane Ivan in Grenada in 2004, the World Bank found that assistance from relatives abroad, in the form of wire transfers and goods, helped to sustain many families immediately after the hurricane; in 2005, remittances were an estimated 15% higher than in the previous year.

Remittance flows can be vulnerable to disruption during disasters. Transport and communications may fail, people may be displaced and, in the case of conflict, borders may be closed or communications deliberately shut down. Border closures and restrictions on movement due to the conflict in Darfur have had devastating consequences for people reliant on hand-carried remittances from family members working in Libya, Chad and Saudi Arabia. The physical damage to people's homes and property usually caused by disasters may include the loss or destruction of the documentation people need to access remittances. Following the 2005 earthquake in Pakistan and the 2004 tsunami in Sri Lanka, many people were unable to access financial institutions to receive remittances because they had lost vital documents. The sudden removal of this significant income source can itself be a critical factor in the impact of a crisis on individual households, particularly where the most able-bodied have migrated, leaving vulnerable groups such as the elderly behind.

Providing remittances can be a difficult burden for migrants, who themselves may be struggling to make ends meet in their host country. This means that increasing remittances in emergencies is not always possible. A disaster may also make it necessary for remitters to return home to directly care for and assist their loved ones, leaving their jobs behind. Sometimes, the costs and difficulties involved in migrating are so high that people who return home cannot later re-migrate. For example, huge numbers of Pakistani labourers working overseas returned home to look after their families following the 2005 earthquake, thereby cutting off the family's prime source of income. Many migrants could not subsequently afford to return overseas, making the loss permanent and often leaving them in debt from their first migration.

The humanitarian implications of remittances

The study's findings have important implications for humanitarian action in disaster risk reduction, relief and recovery. How could existing humanitarian action take better account of remittances to make assistance more effective and appropriate? How could humanitarians directly support remittances?

Helping in the restoration of remittance flows may be a quick and effective way of supporting livelihoods recovery. As remittances originate outside the affected area, and in that respect are unaffected by the disaster, they may be the simplest type of livelihood to support and restore. More diverse and locally dependent livelihoods are likely to have been severely disrupted by the disaster, and may take a long time to revive. The tendency of recipients to share remittances with their extended families and even neighbours, and the fact that they are usually spent on local goods and services, especially in the recovery and rebuilding process, mean that the impact of remittances extends to the rest of the community, not just the recipient household. Strengthening remittance flows may also have a positive impact on people's resilience in the face of disasters, and may therefore be a component in disaster risk reduction efforts. Remittances are an important way of reducing risk from local disasters, by diversifying incomes, providing an insurance mechanism that can, to a limited extent, cover losses, and enabling households to invest in risk reduction.

Assessment design and targeting
In responding to crises and disasters, aid agencies should continue to develop assessment approaches that more explicitly take account of the important role migration and remittances play in people's livelihoods, and should focus on people's capacities to deal with risk and disaster. The traditional needs assessment approach, which looks at pre-determined types of intervention (food, shelter, water), often through rapid quantitative surveys, is unlikely to convey the importance of remittances. People are understandably reticent to talk about remittance receipts openly, for fear that they will receive less aid. It may be necessary to draw upon pre-disaster secondary data about migration and remittances, and use qualitative approaches to understand the impact of a crisis on remittances. Likewise, the targeting of assistance must be sensitive to the effects of the disaster on remittance flows. It cannot be assumed that pre-disaster remittance receipts indicate less post-disaster need: some recipients may have been highly reliant on their remittances because the able-bodied household members have migrated, and may therefore be especially in need of assistance if remittances are disrupted.

Programme design
Humanitarian agencies also need to design their assistance programmes in ways that complement and enhance remittance flows. This means flexible assistance programming, which enables people to combine their own resources and capacities with the resources provided through relief. For example, shelter programmes often deliver large standardised packages of materials or entire houses, which recipients find it difficult to customise to their own requirements with their own additional resources. Cash assistance may be appropriate here. Agencies have used existing remittance systems, such as hawala, in their aid programming, and cash assistance programmes may open up access to financial institutions for recipients. Expanded access to a wider range of financial institutions could increase the options available for people to send remittances, bring down transfer rates and increase the resilience of remittance flows.

Humanitarian responses should also take into account the importance of migration in people's livelihoods. Cash or food for work programmes, for instance, can restrict mobility. Agencies designing such programmes need to consider the timing and location of food distributions and the imposition of work requirements in such a way that the impact on livelihoods that depend on temporary migration is minimised.

Policy advocacy
Remittances may be supported by policies that help cut the cost and bureaucratic difficulty of sending them, measures to improve the legal status and level of integration of immigrants within host societies, and steps to promote access to employment and education. While the direct responsibility of humanitarian agencies for many of the policies that most affect remittances and migration in crises is likely to be limited, there may still be a role for aid agencies in advocating for remittance- and migration-friendly policies at national and international levels. This may be done as part of advocacy on international humanitarian law and human rights law, for instance over freedom of movement, open borders and *non-refoulement*. Border closures and restrictions on movement, both of which are common during crises, can have profoundly negative effects on remittances. Better understanding of such effects on remittances could help governments appreciate the negative impacts of their policies, and find ways to mitigate them.

