



# Thesis

## **M30-NORAGRIC – Master Thesis**

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# Somaliland Diaspora: Contribution to Development

# Noragric

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## **Declaration**

I, Omar Jama Diriye declare that this thesis is a result of my own work. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature: Omar Jama Diriye

Date: Oslo, 08-12-2014

## **Abstract**

This study focuses on the diaspora contribution to the development of Somaliland. In detail three types of remittances are examined as well as Hawala operators particularly the strategies behind employment and taxation toward Hawala is examined.

In order to obtain the needed data to the study, qualitative and quantitative research methods were applied. The study separated the focus groups into three respondents groups. The first focus group is the family remittance recipients and 90 families were interviewed, using structural questions and discussions to obtain proper data regarding the use of remittance and its effects. The second group contains 10 diaspora owned business including to Hawalas using structural interview with managers and the obtained data is toward employment and their other contribution to development. The third focus group is the state owned institutions and this part of the study has examined the overall diaspora contribution to humanitarian and development terms.

The study finds that the family remittance recipients benefit from the remittance in terms of some savings, creating other income generating activities including new migration of the members of the recipients. As there is huge unemployment in the region, new migration has the potential that the recipients have sustainable remittances and the migration is strategically planed and intended to be income diversification. When it comes to the investments from the diaspora, this study finds that the non-recipients can't benefit this type of remittance due to the employing strategies from the owners given the fact that family and clan members of the owner have the opportunity of employment. Another remittance examined in this study is collective remittance to public goods and finds that the Diasporas organizations are based on clan, and although they contribute to humanitarian aid however there capacity are meager.

The study concludes that the non-recipients in general and the members of marginalized clans in the region with les members abroad can't benefit from remittances significantly and there is huge unequal distribution of remittances.

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## Abbreviations:

RVF	.....	Rift Valley Fever
UAE	.....	United Arab Emirates
ZAAD	.....	Mobile Money Transfer
EDahab	.....	Mobile Money Transfer

# Chapter One

## Background

### 1.1 Introduction

The studies on Diasporas' contribution to development, particularly in Africa, have become a highly debated topic in recent years. For example the remittance that The Africans working abroad sent for the period 2000-2003 were estimated US17 billion while Foreign Direct Investment were US15 billion per annum in the same period (United Nations 2006). The World Bank's report for 2011 shows that during 2011 the remittance flows to developing countries were estimated to USD 372 billion with an increase of 12.1% over 2010 (Dilip 2012). Same like any other remittance benefiting region, Sub-Saharan African (SSA) countries enjoy huge remittances and the remittances that reached to these countries in last year were estimated up to USD 22 billion and according to the World Bank this amount will increase and will reach nearly USD 27 billion in 2014 (Dilip 2012). Although remittances flows to SSA is enormous, however the amount that these countries receive is a relatively low-level compared to Latin America or Asia but in general Somalia is the world's largest per-capita recipient of remittances (Hammond 2011). In the case of Somaliland the regions hard currency previously came from livestock export but the things changed during 1990's and today about 60% of the regions hard currencies are the financial remittances from the Diaspora. According to Lindley (2006) the high dependency on remittances among the people of this region is the prolonged crises and the unstable condition in the country and she identified five factors that negatively affected the income and the social life of the people of this region and because of these crises which are detailed below are the main reason that Somaliland Diasporas begun to remit not only to their family members but also the overall collective goods such building schools, health centres and among others.

The first factor is the two conflicts which took place in this region. The first conflict occurred 1988-91 in which the rebel group called SNM (Somali National Movement) wanted to topple the strong dictator Siad Barre after many years of harassment and killings of the opponents of the regime during 1982-88 (King 2003). During that time approximately 60,000 of the population were killed and nearly half a million of them fled to Ethiopia after heavy bombardment of the major towns in which nearly all the buildings and the infrastructure were destroyed. (Ahmed 2000). The second conflict took place during 1994-97. The second

conflict occurred due to disagreement between the newly established government and groups of SNM after introduction of the Somaliland's first currency (King 2003).

The second factor is the lack of proper statehood of Somaliland. As previously mentioned, Somaliland is self-declared republic without international recognition. Since independence from Somalia, any international organization recognized Somaliland as an independent state. This situation prevented that Somaliland to enjoy privileges of statehood and impaired the regions development and economy because Somaliland can't get any assistance from international financial institutions.

The third factor is the unstable exchange rate of Somaliland shillings which lose its values in many different times. Lindley (2006) explained that Somaliland shillings fell sharply in three different times. The first time the currency fell was in 1994 when the government introduced the first currency in 1994 in order to finance the war against the rebel groups. The second time was during 2002-03 parliament and constitution elections in which the government printed huge amount of the currency to finance the elections. The third events occurred after the Gulf States banned the import of Somali livestock due to Rift Valley Fever (RVF) outbreak of the region (Holleman 2002).

The fourth factor is the livestock trade ban imposed by the major importers of Somali livestock such as Saudi-Arabia and United Arab Emirates (UAE). These Gulf States banned the livestock from Somalia two different periods of the past 16 years. The first import ban took place in 1998 and lasted until 1999. Although Somaliland exported livestock to Yemen during this ban from other Arab States, however the price of the livestock fell dramatically and the income of the pastoral. The second ban started in September 2000. This time all the Somali's livestock importers including Yemen banned the livestock from the region and the ban was not lifted until 2009. This factor is the most important reason of Somaliland's dependency on Diasporas' remittances.

