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Remittances in crises: a case study from Pakistan

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Key findings of the study

- Remittances can make people less vulnerable to natural disasters. Households with international migrants tend to be better able to make investments that reduce their vulnerability, such as improved housing.
- Remittances make people more resilient in the face of natural disasters. It may be easier to re-establish remittance flows than other types of income and livelihoods, allowing remittance recipients to begin the recovery process more quickly.
- Remittances are shared outside of the recipient household, and may have important multiplier effects.
- Remittance flows are highly vulnerable to the infrastructure damage that occurs in disasters. Whether informal or formal, international remittances rely on telecommunications, finance systems and local transport, all of which are typically damaged in disasters; hand-carried remittances are an important way of overcoming this, and can be critical for many people.
- Remittances may be most at risk when, having returned home to help in the aftermath of the disaster, the sender may not be able to re-emigrate and re-establish remittance flows.
- Aid actors do not as yet have a strong understanding of the role of remittances in livelihoods during emergencies.

Executive summary

International remittances have played a significant role in livelihoods in the wake of the earthquake that hit northern Pakistan in October 2005. A large number of people from the earthquake-affected areas of the North-West Frontier Province (NWFP) and Kashmir live abroad and, although remittance flows were severely disrupted by the earthquake, they recovered relatively quickly. The widespread destruction and damage inflicted on the economy means that external sources of income such as remittances will be vital to recovery, both for individual households and for the country as a whole.

Background and rationale

Rural livelihoods in the earthquake-affected area are generally assumed to depend on agriculture and livestock. However, early assessments showed that a large number of wage-earners who normally work in distant cities in Pakistan had immediately returned to their families after the earthquake, often giving up their jobs in the process. The loss of domestic remittances this caused was quickly highlighted as a significant problem, and brought remittances to the forefront of aid agencies' thinking. However, the role of domestic or international remittances in livelihoods in emergencies is little understood, and agencies found it difficult to understand the implications of remittances for assistance programming. This research project is intended to meet this need.

Remittances and livelihoods: key findings

Remittances have played a major role in the economy of Azad Kashmir and NWFP for many years. For most recipients, remittances are the primary – and, in many cases, the only – source of income. Remittance households are generally better off than non-remittance ones, owning better houses and more valuables and assets.

The earthquake severely disrupted remittance flows. Communication systems were damaged, delivery outlets (banks, post offices, Hundi money-changing agents) destroyed and identification documents lost. As a result, in the immediate aftermath of the earthquake, most people were in need of humanitarian assistance, regardless of whether they had formerly received remittances or not. However, households whose livelihoods included remittances appeared less vulnerable to the effects of the earthquake, and their livelihoods proved considerably more resilient once remittance flows were re-established. Remittances enabled households to repair and reconstruct their homes much more easily than non-recipient households, and meant that they had money to pay for private health care. By contrast, many non-recipient households were compelled to rely in the first instance on public healthcare, and in some cases had to sell assets to pay for further treatment. Remittance money made it easier for families to reach distribution points for relief aid. The revival of remittance systems after

the earthquake helped restore local markets, and the spending of remittances on housing repairs has provided crucial wages for local labourers.

Implications

The implications of the findings of this report relate to immediate relief programming, disaster recovery and longer-term risk reduction. Immediate relief targeting should be careful not to assume that those families who received remittances in the past will not need initial assistance. The crucial role that remittances play within recipient households, and their multiplier effects through sharing and local expenditure, mean that restoring remittances is very important, and aid actors and governments should consider ways to assist with this through family tracing, communications provision and emergency support to financial infrastructures. By providing increased income, remittances have had a positive impact on households and their communities, reducing overall levels of risk and vulnerability. This must be considered by macro-economic actors when determining policies that affect international financial flows through formal and informal remittance transfers.

Section 1: Introduction

1.1 The earthquake

The earthquake that hit northern Pakistan on 8 October 2005 killed over 73,000 people and affected more than three million more in North-West Frontier Province (NWFP) and Kashmir. The affected area covered some 30,000 square kilometres of mostly remote and mountainous terrain. An estimated 600,000 homes, 6,000 schools and 500 health facilities were destroyed, leaving millions of survivors to face, not only the loss of their families, communities and livelihoods, but also the imminent arrival of the region's freezing winter weather without adequate shelter and the means to meet basic life-sustaining needs.

The most immediate response to the earthquake was undertaken by the survivors themselves, who searched for their neighbours and families amid the rubble and set up temporary shelters in the ruins. The Pakistani government also quickly mobilised resources and appealed for international assistance. As initial search and rescue efforts took place, a very large multinational response got under way, including not only the Pakistani government and military but also NATO, the UN, bilateral donors and international NGOs. In addition to the largely unrecorded actions of private individuals, the relief effort involved the delivery of half a million tents, five million roofing sheets, two million tarpaulins and six million blankets, as well as the provision of thousands of tonnes of food and water, sanitation, health and supplementary feeding for hundreds of thousands of people.

