

Effect of COVID-19 for Sending Remittance in Somalia.



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Abstract

Somali diaspora maintains a connection to their home country by sending remittances or traveling back home regularly. However, after the COVID-19 outbreak, the Somali diaspora had reduced or stopped sending remittances in which had affected the household income and the economy of Somalia.

The objective of this study is to examine the effect of COVID-19 on sending remittances in Somalia.

The survey was conducted from April 5 to 20 May 2021 by using semi-structured interviews. The analyzed data were received from the top five remittances operate in Somalia. Target respondents were executives and operation managers. Interviews were conducted on remittances' place of works in Mogadishu. Some remittance interviews were conducted by phone.

Findings show that Somalia is experiencing two consecutive years of remittances decline amid the Coronavirus lockdown.

The decline has an extensive impact on business, the cash flow, the livelihood of household's income, and the Somali Economy. The future recovery depends on how Coronavirus manages the world.

Keywords: Remittance, Diaspora, Covid19.

Introduction

The war in Somalia caused people to become diaspora around the world. A large number of Somali diaspora live in high-income countries such as the United States, Canada, UK, Norway, Germany, Sweden, and Gulf countries. Somali communities maintain a connection to their home country by sending remittances or traveling back home.

Somalia is among the top remittance recipient countries in Africa. An estimate of 33 percent of the countries' GDP depends on remittance from overseas. As the COVID-19 outbreak started across the globe, remittances to Somalia have declined and this has a major impact on household livelihood income and the Somali economy in general.

Continuous support from the Somali diaspora is essential for the Somali people and the economy. This study aims to analyze how Coronavirus affected remittances sent by the Somali diaspora in Europe, America, Gulf, and Africa to the households in Somalia.

Remittance to Somalia

By definition, money sends to back families in origin countries by the migrant/diaspora known as a remittance. Remittance plays an important role in the Somali economy. According to World Bank, annually an estimated \$ 2 billion was sent by the Somali diaspora to their home country.

Somali Gross Domestic Product (GDP) is estimated at 6 billion dollars, this makes approximately one-third of the Somali GDP depend on remittances. In other words, total remittances to Somalia exceeds foreign aid and humanitarian aid to Somalia from developed countries and the UN which reaches an estimate of 800 to 900 million.

The literature shows that Somali remittances have the capacity to transfer money around the world to the country but, as the COVID-19 outbreak emerged around the globe, the ability of diaspora to send remittance to the home country has declined therefore, Somalia faces economic recession.

According to World Bank (2020) remittance flows around the world are expected to fall

these including Sub-Saharan Africa which is expected to decline by (23.1 percent).

The following paragraphs discuss how Somali remittances operate and the effect of Coronavirus for sending remittance to Somalia.

How Somali Remittances Operate

Somali remittances have been operating since 1991 when the central government was toppled. Nearly, there are twenty on operation remittances in Somalia and they compete in the market with one another. Remittances have agencies in almost all countries in Europe, North America, Australia, Asia, and Africa.

During the operation hours, the sender meets an agent who represents remittance in his/her town, then the person should pay the amount of money wants to send. There are commission fees which depend on which country does the sender lives in, however, an average of sending every one hundred dollars costs \$3 to 10. Transfer speed is very high within five minutes or less will transfer the money.

Payment process; the receiver goes to the remittance agent access point and collects the money. Alternatively, clients in Somalia receive using mobile money which is very popular to use in Somalia.

Remittances to Somali from Europe

Somali origin in Europe is among the most immigrated communities from Africa living in the UK, Sweden, Norway, Germany, Holland, Denmark, and Italy.

The available data shows that the total population of Somali diaspora living in Europe is increasing year after year. Official records show that in the UK alone, an estimate of 108,000 Somali community lives in the UK, this makes top destination country for Somali immigrants in Europe. Sweden has the second-largest number of Somali immigrants with an estimated 95 thousand, while, Norway has about 43 thousand, Germany about 40 thousand. Italy, Denmark, and Holland have 7,903, 21,204, 33,000 respectively. Generally, Somali people immigrated to Europe after 1991.

Somalia receives more remittances from Europe than any other country in the region. Approximately 40 percent remittances to Somalia comes from Europe. However, it is one year and a half since the COVID-19 pandemic confronts the European economy. Most Somali diaspora in Europe remains unemployed even with higher uncertainty way out of this crisis.

We asked remittances to compare the percentage (%) of decline a year before the

COVID-19 outbreak 2019 and after the pandemic 2020.

