COVID-19: IMPACT ON REMITTANCES FROM UK TO SOMALIA

Briefing for UK Government

May 2020
HEADLINE FINDINGS

This briefing is based on research by the Anti-Tribalism Movement on how the Covid-19 pandemic has impacted remittances from the United Kingdom to Somalia. It calls for urgent action by UK Government to address the highlighted concerns.

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REMITTANCES HAVE DROPPED TO ZERO for QUARTER of respondents.

Average of £320.19 per person was remitted before Covid-19 pandemic

Average of £144.58 per person was remitted since start of Covid-19 pandemic

Nearly 80% say dependents can no longer buy essential items

68% said dependents can NO longer afford HEALTHCARE

38% say dependents can no longer buy food

55% said dependents can NO longer AFFORD CHILDREN’S EDUCATION

60% EARN NOTHING since pandemic started, or less than before.

89% SEND LESS than they used to before lockdown began.

44% of affected Somalis are aware of UK government income support schemes for employed and self-employed people.

68%

55%

60%

89%

94.5%

ONLY 1 IN 5 SELF-EMPLOYED SOMALIS ARE PLANNING TO APPLY FOR THE GOVERNMENT CORONAVIRUS INCOME SCHEME

AVERAGE OF 3.5 PEOPLE IN SOMALIA ARE RELIANT ON ONE REMITTER’S REMITTANCE

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INTRODUCTION

In normal times, migrants and minority communities regularly remit money to vulnerable households in Low and Middle Income Countries. These global remittances, estimated at $554 billion in 2019, provide a financial lifeline for millions of people by contributing significantly to nutrition, higher education, healthcare, and financial security to reduce pressure to participate in exploitative practices such as child labour. Those who receive remittances find it easier to ‘access credit, repay debts... and smooth out fluctuations in overall household expenditures.’

In fragile states, remittance income is also used for humanitarian activities, peace building and strengthening national institutions. The Covid-19 pandemic and resultant economic disruption have devastated this financial lifeline. The incomes of millions around the world have been drastically reduced or wiped out, with minorities and migrants hit hardest as they tend to be in the most insecure jobs.

In addition, Somali Money Transfer Operators (MTOs) in the UK face a particular set of challenges. Many Somali MTOs with reach across all of Somalia, rather than just a few regions of the country, cannot accept remittances online as they cannot open UK bank accounts. This has been the case since 2013, when banks closed Somali MTO accounts in response to fears of terrorism funding and weak finance regulatory infrastructure in Somalia. However, both concerns are being addressed by the Somali government: Al-Shabaab’s influence has been curtailed, and new federal government legislation is helping control money laundering and terrorist financing. The International Monetary Fund, African Development Bank and World Bank recently waived debts of around $2bn in recognition of the progress made by the Somali Government in financial regulation. The absence of banking facilities makes it difficult for UK Somalis to make online remittances, so most go into a branch to remit. However, lockdown measures have led to most branches closing.
So the few UK Somalis who can still remit cannot do so easily, and humanitarian funds raised by the diaspora cannot find their way to where they are needed.

Alarmingly, global remittances in 2020 are expected to fall by 20% to $445bn, possibly the largest fall in recent history. Somalia is particularly heavily reliant on remittances. In normal times, by conservative estimates, the Somali diaspora sends home somewhere between USD 1.3bn and 2bn each year in the form of personal remittances. This is roughly a third of Somalia’s GDP and more than the international aid the country receives. The Somali diaspora of over 1.2 million people is clustered in countries with high Covid-19 fatalities including the UK, US, Sweden, Netherlands and Italy. As the economies of these countries suffer, the volume of remittances to Somalia drops, possibly already by as much as 50% in certain corridors. This is catastrophic at any time but particularly so in a year where the country is reeling from severe drought, massive floods, and the largest locust invasion in decades. This follows years of violence, drought and flooding which have left more than five million Somalis reliant on humanitarian aid. The UK’s International Development Secretary recently said that Covid-19 is a health, humanitarian, and economic crisis which could ‘undo 30 years of international development work.’

Since the start of the Covid-19 lockdown, ATM has witnessed significant distress in the UK Somali community. There are many triggers: minority communities’ higher vulnerability to Covid-19, higher poverty and lower financial resilience, and higher risk of job losses. But a very big feature in the anxiety landscape is the interruption of their ability to send money to Somalia. The Somali community takes its obligation to family ‘back home’ very seriously and anything that disrupts their ability to take care of dependents causes overwhelming anxiety, fear and worry.