As the humanitarian response began to look beyond immediate life-protecting needs and consider the effect of the earthquake on people's livelihoods, it became apparent that migration and remittances, both within Pakistan and internationally, were a key concern. Remittances had formed a central part of many families' livelihoods strategies before the earthquake. One study, conducted in 2004, showed that 60% of the households surveyed relied on remittances to support their livelihoods. Early assessments found that large numbers of remittance earners had returned to their families, often giving up their jobs and thus depriving remittance-receiving households of income. Furthermore, communications systems were damaged, delivery outlets (banks, post offices, Hundi money-changing agents) were destroyed and identification documents lost.

The loss of remittances was quickly highlighted as a significant problem. However, for humanitarian actors, with their primary focus on protecting lives, livelihoods approaches to assistance programming are relatively new. The role of remittances in people's livelihoods in 'normal' times – let alone in emergencies – is not well understood, and it is unsurprising that, while they were aware of the

importance of domestic and international remittances, relief actors found it difficult to assess the implications for their programming of relief and recovery assistance. This study aims to fill this gap.

1.2 Research background

This study forms part of an ongoing HPG project on remittances in crises. The project began in 2005, and is due to be completed in 2007. The goal is to improve understanding of the role that remittances play in enabling people to survive and recover from humanitarian crises, and to investigate the implications of this for humanitarian action. In addition to the Pakistan case study reported on here, case studies have been conducted in Somaliland, Sri Lanka, Haiti and Darfur.

This project has focused on the following research questions:

- How important are remittances in how people survive in crises?
- What social groups benefit from remittances – are some people excluded, exacerbating existing vulnerabilities?
- Do remittance patterns change in times of crisis – both in terms of how much people receive and in terms of the channels used?
- How well do assessment methodologies capture the role of remittances, and could they do it better?
- Are there ways in which humanitarian actors could support and facilitate remittance flows?

1.3 Report structure

This report is structured as follows:

- Section 2 outlines how the research was carried out, describing the details of the methodology and its limitations.
- Section 3 discusses remittance flows to Pakistan, their general characteristics, the history of the migration that underlies them, how people use them, their impact, and the role they play in people's livelihoods in 'normal' times and in emergencies.
- Section 4 presents the key findings of the study, and highlights important links with humanitarian assistance.
- Section 5, the conclusion, summarises the key findings and discusses their implications for humanitarian assistance.

Section 2: The study

2.1 Methodology

The case study had three main elements:

- A review of the literature on the role of remittances in Pakistan.
- Key informant and household interviews.
- Focus group discussions with communities.

Following the review of existing literature, research was carried out during four weeks in June 2006. Key informants were interviewed from various districts to guide the selection of a subject village in each of four districts. An empirical survey was then carried out in these four villages. Interviews were conducted (in the first language of the respondents), followed by six focus group discussions (two with women, three with farm workers and one with humanitarian agencies).

2.1.1 Defining remittances

One issue confronting all studies into remittances is the lack of a clear definition of the term. In Pakistan, 'remittances' is used to cover both financial transfers within the country, and transfers to the country from abroad. This study was limited to examining in detail remittances from abroad, and so we take remittances to mean transfers of money from Pakistani immigrant communities or Pakistani nationals living abroad to family and friends in Pakistan. Households receiving domestic (in-country) transfers were included in the study, but were considered as non-remittance receiving households.

2.1.2 Sampling and sites

Based on the literature review and discussions with key informants, the study team selected sites where the prevalence of remittances seemed to be high. Four villages in four districts (shown in Table 1) were selected. A complete census of remittance-receiving households was then conducted. As the villages were not randomly selected, and the study did not intend to use statistical analysis to quantify the general level of remittance flows outside the study villages, the sample size was not critical. The households were selected randomly, and 60 remittance-receiving and 20 non-receiving households were interviewed at each site. Non-receiving households (who may have been receiving domestic remittances) were interviewed to provide comparative data.

Table 1: Sites selected

Village (district)	Total households	Remittance receivers (RR)	RR selected	Non-RR selected
Riyali (Muzaffarabad)	650	200	60	20
Chamiati (Bagh)	600	152	60	20
Chitta Batta (Mansehra)	900	135	60	20
Kot Gala (Battgram)	400	370	60	20

2.1.3 Training and pre-testing

A three-day training session for the eight field researchers (four men and four women) was held at the Sustainable Development Policy Institute in the Pakistan capital, Islamabad. Mock interview sessions were followed by testing in the field, and the findings were used to make final amendments to the questionnaire.

2.1.4 Challenges and limitations to the methodology

One of the main challenges confronting this type of research stems from the sensitive nature of enquiries about people's incomes and livelihoods, and their experiences of tragedy and disaster. In addition to the need to respect people's privacy and limit the time people have to spend participating in the research, the study also had to be aware of bias in the data. People affected by disaster are usually in need of assistance, and may be cautious about revealing the strength of their own capacity. The study made great efforts to explain to participants that the research was independent of assistance programming, and to assure them that their individual responses would remain private.

People may also be reluctant to discuss informal remittance flows because of their uncertain legal status, and again this could lead to under-reporting. Recipients and transfer agents consistently referred to government attempts to curb the Hundi system and regulate remittance flows. Careful discussion with recipients was needed to assure them of the independence and confidentiality of the study, and this seemed to meet with success.