The last factor that caused remittances dependency is the crises that people meet in everyday lives. Lindley (2006) argues that many crises such as illness, family break up, death, sudden livelihood collapse and displacement either caused by conflicts or natural disasters are the things that caused the remittances flows from the Diasporas (Lindley 2006). The personal crises is not something that happens to a particular community but is closely linked to the

wider economic and political contexts of the region as a whole (King 2003). These factors are the most important cases that triggered the remittances from the Diasporas.

As Somaliland is not internationally recognised, the region faces huge challenges. Although the region is relatively peace in Somali context however there is always conflicts at the eastern part of Somaliland because many of the people of this part of the region want Somali unity. Somaliland forces attack the area and it is common that some people become displaced from their homes. There are always man-made or natural crises. Despite the facts of the crises, Somaliland hugely benefits from the huge amount of remittances that flows to the region like all the regions in Somalia. Diasporas remit not only to their families but they hugely support and give donations to many local and regional organizations (Ahmed 2000, Hansen 2004). Through remittance, Somaliland rebuilt its infrastructures and got the ability to give different services such as education, health services, and telecommunications. Most of the services in Somaliland hugely benefits from remittances and all the types of remittances either intended to individual family members, collective development or financial investment contribute that the region stands still on its feet so far (Hammond, Mustafa et al. 2011).

Remittance is the most important source of household welfare for so many families for the country (Ahmed 2000). The Somaliland residents who receive regular remittance from abroad are estimated at around 25-40% of the total population (Hansen 2004) As in many other parts of the developing world, the remittance plays a significant role in the Somaliland economy and it is arguably the only way to survive for so many people. As such, remittance plays an increasingly crucial role in educations, health, and telecommunication and transportation. Further, at the household level remittances helps families and thus contributes to the overall development of Somaliland.

Therefore, this study seeks answers to the following questions: What remittances are used beyond recurrent or extraordinary household expenses? The study seeks also to find answer about Diasporas contribution on development beyond sending bills and irregularly support to their immediate family members.

This research concentrates both the financial and non-financial remittances and uses different perspective and has the intention to add the existing knowledge on the financial,

political, and social role of the Somaliland Diasporas role on development of the region. The financial part of the research focuses on the household level to prove the notion that much of the remittance goes to meet recurrent and extraordinary family expenses. The research also focuses on the Diasporas owned business' role in terms of job creation etc. The non-financial part focuses on the Diasporas' general role on development beyond economic remittances in terms of political, social etc. The later point intends to understand the benefits that non-recipients gain from Diasporas. This research combines both financial and non-financial remittances in different perspectives and has the intention to contribute to the ongoing wider debate on diaspora and their impact on their homelands, in this case Somaliland.

## **1.2 The statement of the problem**

As there is no any officially working banking system in Somaliland it is challenging to obtain any official data about the number of the population that receives remittances. It is also difficult to find out the amount of money that the region gets from the Diasporas. Some estimations show that up to 40% of Somaliland population receive remittance (Ravnborg, Boesen et al. 2004, Mohamed 2011). The estimations also show that the region annually receives USD 780 Million remittances. 70% of the amount comes in small money from US\$ 50 up to roughly US\$500. This amount of money is intended in families' recurrent expenses. The 30% remaining remittance which flows to the region comes in capital or financial investments (Adam 2012). Given this fact, remittance is the biggest contributor to Somaliland economy and it constitutes the largest capital in-flow to the region and it is more than international development assistance, humanitarian aid and trade combined together (Hammond 2011).

Obviously Somaliland's contemporary economy depends on remittance with more than 60 percent of overall income coming from Diasporas. This huge dependency on remittances may cause that Somaliland will not achieve sustainable development in the long term so long its major income is remittances. Given the facts that 70% of remittances goes to family consumption there is a concern regarding the future of recipients in case of remittances stop. Survey figures also show that 93 percent of all remittances go to immediate family and on three percent go to extended family. This research focuses on analysing diaspora contributions to development and remittances impact on local employment as well as

Diasporas' contribution to organized economy building and the direct financial assistance to their family members. This means that this research gives attention to the companies owned by Diasporas and their strategies for employment in an area where everything is based on clanship

### **1.3 Research objectives**

In order to answers to the questions regarding to the remittance and its positive affect in contributing on development, this piece of research presents a case study about Somaliland in which the main objective is to examine the remittances impacts on recipients in the long term and the overall impacts on non-recipients in the towns of Hargeisa and Burao using both qualitative and quantitative approach.

Along with the main objective, this study has the following goals:

- a) To find out what remittance`s is used at the household level and its impacts on recipients.
- b) To understand the employment creation of Diaspora owned business including Hawala companies and their overall contribution beyond taxes, to health, education, etc.
- c) To examine the role played by such business in development and the way they operate.

### **1.4 Research questions**

To achieve the main objective, the central question to answer in this study is the following: What are the effects of remittances on development in Somaliland? In order to achieve the other goals, this study seeks to address the following questions:

- a) What are the actual remittance practices at the household level?
- b) Is there any different pattern compared to the theoretical literature?
- c) How Hawala companies contribute to development beyond their services in terms of paying proper tax and creating employment?

## **1.5 Structure of the thesis**

This paper consists of six chapters. The first chapter is about the background to the study. There is introduction of the research area followed by descriptions of the factors, which triggered the importance of remittances in Somaliland. The research questions and objectives are also included in this study as well as the limitations. Chapter two discusses the methodology and the reason to take the methodology in one in one chapter is to detail it clearly. The third chapter identifies and analyses different types of remittances and ample of remittances literature is reviewed. The fourth chapter reveals the research findings from the interview data, observations, notes and other data obtained during the research. The fifth chapter is the summaries of the research outcomes. The last chapter contains both the primary and the secondary sources.

## **Chapter two**

### **Methodology**

#### **2.1 Introduction**

In this chapter the methodology of the study is discussed which mainly based on general methodology descriptions and explanations concerning area of the study, methods, validity and reliability of the research.