In order to get a better sense of the scale and nuances of the problem in the UK, we carried out research with Somalis across the country. The aim is to understand the impact of Covid-19 amongst British Somalis in terms of income and remittances, and to get an idea of how this may in turn affect Somalia.
METHODOLOGY

ATM staff administered a questionnaire by phone to 55 Somalis (34 women and 21 men) in Birmingham, Bristol, Cardiff, Leicester, London, Milton Keynes, and Sheffield. The 27 questions focused on the impact of Covid-19 on incomes and remittances. The questions were developed in consultation with community members, and incorporated feedback from UK government departments.

RESPONDENT PROFILE

Age

Keyworkers

Employment status
FINDINGS

Falling income and remittances

Our data leaves no doubt that remittances are falling since the start of the Covid-19 pandemic and its resultant lockdowns.

1. Before the lockdown, 94.5% of our respondents remitted money every month to Somalia.

2. On average, each respondent has 3.5 people in Somalia relying on their remittance. In addition, each respondent also used to send money monthly to vulnerable Somalis in other locations – for instance refugees and asylum-seekers in Kenya, Malaysia, and China.

3. Previous research suggests that as many as 80% of remittance recipients in Somalia receive money from only one sender, suggesting high dependence and vulnerability. The extent to which this remittance link is resilient depends on other family members taking up the remittance role; as the economic impact of Covid-19 is widespread across the Somali diaspora, it is unlikely that anyone will have the ability to pick up others’ slack.

4. Pre-Covid-19, each remitter sent on average £320.19 every month to dependents in Somalia. Now, the average remittance per British Somali has dropped precipitously to £144.58.

5. An alarming 89% of our respondents are not able to send the amounts they used to before Covid-19 lockdown. For a quarter of respondents, remittances have plummeted to zero.

6. For some respondents, not remitting is not an option and so they end up borrowing money to continue to remit. This of course, has other repercussions. As one respondent says:

“The money that I sent to my family in Somalia for the past two months was borrowed money and this gives me so much anxiety particularly at night as I am getting into so much debt.”
7. For nearly 70% of respondents, the lockdown has significantly impacted their ability to send remittances. Only 4% had managed to find alternative means of remitting, as they call for technological or logistical capacity which not all members of the community have. For instance, one respondent describes how they send money now:

“I have had to use other relatives from diaspora living in Somalia and do bank transfers to their accounts. These individuals then have to transfer the money to the local mobile money service (Mobile payment in Somalia) and then remit the money digitally to the initial recipient. It is a long process.”

8. A primary reason for falling remittances is the loss of work and income, which leaves remitters with less disposable income available to send. 36% of our respondents said they have no work since lockdown began, and 31% said they had less work.

9. Another big reason for falling remittances is the disruption of remittance channels. The 27% of Somalis who are earning the same as before (predominantly key workers or those in full-time secure employment), the 7% who are earning more than before (predominantly key workers but also 1 small business owner), and those who are borrowing to remit, are not able to easily send money to Somalia because a large proportion of money transfer branches are closed. According to some MTOs ATM spoke with, the majority of branches are closed and transactions are down by between 60% and 70%.

10. Branch closures directly impact remittance capacity of our respondents because over 65% remit in cash at a money transfer branch. Even where branches may be open, travel restrictions make it difficult to go to the branch. Only those who remit through online transfers appear to be continuing to remit.
Poor uptake of UK government income support schemes

There is a serious information deficit in the UK Somali community about UK Government support schemes for employed people, and even more for self-employed people.

11. While almost half of employed respondents were aware of the Coronavirus job retention scheme, only 36% of self-employed respondents were aware of the Coronavirus self-employed income support scheme.

12. However, even amongst the employed, not all those who knew about the scheme were aware of its specific benefits, and even fewer (42%) had been told whether they were eligible for it. As a result, not all had applied.

13. Amongst the self-employed, while 36% were aware of the government’s income support scheme, 76% were not aware of the benefits of the scheme and only 20% are planning to apply for it. Many seemed confused about eligibility - one respondent said they were ‘not sure if applicable to small business like mine,’ another said ‘not sure if eligible due to zero hours,’ another said they were ‘uncertain about whether accepting business interruption scheme loans could be damaging in the long run.’