People in need of assistance can also be vulnerable to abuse and exploitation, and can as a result be suspicious of outsiders. Despite efforts to explain the nature and legitimacy of the research to participants, the research team was on one occasion assaulted by a group of villagers and arrested. The village being visited had been defrauded of money by a group of fake aid workers selling counterfeit registrations for the government's cash assistance. The researchers, arriving shortly

afterwards and asking questions about income and finances, thus met with a hostile reception. The situation was resolved and no further problems occurred, but the episode serves to reinforce how sensitive communities can be following disasters, and the need for caution when undertaking research.

Another issue in researching remittances is the tendency for the people involved to be clustered together, rather than evenly distributed throughout a population. This influenced the design of the methodology, as discussed above, and affects how the results can be applied. For example, other sources must be used to provide statistics with respect to the overall amount of remittances and number of receiving households beyond the case study areas.

Section 3: International remittance flows and Pakistan: a review of existing data

International remittances have been generating much interest over the past decade. Donors such as the UK and the US, and multilaterals including the World Bank, the Inter-American Development Bank and the Asian Development Bank, have all launched substantial remittance initiatives and projects during this time. This interest is the result of an increased appreciation of the importance of remittances, and a significant increase in the levels of recorded remittance flows.

Pakistan receives a significant amount of remittances. This section discusses the size and importance of remittances nationally, looking briefly at their history and recent trends, the mechanisms used to send them, the way they are used and their impact. The section concludes by discussing the information available at the level of the earthquake-affected districts.

3.1 History and recent trends

Since independence in 1947 – an event that itself was profoundly linked to migration – millions of people have immigrated to and emigrated from Pakistan, resulting in a vast network of migrant connections around the world. The Pakistan government puts the current expatriate population at around seven million, many of them residing in much richer countries in the West and the Persian Gulf. As a result, Pakistan is one of the largest recipients of remittances in the developing world. For many years, official remittances have exceeded either foreign direct investment or official development assistance. In the 1980s, remittances were linked to a rapid decline in poverty levels and in recent decades the level of official remittances has continually increased. In 2005–2006 (the year of the earthquake), official remittances reached some \$430 million, an increase of over 10% over the previous year (State Bank of Pakistan, 2006). It is important to stress that estimating remittance flows accurately is fraught with difficulties, and the data needs to be treated with great caution. The main sources of overseas remittances are Saudi Arabia, the United Arab Emirates (UAE), the UK and the US.

3.2 Remittance mechanisms

There are a multitude of ways in which people can move money or goods around the world, and a huge number of remittance mechanisms are in use. One common, though problematic, distinction is between *formal* and *informal* mechanisms. For the purposes of this study, we follow the definition of informal transfers used by Pieke, Van Hear and Lindley (2005): informal transfers are transfers ‘initiated outside the formal banking systems and outside the mainline money transfer businesses’.

Formal remittance mechanisms commonly used in the study area are banks (Habib, National Bank) and the Post Office (which acts as an agent for Western Union and has an agreement with Habib). Together, they offer several means of moving money, including postal money orders, wire transfers and bank accounts. The primary disadvantage of these systems is the need for recipients to come to the offices of the agent, and these agents' limited rural outreach.

Two informal remittance mechanisms are commonly used in the study area. The first is personal, hand-carried, delivery; the second involves sending money via a money-changer (the Hundi or Hawala system). Hand-carried remittances depend on home visits by a migrant family member or other trusted individual (usually another migrant from the same village). The main advantage of this channel is that it is, in a simple sense, free: the amount remitted is exactly the same as the amount delivered. The main disadvantage is that the frequency and regularity of remittances is tied to the frequency and regularity of a migrant's home visits. The second mechanism, transfer via money-changers, incurs a commission, but the total cost is lower than with formal mechanisms, and recipients get their money quicker than they do through official channels. The fact that details of the whole transaction are clearly and simply agreed from the start makes it less likely that remittances will be delayed or diverted.

International policy changes implemented in a bid to curtail terrorism funding have had a significant influence on remittances to many countries, including Pakistan. Since 2001, official flows to Pakistan have markedly increased, suggesting that the balance between formal and informal channels has moved in favour of the latter. Meanwhile, the Pakistan government has introduced a series of measures designed to encourage the use of formal channels, including more favourable exchange rate regulations, and Pakistani banks abroad have begun offering free-of-cost money transfer services.

3.3 How remittances are used

Globally, these flows of private funds are predominantly used for household consumption, rather than investment and saving (Steimann, 2005). Typically, this consumption is to satisfy the basic subsistence needs of the household, such as food, clothing, medicines, education and housing (Meyers, 1998; Black, 2003; World Bank, 2006; Shahbaz, forthcoming). Research in Pakistan shows that remittances are predominantly used to meet daily expenses such as food, clothing and health care; however, funds are also spent on building or improving housing, buying land, cattle or durable consumer goods, the repayment of loans for migration and to fund pilgrimages to Mecca (Steimann, 2005; Siddiqui and Mahmood, 2005; Shahbaz, forthcoming). As an income source for daily consumption, remittances form a critical part of the livelihoods of recipient households.