Findings show that remittances send from Europe to Somalia have experienced an average decline of 25% to 30% compared to pre-COVID-19 lockdown.

We also asked respondents, on what average do Somali diaspora in Europe reduced sending per household in their home country after Coronavirus?

Although data is limited, respondents' records show pre-COVID-19 an average amount were sent to the per household was \$150-250 however, after the Coronavirus outbreak this has declined to \$100 to 200 on average per household.

We asked a follow-up question which is; how many of them as a percentage has reduced the amount of remittance send per household in their home country comparing the year before the Coronavirus outbreak.

The study found, about (40%) of the remittance senders in Europe have reduced the amount of money used to send per household compared to before the coronavirus.

A respondent said, "Due to the COVID-19 pandemic most European countries are under stay-at-home orders and work restrictions. Thus, Somali diaspora faces difficulties sending remittance to their home country".

Remittance to Somali from America

North America is the largest destination for the Somali diaspora. USA, and CANADA hosts a large Somali community in North America; approximately 200,000 live in both countries. Remittances from these countries contribute to the Somali economy.

It is hypothesized that remittances from North America either equal to or exceeds the amount of humanitarian assistance that the US government sends to Somalia in a fiscal year; approximately one-third (33%) of remittances to Somalia comes from North America.

It is about a year and a half since the coronavirus outbreak started in America, many Somali Americans and Somali Canadians were laid off or lost their jobs because of the coronavirus outbreak and they continue to face deep financial hardship.

We asked remittances to compare the percentage (%) of decline a year before the coronavirus outbreak and after the pandemic. The study found that remittances sent from Canada and the USA have declined one-fifth (20%) compared to the year before the Coronavirus.

We also asked respondents, on what average do Somali diaspora in America reduced sending remittances per household in their home country after COVID-19?

The study found the average remittances from the USA and Canada were \$200-400 per household before the Coronavirus. However, remittances sent after the pandemic indicate a decrease on average of \$200-300 due to COVID-19.

We asked a follow-up question which is; how many of them as a percentage has reduced the amount of remittance send per household in their home country comparing the year before the COVID-19 outbreak.

The study found, 35% of the remittance senders have reduced the amount of money used to send per household compared to before the coronavirus outbreak.

A respondent said that “Somali community in the US and Canada have lost more jobs and they have had difficulties getting jobs since the pandemic started”

Another respondent said that “There are three categories of remittance senders during the pandemic; those who stopped sending, those who reduced the amount they were sending, and those who neither stop nor reduced sending remittances”.

Remittances to Somali from Australia.

Australia is home to roughly nine thousand Somali community including those arrived after 1991 and individuals who were born in

Australia. Many Somali families continue to rely on remittance money from Australia to meet their household basic needs. Approximately five percent remittances to Somalia comes from Australia.

Although Australia is a high-income country but, COVID-19 outbreak poses a major threat to the nation's economy and the Somali diaspora concerned about how the coronavirus is affecting their jobs.

We asked remittances to compare the percentage (%) of decline a year before the Coronavirus outbreak 2019 and after the pandemic 2020.

According to the SRA findings, remittances sent from Australia have declined up to 25% compared to the year before Coronavirus.

We also asked respondents, on what average do Somali diaspora in Australia reduced sending per household in their home country after Coronavirus?

The study found the average remittances from Australia were \$250-400 per household before the COVID-19. However, remittances sent after the pandemic indicate a decrease on average of \$200-300 due to Coronavirus.

We asked a follow-up question which is; how many of them as a percentage has reduced the amount of remittance send per household in their home country comparing the year before the COVID-19 outbreak 2019.

The study found, 20% of the remittance senders have reduced the amount of money used to send per household compared to before Coronavirus.

A respondent told that "remittance decline started before Coronavirus, those who arrived as children or born in Australia are less connected back home than those who arrived as adults".

Remittances to Somali from Gulf Countries

Gulf countries have a long relationship with Somalia; countries such as Saudi, Emirates, and Qatar host a larger number of immigrant labors from Somalia.

By comparison, Qatar is home to a smaller share of Somali diaspora compare to Emirates and Saudi respectively. Among destination countries, Saudi hosts more immigrants than any other country in the Gulf; in 2016 Somali president has signed an agreement with Saudi Arabia to send 50,000 domestic workers to Saudi. In 1983 Somalia and Qatar have signed an agreement to regulate the recruitment of Somali workers in Qatar.

Somali labor in Gulf countries contributes to the economy of both countries. Approximately 12 percent remittances to Somalia comes from Gulf countries. However, after the coronavirus outbreak

countries like Saudi, Emirates, and Qatar have enforced lockdowns, curfews, and restriction movements. These have left jobless to the Somali employees in Gulf countries.