#### **2.2 Area of the study**

In the northern-west of Somalia, Somaliland is about 137,600km<sup>2</sup> and was known as the Somaliland Protectorate under the British rule from 1884 until June 26<sup>th</sup>, 1960 when Somaliland got its independence from Britain. On July 1<sup>st</sup>, 1960 it joined the former Italian Somalia to form the Somali Republic. The union did not work according to the Somaliland inhabitants. The exertion led to a civil war from 1980s onwards and eventually to the ousting of Siad Barre and collapse of the Somali Republic in January 1991(Elmi and Barise 2006). After the breakdown of the Somali Republic, the people of Somaliland held a congress during which it was decided to withdraw from the Union with Somalia and to re-establish



Somaliland's independence.

The current population of Somaliland is estimated at around 3.5 million. The average population growth rate is 3.1%. Population density is estimated at approximately 25 persons per sq. kilometres. Fifty-five % of the population is either nomadic or semi-nomadic, while 45% live in urban centres or rural towns. The average life expectancy for males is 50 and for females it is 55 (Somaliland.gov.org). During the research period in Somaliland, the researcher has selected the two main towns of the country Hargeisa and Burao, because they are the major inhabitant towns that have over half millions of people, and they are the hub for connecting mostly remittances transfer systems and their clients in the region particularly in Somaliland and Somalia.

### **2.3 Research methodology**

Both quantitative and qualitative methods have been selected as an approximate methodology for this research. Interviews, Key informant interviews as well as participatory observations have been deployed for data collection.

The main raw data *primary data* used in this research was collected from the towns of Burao and Hargeisa however more time was used in Hargeisa, because it is major town and it is big recipients town in terms of remittances from abroad but also it is the capital of the region and there are many institutions and organizations which were important to contribute obtaining this data about the Diasporas official investments and their contribution to overall development. While the methodology applied and data analysing based on the use of reliability and validity, the validity and reliability are close to each other and has represented to the chosen research design; applying and using mixed data analysis, the methodically will be a moderate constructivism, this option is considered the reality to represented independently from the realisation and has an emphasis on as an ontological position in relating to social objects (Bryman 2008).

The constructivism believes another point of views based the epistemology where different type of this standpoint, sees their position and similarly prepared to accept and acknowledge the objectivity of the reality. As mention above, the research applications are mixed of collection techniques such as the desktop research, books and maritime literature

reviews as well as having very huge amount of information regarding from other source such as the reports, newspaper, online journal, and official documents, websites that were validated and trustworthy, their trustworthy were confirmed through originality of the sources and sources are including number of higher education institution, research centres, world bank, IMF etc., with relevancy and reliability of their sources, authors and affiliation confirmed through the “cross checking and number of sources per item rise inversely to source credibility, with two interesting nuances:” (Franklin and Carlson 2011).

In this case, after confirmed their reliability and credibility of the sources of literature reviewed because most of the literature represent second hand resources of its availability on the internet and is therefore required to apply triangulation methods to reveal and find their common biasness of the data and their sources, as the triangulation means to show all bias and helps the research to be fully aware of its accordingly “Triangulation can be divided into “within-methods” looking at internal validity within one type of data collection and “between-methods” grasping the external validity. The triangulation used within the scope of this thesis built on “between-methods” as the triangulation involved contrasting different research methods” (Todd D. Jick 1979). And is to “improves the probability that the study findings and interpretations are reliable” (Halperin and Heath 2012).

#### **2.4 Interviews, key informant interviews**

In total 90 household remittance recipients respondents participated in the interviews. The managers of 10 diaspora owned business were also interviewed. The directors of the Burao psychiatry clinic and Hargeisa general hospital were also interviewed as well as the chairmen of the universities of Burao and Hargeisa. In addition, the director generals of ministries of health, education and a tax officer of the ministry of finance were interviewed. The aim to the respondents therefore it was easy to track client for interviews as well as conduct contacts with the Hawala companies themselves to light up more in detail for how the system works and contributes the national financial system and job creation at local base level.

Several key informants whom have a good knowledge on the topic and on the area have been interviewed for triangulation but also identification of repugnant. However, prior to and after

the interviews ethical guidelines of anonymity, informed prior consent and mentioned when interview took place and any problems encountered during interviews

## **2.5 Reliability and the Validity**

Reliability are meant the possibility of replicability of the study and its consistency of the research findings, regards to David de Vaus (2001): “A reliable measure is one that gives the same 'reading' when used on repeated occasions and consistently comes up with the same measurement” (De Vaus 2001: 29). Similarly to that; studying different empirical data and material such as the reports, documents, articles, books, analyses, as well as primary and secondary sources. And therefore with “This triangulation of evidence increases the reliability of the data” (Halperin and Heath 2012). The combination both of reliability and validity gives baseline of trustworthy to the research but also the both the validity and reliability are agreed upon that “their validity of a measurement depends upon both on the use to which it is put and on the sample for which it is used, it evaluates how well the measures tap the different aspect of the concept as it defined”(De Vaus 2001).