3.4 Remittances in emergencies

Several studies show that the stability and reliability of remittance flows mean that they play a significant role in 'consumption smoothing' (World Bank, 2006). In other words, while other forms of income may be variable and unpredictable, remittance income is constant and allows the household to absorb shocks and unexpected expenses. This implies that migrant worker remittances can be a form of insurance for use at a time of urgent need, such as in an emergency. Indeed, there is evidence to suggest that remittance flows may increase in response to crises (Yang, 2005; Yang and Choi, 2005; World Bank, 2005). In Pakistan, while remittances were initially severely disrupted by the earthquake, they have significantly increased in the year following it (State Bank of Pakistan 2006).

NWFP and Azad Kashmir attract the highest amount of remittances in Pakistan due to the large number of migrants from those areas working abroad, particularly in the Persian Gulf states. Gazdar (2003) reports that, in NWFP, 10% of households receive remittances, and the government reports that, for 2001–2002, remittances to households in NWFP accounted on average for 7.3% of monthly income. According to Shah (2006), the figure for Azad Kashmir was 25.1% in 2001. Such statistics must, however, be treated very carefully. Migration, and the remittances that result from it, is distributed unevenly within these areas, and livelihoods vary greatly according to geography (see Steimann, 2005), especially altitude and rainfall. Areas of low agricultural productivity have been the main sources of labour migration to the Gulf (Gazdar, 2003).

Section 4: Study findings

As discussed in the introduction, this study is one of six carried out by HPG to examine the role remittances play during emergencies. While remittances are widely acknowledged as important, there has been very little research into what happens to them in emergencies. What research has been done is primarily quantitative, and reliant on national-level reporting of remittance flows. This study, like the others, sought to use a qualitative approach to gain a more intimate understanding of the importance of remittances in people's livelihoods, and the role they play in emergencies. This section discusses the findings of the research, beginning with the initial scoping study.

4.1 The initial scoping study

The initial scoping study involved interviews with donors and aid actors, and some preliminary research with affected people in NWFP.

Our discussions with agencies and donors revealed that remittances were not well understood. Emergency assessments tended to focus on particular 'sectors', and yielded little by way of insight into the place of remittances in people's responses to the earthquake. (Exceptions included Save the Children's Livelihoods Assessment in November 2005 and the Islamic Relief UK Livelihoods Assessment.) Only one of the three donor representatives (for their emergency responses) we spoke to expressed particular interest in the role of remittances.

The second part of the scoping study involved limited discussions with groups of men and women in camps and remote villages in Mensehra district. These confirmed the importance of remittances, both international and domestic, in many people's former livelihood strategies. In the camps, the return of migrant labourers, and its impact on household income, was constantly stressed. Many spoke about the need for these individuals to remain with their families until such time as they had a permanent shelter, with a roof and a door they could lock. In contrast, during a visit to a village in the same district, but at a higher altitude, we were immediately told that some families still had migrants abroad. This confirms that migration patterns can vary considerably with location.

Ghanool village above Ballakot

Muhammad left with two others from his village just before the earthquake to work in Saudi Arabia. It cost him 80,000 rupees to migrate there, all of which he borrowed. Once he arrived in Saudi Arabia he began work and started paying off his debt. Only after he had paid off the cost of migrating would he be able to again support his family by sending back remittances.

The earthquake completely destroyed his house and he rushed back to look after his family. He still owes 80,000 rupees for his previous migration, so can't possibly afford to return even if his family is reestablished in a home. He doesn't know what he will do now for income and is relying on aid from the government and aid agencies to help him rebuild his family home, after which he may look for work in a distant city.

Several people stated that the earthquake had badly disrupted the Hundi transfer system, preventing remittances from getting through. Some also raised the problem of access to remittance outlets – post offices and banks having been destroyed – and difficulties with identification documents. Talks with post office officials revealed that some systems were quickly re-established, but were used for remittances less frequently than had been the case before the earthquake.

4.2 The case study villages

As outlined in the methodology, the study selected four villages, one from each of the four districts most heavily affected by the earthquake.

Table 2: Summary of the four villages

Village	District	Households in the village	Remittance households prior to the earthquake	Remittance households as % of the total	Rural average for the province/region
Chamiati	Bagh (AJK)	600	152	25%	25%
Riyali	Muzaffarabad (AJK)	650	200	31%	25%
Kot Gala	Batagram (NWFP)	400	400	100%	7.3%
Chitta Batta	Mensehra (NWFP)	900	135	15%	7.3%

4.2.1 Chamiati

Chamiati is a village in Bagh District, AJK. There are 600 households in the village, with an average household size of 6.5 people. Approximately 150 individuals live abroad, mainly in the Middle East.

This economic migration has apparently resulted in economic development and increased literacy, which has in turn expanded employment opportunities in government service in Muzaffarabad, Islamabad and elsewhere. Some 50 families from the village have recently migrated to work elsewhere in Pakistan.

Table 3: The impact of the earthquake on Chimiati village

Dead	18 (8 women, 5 men, 5 children)
Injured	25
Housing	456 (76%) badly damaged
Schools	7 destroyed
Dispensaries	1 destroyed

4.2.2 Riyali

Riyali village is in Muzaffarabad District, AJK, at an elevation of approximately 2000 metres. The village comprises 650 households, 200 of which were remittance recipients prior to the earthquake. Migration began in the 1970s, mainly to the Middle East. At first, remittances were transferred by hand, but in more recent years banks have increasingly been used, and the majority of remittances (80%) are now sent through banks. After the earthquake, 90% of emigrants returned to Riyali.