14. Most UK Somalis get their information about government support for Coronavirus problems from family members, followed by TV and radio stations including Somali ones, followed by internet sites such as the UK government site. Smaller numbers appear to get information via social media such as WhatsApp, Facebook, Twitter and Instagram, and from local authority communications.
High negative impact in Somalia

It is no exaggeration to say that the fall in remittances has potentially catastrophic impacts on Somalia. As an economist at the World Bank says, ‘The loss of remittances is the loss of a financing lifeline for many poor families which will have a direct impact on nutrition, health and education outcomes which in turn will affect human capital formation.’

15. For every single respondent, their reduced remittances were having discernible impact on their dependents in Somalia.

16. Nearly 80% stated that their dependents could no longer buy essential items.

17. 38% of respondents said dependents could not buy food any more, which could be an early indicator of possible mass starvation building up within Somalia.

18. Nearly 68% said dependents could no longer afford healthcare.

19. 55% said dependents could no longer afford children’s education.

20. 40% said dependents could no longer afford housing.

21. By any reckoning, each of these impacts individually is a disastrous fall-out from reduced remittances: people unfed, children uneducated, families homeless, and a nation without access to healthcare as a deadly pandemic takes hold (medics, funeral workers and gravediggers in Somalia have reported an unprecedented recent surge of deaths). Together, these consequences of falling remittances could foreshadow a collapse of human, social and governance infrastructure in Somalia, the impact of which will last for decades.

22. The resulting instability could well provide fertile ground for radical and currently waning actors such as Al-Shabaab to reassert themselves, which will have repercussions around the region and potentially across the world. It could also prove a push factor for child solders to be recruited by Al-Shabaab.
Emotional impact on UK Somalis

UK Somalis feel an overwhelming sense of duty and responsibility to those ‘back home.’ If they cannot help to send them money for food, housing, education and health, there is a great sense of failure.

23. Every single respondent confessed to feeling emotions such as stress, worry, fear, helplessness and anxiety. One said they feel they are living through a disaster, another that they were having a mental breakdown. Even those who have enough work and income are worried about how hard it is to send remittances.

24. Comments from respondents include:

“The inability to send remittances has caused me great stress and anxiety as I cannot support my dependent families who their only means of getting money to put food on the table is the money I sent to them and there is no system that can support them.”

“Worried constantly about my family back home and this is causing me to have mental breakdown.”

“Worried that not sending money could have serious impact on family. They are living in refugee camp with limited resources.”

“Frustrated as there is a worry and concern for family back home because COVID-19 has potential to be significantly worse in Somalia.”

25. One respondent, a frontline worker, said food costs have risen in the UK during lockdown so it is harder to support family in Somalia. Her mental health has been additionally affected by the stress of caring for seriously ill patients.

26. Many respondents were worried about losing employment and becoming financially insecure.

27. One said they were getting more shifts to work at a supermarket and thus had more income, but they were anxious about catching Covid-19.

28. One 60-year old respondent with underlying health conditions had been advised to close their small business to avoid contracting the disease, but this makes them worried about future financial security.

29. While the specific experiences of loss of remittance ability appear varied, it is clear that across the board, there are high levels of anxiety about dependents in Somalia.
RECOMMENDATIONS

Various experts have already offered strong recommendations to Somali government, international governments, donors, and international organizations. We would like to add our support for urgent action through the following proposals to UK Government.

ATM requests:

1. UK Treasury to work with UK banks and Central Bank of Somalia to revisit risk assessments of MTO banking facilities in light of improved regulatory situation in Somalia.

2. UK Treasury to urgently encourage UK banks to provide services to MTOs, at the very least for as long as the pressure of Covid-19 lasts. Banks could consider allowing MTOs to access services such as digital transfers. If needed, UK Treasury could ensure that MTOs are registered with HMRC and the FCA before banking operations are enabled.

3. DfID and FCO to carry out urgent evidence-based assessments to identify the most vulnerable and at-risk populations in the context of collapsing remittances and Covid-19 infection. Aid should be targeted intelligently and sensitively to these populations.

4. DfID and FCO to urgently increase short-term aid and cash transfers to Somalia as long as remittances stay depressed due to Covid-19. This will help mitigate against the looming humanitarian disaster.

5. DfID and FCO to urgently release any money ring-fenced for later periods. The need now is extreme and immediate.

6. All relevant UK government departments to support more Somali MTO branches to provide services, with strict enforcement of social distancing rules.

7. UK Treasury to improve communications to the Somali community about income support schemes for employed and self-employed people.
89% remit less than they did before lockdown

REFERENCES


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12 Washington Post (7 April 2020), ‘As Coronavirus Layoffs Surge in Richer Countries, Poorer Ones Lose Vital Remittance Payments’