Emphasising, the research and the conclusion of the finding of this thesis based on the

*“essential to understand the specific constructivist assumptions because from them flow all the methodological dimension of constructivist inquiry, and to understand these assumptions will be to understand why only certain methods can be logically derived and used in constructivism. While, Understanding the assumptions is the first step to understanding the 'otherness' of the research model. Thus research views for constructivist, there is no reality until reality is perceived. Lastly the constructivist inquiry, then, is the process of reality construction in constructivist inquiry, meaning and therefore, reality, is constructed in a way that is reflective of all participant. Their view of their world and what they think about the phenomena under investigation are the data for construction. What is constructed, what makes sense is reflective of the minds of the individuals involved in the inquiry process only. At the conclusion of an inquiry, an infinite number of alternatives remains possible and as yet, unconstructed” (Rodwell 1998).*

For that reason the position, I stand as the researcher, this methodological approach is very challenging and therefore through my ambition in this required field areas makes to dare and study further while to conceptualise, the understanding of the diaspora, remittance and their paradigm in Somalis view based on the international definition and concepts required to prepare such activities. Interestingly, the completeness wise and transparency contribution from Somalis diaspora in the field will enhance the understanding of remittance activities in Somaliland, in other words, discussing with the case with the involvers or their close family members will shed light more widely (Mohammed H 2014)

Lastly, the inclusion of researched data and reports within this thesis legitimate the understanding of the Somaliland remittances and its negative affect and long term positive perspective because next youth generation whom have very limited contact of their origin home will continue to help and contribute their next kin family (Maarif 2012). But importantly the all relevant inputs of the literature, reports etc. reviewed positively contributes the personal believes on this research are all positively considered trustworthy but also “It is important to appreciate that case study researchers do not delude themselves that it is possible to identify typical cases that can be used to represent a certain class of objects (...) because they do not think that a case study is a sample of one” (Bryman 2012).

This research study is mixed study based on the secondary, desktop and field work because “mixed methods research undermines many taken for granted assumption across a wide range of research methods topics as it explicitly brings together different sets of assumptions” (Bergman 2008), to be more clearly for the methods, the desktop research were included different types of journals, articles and reports , while the secondary was based on books that has been analysed to understand more about the Diasporas contribution on development financially. On the other hand, the field work relates of understanding deeply the context of recipients; how their livelihood had affected through the financial support from their related family members in diaspora,

What is more, this research is based both quantitative and qualitative approach, interestingly the literature reviews represents the qualitative part of the research while the quantitative methods based the direct contact that the researcher holding this work conducts during the studying this of field Somaliland remittance in general but concisely the approach of the works starts from the approaching the leaders of the Hawala intention of the research.

Above all; some of the Hawala offices who let that the survey could be conducted in their offices has come that researcher knew some of the staffs in person and some of them were friends of the researcher's friends who assisted him during the survey and even collected some of the interviews. When the Hawala staffs let the researcher to sit in their offices, there were many people taking their remittance from the offices, the researcher contacted with the people, when they stand in the queue.

Under all these circumstance, the researcher introduced to the interviewee and told them that he is writing a thesis about the remittance and in that case I want to have a short time interview. Some of them were skeptical and they did not wanted to give the interview. When someone accepted to give the interview, they sat together then the researcher asked the structural and semi-structural prepared research questions.

The researcher did not only followed the prepared questions but also more unstructured discussions took place if the person had time for the researcher or if some answers leading to other questions came from the interviewee. Potential interviewees were chosen from the queue and the survey was conducted in random way. Unstructured with open-ended and structured answers were conducted with 90 recipients respondents in Hargeisa and Burao. Some of the respondents were met in their homes but above all, most respondents were found at different Hawala offices.

The thesis objectives concentrate the remittance recipients and Diasporas business however there were discussions with people who do not get any remittance in order to compare the different livelihood between the remittance recipients and not recipients. Getting data to the second objective concerning how non-recipients benefit from remittances the officers of Diasporas business as well as Hawala agents were interviewed with structural and non-structural approach. In this part of the study a structural questioner were asked. In addition to that there were long discussions with the officers.

There were also meetings and discussions with the staffs of public health centers, private and public educational institutions and director generals of ministries of health, education and agriculture, with interviews with officers in these particular departments helps to strengthen the data concerning Diasporas broader contribution to development and humanitarian assistance. During the fieldwork, the researcher also kept a fieldwork diary to

record his observations and personal views while spending time with many families and individuals in their living homes, teashops and any other possible places.

## **2.6 Limitations**

The first limitation of this study is the lack of participation among the staffs of Hawala offices. It was very challenging to convince the Hawalas officers that the goal of the study is not concerning their business but only to their clients and absolutely none of the Hawala firms did not or wanted to answer the question about how much money go through to their firm monthly or annually as well as questions regarding taxation. The second limitation was that the recipients were very reserved to answer all the questions and it was difficult for them to understand about the intention of the research even though this prior to the interviews the intention of the study was explained to them. One of these particular problems was that the people don't meet often an individual who is also from the town who is making study about their personal things. They are only familiar with people from the west conducting interviews but not one of their own.

# **Chapter Three**

## **Theories and Literature Reviews**

### **3.1 Introduction**

Recent literature on remittances describes that most transfer of remittances are in form of payments to households in order the recipients meet to pay the recurrent or extraordinary expenses rather than investing and the intention of development goals. To strengthen the benefits of the data, this study refers to the theory of different types of remittances as a theoretical framework. Different types of remittances means not only financial but other sorts of contributions from the diaspora. The aim of this chapter is to identify the different types of remittances both financial and non-financial and later in chapter 4, the study correlates the data analyses with the descriptions of the types of remittances and their role on Somaliland development.

### 3.2 Definitions (Hawala)

There are many different definitions on Hawala system and its formation. According to Qorchi, Maimbo et al (2003) Hawala is Arabic and its main concern is money transfer. Others defined Hawala as an alternative or parallel remittance system that exist and operate outside the traditional banking system. According to Fund (2005) “*Typically, a Hawala transaction transfers the value of money from one country to another without the corresponding movement of cash or cover across borders*” (Fund 2005). Although this research is mainly to focus the money that has been used to send through Hawala particularly to Somaliland however many within this field whom are from this region believe that the diasporas involvement of Hawala is one of their major contributions to the region and in the absence of functioning bank system, it would have been difficult to contribute on development to post-conflict Somaliland.