Table 4: The impact of the earthquake on Riyali village

Dead	166 (62 women, 37 men, 67 children)
Injured	180
Housing	390 (60%) destroyed, 260 (40%) damaged
Schools	3 destroyed

4.2.3 Kot Gala (or Qala)

Kot Gala is in Battagram District, NWFP, and is situated on the Karakoram Highway Battgram. It comprises 400 households (the average household size is nine people). Like Riyali, Kot Gala's inhabitants have since the 1970s increasingly relied on remittances for their livelihoods, and today almost every household in the village has at least one family member working abroad, mostly in Saudi Arabia and the UAE. Many of these migrants are working illegally and tend to use the Hundi system because it requires only minimum documentation. Legal migrants tend to hand-carry their remittances, and also provide this service for others. Few emigrants use banks. In addition to overseas migration, people from Kot Gala have moved to cities like Lahore and Karachi to find work, mainly as unskilled labourers. The village was badly hit by the earthquake, and many of its residents were still being housed in tents nine months after the disaster.

Table 5: The impact of the earthquake on Kot Gala village

Dead	44 (14 women, 9 men, 21 children)
Injured	150
Housing	275 (69%) badly damaged
Schools	1 destroyed

4.2.4 Chitta Batta

Chitta Batta is in Mansehra District on the main Mansehra–Balakot road, 10km from the Mansehra town. The village comprises some 900 households with a population of 7,000. One hundred and thirty-five households received remittances prior to the earthquake, mainly from the Middle East.

Table 6: The impact of the earthquake of Chitta Batta village

Dead	5 (2 women, 1 man, 2 children)
Injured	35
Housing	90 (10%) destroyed, 350 (39%) severely damaged
Schools	7 destroyed

4.3 Remittances profile

4.3.1 Migration patterns

The vast majority of emigrants in our study area were reported to be working in the Middle East (Saudi Arabia (64%), the UAE (32%) and Muscat (10%)). Most work as casual labourers, with a few in contract jobs on company visas.

Table 7: Main countries of emigration

Country	Percentage	Number
Saudi Arabia	64.2	158
UAE	32.5	80
Muscat	10.2	25
United Kingdom	1.2	3
Kuwait	0.8	2
Sudan	0.4	1

The migration to the Middle East began in the 1970s, when policy changes and the easing of visa restrictions encouraged emigration to the Gulf States. Over time, recruitment agents started facilitating emigration on a commercial basis. In the early 1980s, the total cost involved in reaching Saudi Arabia through an agent was Rs50,000; today, the figure is nearer Rs150,000. Agents charge Rs250,000 for the UAE. Table 8 shows the approximate costs involved in migrating to the Middle East, and the

advantages and disadvantages of different methods. The money to meet these costs comes from loans from friends or relatives – which take around two years to repay – or through the sale of household assets, especially livestock and land.

Table 8: The costs of emigration

Method	Cost (Rs)	Prevalence	Advantages	Disadvantages
Through agents	150,000– 250,000	81%	Takes less time Less likelihood that the visa will be refused (often visa is a company one, with an assured job)	High cost
Through relatives in the destination country	80,000– 110,000	17%	Safe	Invitees must provide a guarantee/bond
Directly on a tourist visa	50,000– 80,000	2%	Less cost	Takes more time High likelihood visa will be refused

4.3.2 Frequency of remittances

The frequency of remittances varies on a case-by-case basis but are usually very regular. There are three general patterns which correspond to the type of employment of the remitter: monthly, bi-monthly and every 3–4 months. Irregular payments were reported to be rare. Monthly remittances were reportedly common among emigrants working on contracts, whereas migrants working as casual labourers sent their remittances every two or three months.

4.3.3 Amount of remittances

The size of remittances was linked to their frequency. For monthly remittances, amounts ranged from Rs5,000–10,000 per transaction. The range for bi-monthly remittances was Rs10,000–15,000, and for remittances sent at intervals longer than two months it was Rs15,000–20,000. Some recipients reported remittances per transaction less than Rs5,000, and some reported amounts over Rs20,000. Most recipients said that they received a little extra on special social or religious occasions, such as weddings.

4.3.4 Mode of remittances

The Hundi system was the most widely used method of sending remittances. Hundi is preferred because it is quick, efficient, accessible, requires less documentation and incurs minimum transaction

costs. It is most commonly used when remittances are urgently required, and hand-carrying them to Pakistan is not possible. Personal transfers by hand are regarded as speedy and safe, and were the second most popular remittance method. Formal transfer mechanisms such as through banks were valued for their confidentiality and security, and tended to be used for larger transactions.