We asked remittances to compare the percentage (%) of decline a year before the COVID-19 outbreak 2019 and after the pandemic 2020.

The study found remittances sent from Gulf countries have declined up to 35% compared to pre-COVID-19.

We also asked respondents, on what average do Somali diaspora in Gulf reduced sending per household in their home country after Coronavirus?

The study found the average remittances from Gulf were \$150-300 per household before the COVID-19. However, remittances sent after the pandemic indicate a decrease on average of \$100-250 due to Coronavirus.

We asked a follow-up question which is; how many of them as a percentage has reduced the amount of remittance send per household in their home country comparing the year before the Coronavirus outbreak.

The study found, 33% of the remittance senders in the Gulf have reduced the amount of money used to send per household compared to before Coronavirus.

A respondent said, “Saudi Arabia is the largest source of remittances to Somalia but remittance decline is largely due to falling in the wages and unemployment of migrant workers in Gulf countries”.

A respondent said “Gulf nations have experienced greater declines as oil prices fell due to COVID-19; week oil prices have affected remittance to Somalia from Gulf countries”.

Remittances to Somali from Africa

Somalia is among the top remittance recipient countries in Africa. An estimate of 33 percent of the countries’ GDP depends on remittance from overseas. Continuous support from the Somali diaspora is essential for the Somali people and the economy.

This section discusses remittances to Somalia from Africa mainly South Africa and Kenya. These two countries host a large number of Somali communities who are productive in businesses; they contribute to both countries’ economies. Approximately ten percent remittances to Somalia comes from Africa.

After the COVID-19 pandemic outbreak has hit Somali immigrant workers in South Africa and Kenya, they have lost jobs and reduce their ability to send remittance to their home country.

We asked remittances to compare the percentage (%) of decline a year before the COVID-19 outbreak 2019 and after the pandemic 2020.

The study found that remittance senders affected Coronavirus in a variety of ways. Thus, remittances declined up to 30%.

We also asked respondents, on what average do Somali diaspora in Kenya and South Africa reduced sending per household in their home country after COVID-19?

The study found the average remittances from South Africa and Kenya were \$150-200 per household before the Coronavirus. However, remittances sent after the pandemic indicate a decrease on average of \$100-150 due to Coronavirus.

We asked a follow-up question which is; how many of them as a percentage has reduced the amount of remittance send per household in their home country comparing the year before the COVID-19 outbreak 2019.

The study found, 40% of the remittance senders in Africa have reduced the amount of money used to send per household in Somalia compared to before Coronavirus.

Impact of Remittance Decline

Remittances from overseas help Somali households to afford to spend on livelihood needs including food, rent, healthcare,

education, and transportation. However, after the COVID-19 outbreak, remittance dropped an estimated average of 30% all over the country and this has affected families' ability on spending on livelihoods; households are at livelihood risk as remittance incomes decline over this period.

Findings show a fall in remittance associated with lower spending on education, increases school dropout, child labor, and health affordability. Disadvantage mainly affects internally displaced people who receive some kind of support immediate families live in Gulf or neighboring countries. If these continue it will devastate households' livelihood and economics.

Conclusion

Nearly one in ten Somali people displaced within and outside of the country. Somali diaspora maintains connections to the home country by sending remittances and this is a vital source of income for Somali households and the economy. Currently, Somalia suffers two consecutive years of remittance decline and this has affected families' ability on spending on livelihoods.

Before the COVID-19 Somali economy was growing an average of 2.9 percent rate (World Bank 2019). However, a decline in remittance has interrupted economic recovery in the country.

There are some optimistic senders who are still committed to supporting their relatives, even if it meant sending a lesser amount.

The total amount of money decline is likely much larger than current estimates because only funds sent through 5 top dominant remittances are included in the study.

If stay-at-home orders and work restrictions continue in Western countries. SRA projects will hit dramatically Somali economy. Therefore, the Somali government should recognize economic challenges face through remittances and seek alternative economic generation.

About SRA

Somali Researchers Association (SRA) is an association that brings together Somali researchers and provides a platform to exchange knowledge, experience, and ideas. SRA founded in 2017, it's a professional association whose mission is to promote excellent research in Somalia.

Our research creates awareness about the public problems in people's life provides actionable intelligence to civic leaders and policy-makers, reorients the focus towards the solutions, and paves the way for real change in a way that buildings momentum for a better tomorrow for all and delivers its information free of charge.

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