In the early 1970s many Somalis travelled to the Gulf States. As Somalia always did not have proper working bank system, it was difficult to send money back home for Somalis working in the Gulf States. In order to help their families these workers sent cars, trucks or even gold to their families. When it comes to sending money back home, they used through hand carried cash by migrants or trusted merchants travelling back. In the beginning of 1990s many Somalis travelled and came to live in the west.

During this time everything collapsed including former poorly functioned banking and postal systems. It became very difficult to help families home because of the chaos. During that time some Somalis merchants started the Hawala system. The Hawala System works that someone sending money approaches to a Hawala worker agent, the sender tells the amount of money he/she wants to send then the agent take the money and the cost of the service (currently 5%). When the technology of the internet was not there, the agent used to send a fax to another agent where the money was intended telling to give that amount of money to the intended recipient.

As there was none telephone system in the beginning the sender should tell the full name of the recipient and clan-sub-sub clan etc. Then the agent who works where the recipient lives looks for the recipient through finding a person which is the same clan of the

recipient and the recipients were found through that way. Although the operation took some more time than the current time with an advanced technology, the system worked well as each Somali belongs to clan and finding the recipient through clan is very easy. With the new technology the recipients with phone get a SMS from the Hawala, telling that the person can collect the remittance. When the recipient receives the money, the sender gets an SMS, telling that the money was collected by the recipient. Today each Hawala firm uses a computer program. The system works that when the money-sending information is written in the computer, the agent of the other end also sees the information within the same time.

The whole operation takes place less than a few minutes from the money is sent and to be collected. Today there are money Somali Hawala agencies in every town around the world where Somalis live. If there is no agent in a place, particularly small towns, the sender uses to send the money to the local account of the nearest Hawala office. When it comes to Norway there are more than 10 different Hawala agencies working in Norway. Each Hawala has offices in all big cities in Norway. Due to that the senders can send the money to the Hawala's local account, senders do not need to go the offices of Hawala but after they put the money in the Hawala account, they contact the Hawala through phone or email and tell where and who the money goes.

Last few years the Hawala services are taken to another level of Mobile Money transfer called (ZAAD). "Telesom in Hargeisa have introduced mobile money (M-money thereafter) service in the first time in 2009, which is known as Zaad financial Service allowing customers using their mobile phone to transfer money, to pay bills and to purchase goods and services. Within a very short period, this services becomes more popular in the Somalis community from the regions including the Somalia, due to its reducing risk of carrying cash around and eliminating the need to use money transfer companies to transfer money within the country" (Sayid., Echchabi. et al. 2012); but also Dahabshiil which is the main remittance company has also developed its own version of mobile money transfer called eDahab to deliver the remittance sent by the diaspora but also allowing its customers buy and pay bills.

Both these system are available in Somaliland region delivering the money transfer to their clients but also make it easier to carry cash in digital means to buy and pay bills in the country. The mobile money transfer has been in place in many parts of world particularly in Africa and achieved a very success in the services delivering and the acceptance among the



Somalis in this new system has not been risen any concern but welcoming and acceptance among the population in the country and it is used widely .

Today in Somaliland very high percentage of money transactions happen through this mobile money system run by the remittances companies in conjunction with their telecommunication partners. The Hawala services are very secure that even the International Organizations, operating in Somaliland use the Hawala system. Even the government uses it as the hard currency bank system as the Somaliland has central bank in places but has constrains of dealing with other international banking system due to the lack of their unrecognition.

In the other African countries which use the *mobile money system* it is used for financial inclusion for their communities and the providers of the system offer savings, credit, insurance possibility among other benefits to the poor at low costs. Whether *mobile money* will achieve this lofty vision depends on a number of factors (Kendall., Machoka. et al. 2011) in which this research doesn't go through. In the case of Somaliland the system is only used carrying and receiving money rather than providing credits and insurance services.

Although the ZAAD system is very popular in Somaliland currently, however the traditional way of physical collecting of remittance from Hawala offices is still there particularly the elders, non-cellular phone owners and un-schooled recipients.

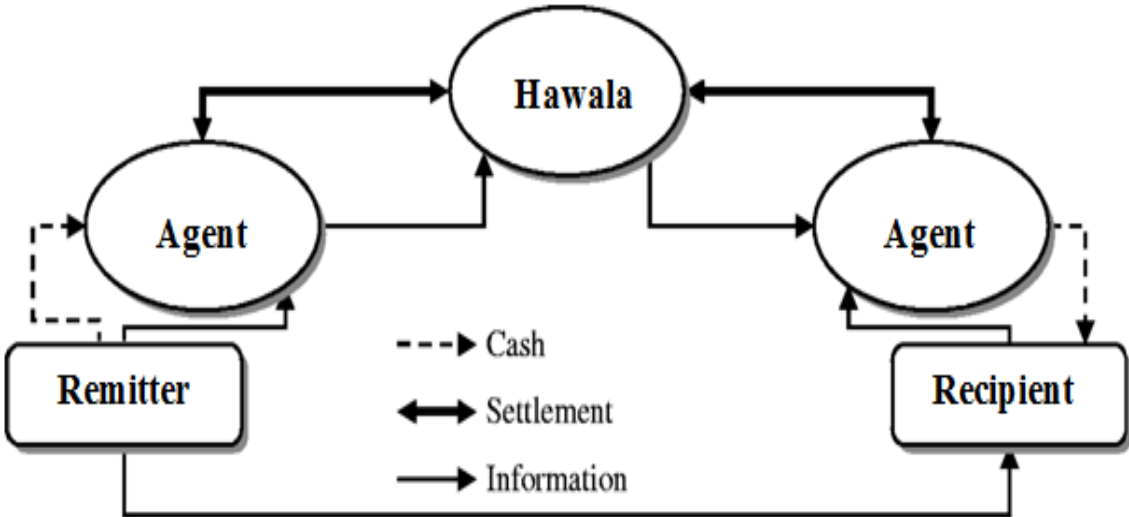


Figure 1: Example for how Hawala system operates

*Person A wants to send money to person B. Person A, approaches to Hawala agent H1 and give the amount of money intended to send with transfer costs. The Hawala agent H1 contacts Hawala agent H2 telling that amount of money should have to be given person B. Person A contacts to person B and tells to collect the money. H1 sends the money to H0 which is the administration centre of that particular Hawala operator.*