Table 9: A comparison of the main remittance methods

Mode of transfer	Advantages	Disadvantages
Via Hundi	Speedy, lower transaction costs	Less reliable
By hand	Speedy, no transaction costs	Risky
Via formal institutions	Reliable, safe	High transaction costs, time-consuming, formal process, generally available only in towns

Before the earthquake, the majority of respondents (68% of recipients and 44% of non-recipients) did not have bank accounts, as they felt that opening one was too formal, bureaucratic and time-consuming, and required too much documentation. Difficulties of access were also cited. After the earthquake, many new bank accounts were opened (90% of recipients and 74% of non-recipients had bank accounts after the earthquake). This was a direct result of the government's cash transfers to affected households that could only be received through a bank account.

Despite this increase in the number of bank accounts, the use of banks as a remittance method has not measurably increased. As Table 10 shows, the temporary disruption caused to the Hundi system was filled by the banks, but once the Hundi system was re-established pre-earthquake patterns broadly reasserted themselves. The increase in hand-carried remittances reflects the return of migrants to their home areas after the earthquake. As we can see, hand-carried transfers show only a small longer-term increase over pre-earthquake levels.

Table 10: Pre- and post-earthquake remittance patterns (% of respondents who reported using each method)

Method	Before the earthquake	Immediately after the earthquake	June 2006
Formal institutions	31%	33%	34%
By hand	23%	27%	24%
Hundi	46%	40%	42%

4.4 Remittances, livelihoods and the earthquake

Life in the highlands of Azad Kashmir and NWFP has always been difficult, even in 'normal' times. The difficult terrain and severe winters mean that farming alone has never offered a secure livelihood in most areas, hence the importance of remittances. Almost all – 96% – of the recipient households in our study reported that remittances were their primary source of income, and half said that they relied on remittances as their only source of income. Just a quarter of recipient households cited farming as a secondary income source. By contrast, the livelihoods of non-recipient households tend to be more diverse and varied, including manual labour, farming (including livestock), private jobs and services. Remittance recipients were generally better off than non-recipients, with much wider ownership of consumer goods, such as televisions and refrigerators, and household assets, like motorcycles. These differences had important implications for the way recipient and non-recipient households experienced the earthquake and its aftermath.

Food has long been a key concern in the areas affected by the earthquake. According to the World Food Programme, Muzaffarabad, Bagh, Battgram and Mansehra are 'food-insecure' districts (WFP, 2004). Both availability and access are constrained. Local grain production is insufficient to meet local needs, and has to be supplemented by production elsewhere in Pakistan. Prior to the earthquake, remittance recipients were better able to buy food on the markets than non-recipient households. Many respondents – recipients and non-recipients alike – reported that, before the earthquake, they had stocks of food grain in their houses. Most non-recipient homes were built with loose or earth-set masonry, while most recipient homes were built using cement mortar. Because the earthquake affected the former structures much more severely, non-recipients tended to suffer worse losses; the majority of recipient households told us that they lost little or none of their stored food grains to the earthquake. That said, the many aftershocks that followed the initial earthquake forced people living near fault-lines to leave their homes and take refuge elsewhere, with the result that access to food was limited, at least for a short period, for both recipient and non-recipient households, and both were dependent on external food aid immediately after the earthquake.

More than half of respondents in the study area stated that they received external help from national and international NGOs, and 40% stated that they were assisted in some way by the government. None of the remittance recipients in our study area reported having to sell assets to meet needs after the earthquake, despite the reduction in remittance flows that followed the earthquake. Several non-recipients, however, reported selling jewellery and livestock to pay for shelter and healthcare. What seems to have happened is that external assistance filled the gap left by the drop in remittances in the immediate aftermath of the disaster.

Remittance households also appeared better able to access relief resources. While many affected people moved into distant camps, primarily at lower altitude near urban centres, the vast majority of rural people stayed close to their original homes. However, many aid distribution points were in main towns, necessitating travel from remote rural areas. Over half of respondents in Batagram reported that remittance money had enabled them to make the journey to their nearest distribution point. Many non-recipients complained that they were not able to access relief assistance in time, or in sufficient quantity. A small number of remittance receivers highlighted differences between the assistance given to urban areas and nearby camps and the assistance given to rural areas. They asserted that in cities and camps near urban centres, overall assistance was greater and pointed out that people in those areas had greater access to services, such as telecommunications and specially reduced calling rates, in comparison to the rural areas where most people had stayed.

Overall, we found that the importance of remittances was felt to have increased in the immediate aftermath of the earthquake, even though the actual contribution remittance money made to the household declined. The perceived importance of remittances in supporting household income (on a scale of 1 to 5) is shown in Table 11.

Table 11: Perceptions of the importance of remittances (% of respondents)

Importance	Before the earthquake	Immediately after the earthquake	June 2006
1 (indispensable)	28	32	27
2 (highly important)	39	45	37
3 (very important)	21	18	23
4 (important)	9	1	5
5 (not important)	0	0	0

4.5 How remittances were used

Before the earthquake, saving money for emergencies was reportedly the responsibility of the remittance-sender, rather than the recipient, and most recipients spent everything they were sent. What savings they had were mostly in valuables (jewellery, household items), rather than cash. Just under half of recipients (43%) told us that remittances were used for daily household expenditures (food, clothing, healthcare, school fees). A third (32%) said that, in addition, they used remittance money to pay off debts, refurbish the home, pay wedding expenses and arrange dowries for their children. Some 20% of respondents stated that they used the remittances for housing construction and investment in real estate.