Documentation and communications
Remittance flows through formal institutions are dependent on documented proof of identity, which is often lost in disasters. Replacing lost documents is usually a government responsibility, but where a government is unable or unwilling to do this aid agencies might be able to provide identity cards linked to beneficiary registration. New technologies, such as retina scanning, may provide more reliable identity documents, and these might be accepted by banks and other remittance companies.

All disaster-affected populations should have rapid access to national and international telecommunications. This could be as simple as providing a local GSM phone or a satellite phone to allow people to call their relatives, as Télécoms Sans Frontières has been doing, providing people with mobile phone credit, handing out 'scratch-cards' or giving people the cash to pay for calls. It might mean setting up internet cafes in displacement or refugee camps, distributing mobile phones, working with private sector companies to establish or re-establish mobile networks, or supporting small-scale enterprises providing internet or mobile phone access. Private sector telecommunications companies are already assisting agencies with their own telecoms needs, and this could be expanded to meet the needs of disaster-affected people as well.

Family tracing
Family tracing is a core part of the work of the Red Cross movement. The International Committee of the Red Cross and Red Crescent (ICRC) has launched a global initiative to strengthen its family links network, and a ten-year strategy is being developed. Currently, this kind of work is seen as a way of reuniting scattered families for compassionate reasons, rather than as a livelihoods intervention. Remittance flows provide a strong economic argument, in addition to the humanitarian one, to invest more in family tracing activities.

Remittance senders
Remittance senders should also be considered by aid actors and governments responding to emer-

gencies. The need to return home to help loved ones may mean that jobs abroad are lost or migrant status is rescinded, forcing migrants further into debt. Governments could consider special, free, visa measures to enable people to return home during emergencies without jeopardising their migrant status. Assistance could be given to cover the costs of transport. Employers of migrant workers could be encouraged to grant compassionate leave to allow people to go home, and remittance transfer companies could be encouraged to waive or reduce fees for sending money to disaster-affected countries. Support such as this is linked to the more general argument that aid agencies could benefit from drawing more on the skills and capacities of diaspora populations from disaster-affected countries.

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Table 1: Remittances in crises

Disaster context	Role of remittances	Implications for aid agencies
Pre-disaster livelihoods	Remittances and migration are often an important component of some people's livelihoods and a source of resilience. Remittances may also create vulnerabilities, for instance for elderly people left behind if many younger people have emigrated.	Aid agencies need to understand remittances as part of pre-disaster livelihoods, as part of disaster preparedness and ongoing development.
Disaster impact	Remittances are likely to be initially disrupted by disasters in context-specific ways.	Aid agencies need to understand how remittances have been disrupted as part of the assessment process.
Quick-onset disasters – earthquakes, floods, volcanoes, hurricanes	Remittances are likely to be disrupted by death and displacement, and damage to communications and transport infrastructure. Those who can afford it may return home to search for missing loved ones and assist in recovery. They may lose their jobs or immigrant status. Once communications are restored, people may send additional remittances. Mechanisms, volume and type of remittances may shift.	A need for family tracing and for assistance in restoring communications. Migrants may need assistance to return home and once home to return to jobs overseas. Information for diaspora populations about how to contact people and how to send assistance. Possibility to work with or support remittance companies to waive or reduce fees.
Conflicts	Remittances are likely to be disrupted by displacement, and disruption to communications. Government policy may also be important, such as border closures, or closing down mobile phone networks. Conflict may create large-scale displacement, population movements (e.g. Iraq). Restricted livelihoods in complex emergencies may increase reliance on remittances (e.g. Somalia). In long-running crises, it may be difficult for those overseas to maintain remittance support.	There may still be scope to support family tracing and communications. Possible need for advocacy with warring parties to maintain IHL and human rights law – freedom of movement, open borders, principle of non-refoulement. Agencies have sometimes used informal remittance mechanisms as a way of transferring resources into conflict areas when banking systems are not present.
Slow-onset emergencies – droughts	Migration may intensify as part of coping strategies. Possible greater reliance on remittances as other livelihood strategies become more constrained. If severe drought leads to distress migration and displacement, remittances may be disrupted.	Need to understand patterns of migration and their role in coping strategies as part of livelihoods analysis. Possible need for family tracing and assistance with communications in the event of distress migration.
Remittances and recovery	People who receive remittances may play an important part in the recovery process once channels are re-established. Sharing of remittances within and between communities may increase their impact beyond the immediate receivers. Remittance flows into local communities may have positive multiplier effects on local economies (e.g. demand for local services, construction jobs). They may also contribute to inflationary risks for key goods and services (e.g. building materials, masons).	Agencies should consider how their assistance may be complemented by remittances. For example, some families may be able to invest some of their own resources in shelter rebuilding.