### **3.3 Theory of remittances**

In the recent literature on migration, various hypotheses have been presented considering the reasons why migrants remit part of their incomes back home. Since remittances are private transfers of income and resources, these hypotheses attempt to explain these transfers within a rational choice framework. They can be categorized into two groups. The first group includes hypotheses that seek to explain remittance behavior as a result of the decision-making processes of individuals. The second group includes hypotheses that seek to explain remittances in the context of the family (Lianos and Pseiridis 2013).

Nearly all the studies which have been made in Somalia and Somaliland particularly proved that more than 80% of recipients get remittances from only one immediate family member living abroad. This indicates a potential vulnerability to depend on single source of support. Although this study is about to understand the recipients' use of the money they receive and the overall Diasporas contribution on development in Somaliland however this part of the study touches some literature about the theory of remittance determination to understand the sustainability of remittances.

The study is not going deep about the remittance determination but just takes two important determination factors to understand the remittance flows. In theory the major determents of remittances are *altruism* and *self-interest* models (Lucas and Stark 1985) .

When remittances are motivated by altruism, the migrant takes into consideration the welfare of members of the family as a factor, subjectively weighted, in the utility function (Becker 1974); while Lucas and Stark studied remittances on household level and came with the hypothesis that the main determents of remittances are “pure altruism” and “pure self-interest” which is the basis of the discussions of determents of remittances. *Altruism* is defined:

*“The principle or practice of unselfish concern for or devotion to the welfare of others”* (Simpson and Weiner 1989).

In other words it's the inspiration that drives individuals to remit to grant the wellbeing of their family members. Self-interest, in contrast to altruism is also the motivation to remit with the aspiration to invest and has the intention to return home. With the help of these two motivations to remit, the following part of the study focuses on the studies and literature written about the types of remittances to Somaliland.

As this study is illuminating the remittances future impacts on recipients and general Diasporas' contribution on development in which non-recipients may also benefit, the study reviews both the monetary and non-monetary remittances literature.

### **3.4 Remittances types**

Several remittance geometries may be identified: individual-to-individual remittances (sender supports one individual; individual-to-several remittances (sender directly supports more than one individual) and several-to-individual remittances (sender co-operates with others in remitting). Other transfer geometries involve groups marshalling resources for needy individuals or community purposes, not personal remittances, but part of the wider transnational economic picture (Lindley 2009)

“The word remittance can be defined as monetary and non-monetary items that migrants earn while working abroad and sent back to their families” (Berhane 2005). Keeping in mind that remittance can be non-monetary the study reviews the literature about economic and beyond economic remittance. In literature remittances definitions has been made to include other elements that are not monetary or economic (Goldring 2003).

Levitt (1998) uses the term social remittances and describes the different social practices and transformations in the migrant area of origin and all these changes accompany the migration process. Other researchers including Nichols (2002) emphasizes that the returning migrants brought back with skills and technology and the importance of knowledge that could be vital for the development of homeland and called all these together *technical* or *technological* remittances (Nichols 2002).

In addition, several scholars focused politically identities changes and the practices and demands related to migration in which they called *political* remittance. These modifications of remittances give further approach on remittances and analyses migration as composed and interconnected multi-dimensional process that combines multiple arenas and beyond economic remittances there are also other remittances including the social, cultural, political and technological (Goldring 2003). The study takes apart the different above mentioned different remittances and focusing the literature about economics, social and political remittances and also touches other remittances terms which are technological and cultural remittances.

### **3.5 Social remittance**

Interestingly, the social remittances from the Somali diaspora are widely involve and bring up the everything gained from abroad including knowledge, innovative ideas, valuable transnational networks, sound political contributions, policy reforms, valuable democratic habits and attitudes, appropriate peace-making ideas and practices, new technological skills, norms of behavior, work ethics, social values and cultural influence (Nunes 2006). Other scholars in the field of social anthropology like Peggy Levitt defined the social remittances notion as ideas, know-how, practices, and skills — that shape the migrants’ meetings with and integration into their host countries (Levitt 2001).

Some others describe the potential for social remittance impact to scale up and scale out: not only do social remittances affect local-level organizational culture and practice; they can also influence regional and national changes. Social remittances which affect politics can also ‘scale out’ to influence other domains of practice such as religion and economics. Moreover, individual and collective social remittances also strongly influence the way organized groups relate to state structures and foment ‘state society synergies’ (Evans 1996 ).

The migrants send back social remittances that promote development in their countries of origin. Levitt, in her 2001 book “The Transnational Villagers” she described that migrants send home more than money and brought the social remittances term into the migrants and development debates. In her research she observed at least four types of social remittances such as: norms, practices, identities and social capital. According to Levitt (2001), All these

types of social remittances circulate between the migrants host countries and their home of origin (Levitt 2001, Levitt 2007, Levitt and Lamba-Nieves 2010.). Levitt (2001) described the norms as normative structures and contain the ideas, values and beliefs. They include the norms and notions such as family responsibility, community participation, and principles of showing quality of befitting of neighbors, strong desire for social mobility. The normative structures also encompass ideas about gender, class identity etc. (Levitt 2007).