How remittances were spent tended to depend on how long a household had been receiving them. The repayment of loans that were taken to cover the costs of migration is typically the first priority for the first one to two years. Households that had been getting remittances for the previous two years typically spent the money on household expenses and food. Households with four or more years' remittance flows were usually those with extra money to spend on homes and weddings. Several households who had been receiving remittances for the previous five or more years told us they had used a portion of this money to finance a pilgrimage to Mecca.

Table 12: How remittances were used before the earthquake

Ranking/purpose
1. Food/education/health
2. Debt repayment
3. House construction
4. Weddings/dowries for children
5. Buying property
6. Starting a business
7. The <i>Haj</i>

4.5.1 Shelter

One of the more important uses of remittances before the earthquake was in the construction of houses using cement mortar. Over half of non-recipients were living in houses constructed with stone masonry either loose or set in earth (mud), whereas almost all remittance recipients lived in houses built with cement mortar, which seemed to withstand the earthquake better. Most loose or earth-set masonry homes in the villages we looked at were completely destroyed, while many of the cement-mortar houses, although damaged, were still standing.¹ After the earthquake, many remittance households only needed to repair their homes, rather than entirely rebuild them, while their access to remittance money has made remedial work much easier than for other households. Thus, recipients' homes seem to have been less vulnerable to the earthquake in the first place.

4.5.2 Physical injury and healthcare

Although the great majority of remittance recipients – 80% – suffered no physical injuries as a result of the earthquake, mortality was slightly higher among this group than among non-recipients. Some respondents attributed this to the fact that, while cement-built houses were more robust, when they did fail their collapse was more likely to cause fatalities than mud-built homes (assessing this was beyond the scope of the study). Just over half of remittance households reported that they had to pay for private, follow-up treatment for their injuries. Expenditures ranged from Rs5,000–50,000, the major

¹ Detailed assessment of the different construction methods in the study area was far beyond the scope of this report.

portion of which was met through remittance money. Most non-recipients were forced to rely on public healthcare, and were not satisfied with the quality of the treatment they received.

4.5.4 Sharing: the spill-over effects of remittances

Almost a third of remittance receivers shared their remittances (in-kind or cash) with non-recipient relatives before earthquake. Unsurprisingly, this declined significantly in the aftermath of the earthquake as recipients looked to their own needs. Nonetheless, the flow of remittances indirectly helped the local economy. Key informants, such as traders, felt that local markets that had collapsed after the earthquake would have taken much longer to revive without remittance resources. Markets reopened (albeit in temporary accommodation) to meet the demand generated by remittance cash. Likewise, building workers found employment more easily thanks to remittances, which enabled recipient households to employ them to repair their homes.

Section 5: Conclusion

Our research has found that, in the aftermath of the Pakistan earthquake, most people were in need of immediate humanitarian assistance regardless of whether they formerly received remittances or not. Practically all households suffered loss of income due to the destruction of productive assets, the death or injury of wage earners, the loss of local jobs, the return of wage earners from distant cities or the disruption of remittance flows.

However, households whose livelihoods included international remittances appeared less vulnerable to the earthquake's effects, and possessed considerably more livelihood resilience as remittances were re-established in the weeks following the disaster. Households that received international remittances before the earthquake were better-off than ones that had not, and had invested in improved housing. As international migrants returned, bringing cash with them, and communications and financial systems were restored, remittance households were able to access funds to re-establish their livelihoods and begin repairing and rebuilding lost assets, such as housing.

5.1 Implications for humanitarian programming

The study's findings have a broad range of implications covering relief, disaster preparedness, livelihoods recovery, reconstruction, disaster risk-reduction and financial access. Here, we discuss three: emergency response, disaster recovery and risk reduction.

5.1.1 Emergency response

Households that rely on remittances may not necessarily be in less immediate need of assistance than other households. A disaster on the scale of the Pakistan earthquake will disrupt the livelihoods of almost everyone within the affected area, including those who normally relied on remittances. The effects of the earthquake on the communications and finance infrastructure, and the movement of so many people, meant that remittance flows were cut off. The implication for emergency relief programming is that households which formerly received remittances may not necessarily be in less need of assistance than others. Assessments attempting to target according to need should not simply use pre-disaster remittance receipt as a criterion for exclusion, as it is most likely that this source of income will have been disrupted.

The finding that remittances had an impact on access to assistance implies that agencies need to make more effort to target and deliver assistance to those most in need and difficult to reach. It is very difficult to get the balance right between expenditure on targeting and delivery and expenditure on greater coverage; however, this may be another case for considering the use of cash transfers. The

study did not look at this finding in detail, but it is possible that the wider provision of cash to cover the costs of transport to and from distribution centres might have addressed this issue. Alternatively, it may simply be the case, as some affected people asserted, that agencies focused too closely on camps and cities, at the expense of rural people.

5.1.2 Disaster recovery

Restoring remittance flows may be a quick and effective way of supporting livelihoods recovery. Remittances are typically of critical importance in the livelihoods of recipient households, and so must be fully considered when assessing what needs to be done for livelihoods recovery. As they originate outside the affected area, and in that respect are unaffected by the disaster, remittances may be the simplest type of livelihood support to restore. More diverse and locally dependent livelihoods are likely to have been severely disrupted by the disaster, and will probably take a very long time to revive. The tendency of recipients to share remittances with their extended families and even neighbours, and the fact that, especially in the recovery and rebuilding process, remittances will be spent on local goods and services, means that their impact is multiplied, providing a further incentive to restore them.

Disruption of international remittances is largely related to communications. Restoring banking systems or post office networks is outside the scope of operational aid actors. However, aid agencies may be able to help restore other important networks, for instance through family tracing. Currently, this kind of work is seen as a way reuniting scattered families for compassionate reasons, rather than a livelihoods intervention. Agencies with this expertise should consider extending it to include reconnecting recipients and senders of remittances.

More effort should be made to assist those affected by disasters to access communications. Many disaster response agencies have made large investments in communications systems, and are being assisted in this by large telecommunications companies; however, most of this investment has been directed towards helping relief agencies communicate within and amongst themselves, with little attention given to the communication needs of disaster-affected populations. For remittance-reliant households, however, communication with migrant family members may be crucial to restoring their livelihood. A combination of family tracing and telecommunication systems would assist affected families and migrants, who may still be abroad or may have travelled back to help their families, to find and communicate with each other, thereby helping households restore their livelihoods more quickly. The objective should be for disaster-affected populations to have rapid access to national and international telecommunications. Efforts by embassies and consulates to assist migrant workers and relatives should also be linked to such systems.

Aid actors should continue to consider ways in which financial institutions can be assisted to set up temporary offices as quickly as possible, and to help them publicise the fact that they are functioning. Aid actors and governments should also consider ways in which help can be given to emigrants to enable them to return temporarily to disaster areas, and to re-emigrate and return to work once their families are secure. Cash assistance or flight vouchers could be considered to cover transport costs to and from the home country. Special visa measures, such as waiving fees or ensuring that visas will be re-issued for re-emigration to the host country, could be considered and negotiated.

The importance of remittances to many households' livelihoods supports the case for the use of cash transfers in assistance programming. Households that can restore their remittance flows will undoubtedly do so, and will use this money to help rebuild; it may thus make sense to provide assistance to these households in the same form, since receiving in-kind assistance for the same purpose may be inconvenient or even incompatible with their cash income. For example, shelter programmes often deliver large bundles of shelter materials or even complete homes, but it is very difficult for beneficiaries to add to or augment these items with their own resources. A better net result might be achieved if these beneficiaries received the assistance in cash, so that it could be added to with their own cash resources. The finding that a large proportion of affected people stayed in their villages and lived with their neighbours highlights the need to consider support to host families, which could also be an appropriate role for cash transfers when markets are functioning.

Assessments by aid agencies should examine remittances in more detail than they do at present. National and/or regional distribution data can belie the distribution of and dependence upon remittances at the village and household level, and this may not be spotted using simple random surveys with a 'tick box' for remittance receipt. Agencies need to be aware that remittance receivers tend to be clustered together, and can be highly dependent on these remittances for their livelihoods. Assessments need to estimate the previous level of dependence on remittances, and the effect that the disaster has had on them.

5.1.3 Disaster risk reduction

One clear implication of this study is that strengthening and promoting remittance flows should be a priority for disaster risk reduction. Remittances are an important way of reducing risk from local disasters, and also provide an insurance mechanism that can, to a limited extent, cover losses. The findings also imply that remittance receivers make sensible, and risk-reducing, investment decisions, such as stronger housing.

The increased number of bank accounts as a result of the large cash assistance programme of the Pakistan government will increase the options open to remitters and receivers in making remittance

transfers. This increased choice should make remittance flows more resilient, and may perhaps stimulate more competition, thereby bringing down transfer rates. A major barrier to the increased use of banks has been overcome, and a large number of rural Pakistanis now have bank accounts. An opportunity therefore exists to promote remittance flows through banks.

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Appendix I

Respondent's Profile

Gender	Percent	Number
Male	55.7	136
Female	43.9	108
Education/Literacy		
Illiterate	40.9	100
Up to Primary	13.5	33
Middle	17.9	44
Matriculation	16.7	41
Intermediate	5.3	13
Graduation	4.5	11
Masters	0.8	2
Age group		
Less than 21 years	9.8	24
21 –30 years	33.3	82
31 – 40 years	26.0	64
Above 40 years	30.9	74
Total	100.0	244

Appendix II

Remittance sender's profile

Marital Status		
Married	99.6	244
Unmarried	9.4	23
Widow/ Widower	0.4	1
Education/Literacy		
Illiterate	19.9	49
Up to Primary	13.4	33
Middle	24.8	61
Matriculation	39.4	97
Intermediate	6.9	17
Graduation	2.8	7
Masters	1.2	3
No response/ No info	0.8	2
Relationship of sender		
Father	17.1	42
Husband	49.2	121
Son	17.5	43
Daughter	0.4	1
Brother	14.2	35
Other family members	3.7	9
Other non- family members	0.4	1
Self	1.2	3
Total	100	246

* Case percentage

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