Practices are the actions created by normative structures. These include how individuals in Diasporas commit household tasks, and how much they are participating the organizations and civic groups in home countries in terms of leadership roles and recruiting and socializing with members of the communities back home (Levitt 2001). Socially, in Somaliland diaspora mean more than what the developed world contributes to sustain the livelihood in the local communities, but the remittance received from the diaspora drives also many other development sectors such the education, gender equality, political participation, cultural and other social norms orientations and present the norm of the “Social remittances are produced and consumed in a highly developed, fairly stable transnational social field” (Peggy Levitt and Lamba-Nieves. 2010).

Social capital contains the social networks and associated patterns which have effects on the productivity of the community. It is the network of social connections between Diasporas and their communities back home. Social capital contains the shared values and norms of behavior that encourage the advantageous social cooperation (Gakunzi 2006).

Eliza Markley is another scholar who explained the importance of social capital to the migrants’ home of origin. She only not discussed about social remittances but also identified social capital. According Markley (2011) the contemporary migrants don’t cut off the relationship to their home countries but they have sustainable multiple linkage. She identifies that social remittances have impacts on home of origin (Markley 2011) .

### **3.6 Political remittance**

The political remittances term and its importance for Diasporas home of origin has been discussed in literature about migration and remittances. Although debates about the term take place however the understanding about the term has yet to be examined. The theory of

political remittances points out the transnational politics or cross border politics which identifies the Diasporas political participation of their country of origin as well the political participation of the host countries (Bauböck 2003).

As this study examines the Diasporas contribution to Somaliland, this part of the literature review concentrates the Diasporas political activities towards the home of origin rather than their transnational political engagement to host countries. Vertovec (2005) discussed in his article *The Political Importance of Diasporas* that the Diasporas political participation of their home countries started about 100 years ago with the migration from Europe. He describes that many Diasporas communities from different parts of the world are very active in the politics of their countries of origin (Vertovec 2005).

He argues that one of the most important role that diaspora play in their home countries are the lobby job they do in the hosts countries to enhance the opportunity that their countries benefit the economic and political gain that lobbying in the developed countries they live may offer. He claims that new technology including cheap phone calls, internet communication and even cheap air tickets which make that the diaspora can travel easily to their country of origin hugely contribute the political mobilization of diaspora in their home country. These communications also hinder the mostly debated *brain drain* term. The mobility of the diaspora regarding their political participation of their countries of origin also contributes minimizing the *brain waste* and *brain desertification*. '*Brain waste means when highly skilled diaspora members take simple jobs without using their skills in their host countries and brain desertification is when high skilled people from the diaspora have no any contacts to their countries of origin*' (Goldring 2003).

Diasporas political engagement showed to be not always positive for migrants exporting countries. In contrary to the idea that Diasporas contribute the politics of their countries of origin in positive direction, there are other claims that political engagement has also negative impacts on the country of origin. The authors that have this idea take example that history has shown that many leaders of severe conflicts and wars were members of the Diaspora. According to several literatures about Diasporas political contribution to the home of origin explain that diaspora-associations may lobby in their host countries a policy that is good for their home of origin or to challenge the government of country of origin.

They influence the policy of their countries of origin to support the government or the opposition groups. Given the fact that diaspora in one hand are not homogenous in terms of their ideas, and on the other hand coming from different regions of one country, different ethnicity, religion etc. their political engagement favors different political groups. Their engagement of homeland politics applies always both sides of the politics. They either lobby a government there or engage politics against it. One of the major common of political engagement of their home country is demonstrations they made in their host countries either to support or to be a political issue of their countries of origin. According to ample of literature about the notion of Diasporas' engagements of politics through supporting of group or against a group, there political engagements are not always welcomed by the migrants exporting countries.

This part of the literature review concentrated the global Diasporas political engagement in general, the so called political remittance but as this study is a case study about Somaliland, the literature concerning the Diasporas contribution in Somaliland politics is taken to the later literature review in the context of Somaliland which emphasizes the literature about Diasporas contribution to Somaliland and the review combines all the different types of remittances such as economic, social and political remittances.

### **3.7 Economic remittance**

The majority of the available remittances literature focus on the economic remittance rather than other previously identified non-monetary remittances. The social and political impacts on the area of origin are less emphasized. One of the reasons that scholars concentrate on economical remittance is the fact that non-monetary remittance proves to be non-traceable. Although literature separates the economic, social, technical and political remittances however some remittances are inter-related to the financial remittance. For example the technical remittance which can be defined the technological contribution from the Diasporas in terms of easing and benefiting from communication as well as the opportunity of new jobs can be related to the economical remittance rather than non-monetary. In this term the technology that Diasporas bring to their home of origin encompass the financial remittance due to financial involvement of the term.

The political remittance which has been discussed previously is the political participation of the diaspora in the area of origin but their negative and positive impacts through political engagement become non-measurable but also there is money which may involve due to the fact that Diasporas may use money in order to influence political issues. When it comes to the social remittance, obviously it is the second most important remittance after economic remittance that the community living in the area of origin may benefit. Several researches about the social remittance term claim that the interaction between Diasporas and the local community of origin is useful for the new understanding of the role of women and their participation on the development of their community. Although the Diasporas role with the regard to social transformations into positive direction are mentioned, as well as their political and technical engagement in the literature of non-financial remittances however as mentioned earlier on the topic, the financial remittance particularly the household intended remittance take major parts of the literature on remittance. In the following part of the study is the review of the literature concerning the financial remittance in general and particularly the household level remittance and later in the study there is the literature review in the context of Somaliland including literature focusing on most important types of remittances.

The literature about monetary remittance mostly emphasize the remittance that intended to household consumption however there are scholars such as Goldring (2003) who fragmented the economic remittance and mentions that there are three types of financial remittance: First, there is remittance as *wages or salary*. This remittance is the most common remittance and usually intended into family consumption.

This remittance and its use is the most research area of most of scholars interesting in migration and development topics. Several studies argued that more than 80% of this remittances intended at household level are used basic household consumption. The second thing that remittance is used is investing human capital such as education with 5-10% of it. The third portion of the remittances go to land and housing investments (Sander 2003). Some researchers including Horst (2004) argue that before the war in Somalia, the whole remittances were used to finance recurrent family expenses.

Most of the literature about household level remittance suggests that this part of remittance has no any major effect on development and even argue that it has negative impacts on recipients in terms of dependency. There are scholars who are against this



mentioned notion and in contrary they believe the argument that the remittance intended to household consumption or wage or salary remittances are invested in human capital and the remittance improve the nutrition, health and education of the recipients, and this investment is key element in the process of development (Durand, Kandel et al. 1996).

Observations and research finding show that previously illiterate recipient family members became educated through remittances and there is higher number of school enrollments of recipient children than non-recipients. This later argument may also seem weak due to fact that only 5-10 % of remittances go to education and in the case study of Somaliland in which this research examines, the argument is relevant for the research because Somaliland has been one of the most illiterate populations in human resource indexes.

The second term of financial remittances is the remittances as *investments*. According to literature, these remittances may be sent to home or brought with, when the migrants take a trip to their countries of origin. This money is mostly used to buy land or build home. Many scholars describe this type of investments as unproductive investments and mostly go to private housing, marriage etc. These money goes mostly an area where the opportunities of investments are limited due to monopoly or lack of agricultural suitable land (Goldring 2003). The third economic remittances are the *capital* remittances. This remittance is saved and always intended to generate income to family members back home, the migrant or both and remittances literature argue that recent development shows that through these capital remittances there are productive private investments in small businesses or real estate (Horst 2004).

Taking the contrary some other researchers from the local development operators in different regions argue that diasporas driven projects are non-productive but Gubert (2005) mentions that the few productive investments from diasporas are mostly in urban areas and sectors that most likely generate income are real estate, transport and hotel business (Gubert 2005).

Although the literature has different suggestions about the productivity of both remittances as investment and remittances as capital terms, however there are indications that both remittances have economic local-level growth impacts due to the creation of jobs for locals, mostly non-recipients of remittance and income diversification of recipients. One of the most important remittances that may combine all types of remittance together is the

*collective* remittance which literature less emphasized. Collective remittance is defined as the money or the material that Diasporas organizations, religious groups, clan members or diaspora group from same area transfers to their communities of origin (Basu 2013). Collective remittance works as charity and unlike the household remittance its intention is to build churches, mosques, schools, bridges, irrigation canals and any other infrastructures. The collective remittance literature argues that this remittance is much more less than any other remittances. The collective remittance can be permanent or temporary contribution.

To examine this remittance is huge challenge and there is absence of reliable data about the volume of this remittance. Most scholars believe that this collective remittance is very critical to the recipient community. There are also arguments that the collective remittance is the most benefitted remittance although it is meager in volume. Taking the contrary view of Horst (2004) and other authors, they argue that collective remittance can also be negative to peace and security of war torn regions for instance. In some literature including one of the latest researches of the term Basu (2013), the term is described the money and material that intended to *public goods*. The collective remittance to public goods and collective remittance to support conflicts are not fragmented in the literature of remittances.

As collective remittance is one of the most important in Somaliland and always on the agendas of local media of the region and public places like mosques in the region, this study considers the term in the following literature review in the context of Somaliland. The collective remittance term is important for this case study of Somaliland because although the study examines the household level remittance and official investments however it will also include some of the other types of remittances in which indirect recipients can also benefit.

### **3.8 Literature review in the context of Somaliland**

The literature focusing on remittances to Somaliland and their role started with the new millennium. One of the first researches conducted in Somaliland took place in 1998/9. As mentioned in first chapter of the study, Somaliland declared her independence in 1991 after Siad Barre was overthrown by different rebel groups. After some years into the unrecognized, a civil war broke out in the region which lasted until 1997-98.

During the civil war, the Diasporas were one of the actors of the conflict in terms of sending money, medicine and food etc. to different factions and the contributions has been always based on clan. By the help of Somaliland elders the conflict was solved and new government was established. Although the Diaspora supported different parts of the conflict however they tremendously participated to the peace negotiations and later peace agreement by paying some of the costs of the negotiations and later conference. As the region is not internationally recognized, the livelihood of the population mostly depends on remittance, livestock income and the humanitarian aid; but interest is that there is today an increasing relationship between the humanitarian aid, development organizations and diaspora.

These actors inter-act each other and the Diasporas possession of transnational linkage to their country of origin make that they are inclined to pledge assistance and remit various types of remittances from their host country. The development actors of host country such as NGOs may share the same goals with diaspora. In certain situations diaspora groups try to work with host country NGOs. The strategies behind this are to find networks in the host country and the Diasporas intention is to advocate development support and interventions to their country of origin (Budabin 2014).

The reason that the research examined the literature of all different monetary and non-monetary of remittance was the fact that remittances are very vital for the survival of the region in terms of political, social and economically. Taking into consideration that the study examines the economic remittance on household level as well as the general Diasporas contribution on development, the following literature review focuses on both monetary and non-monetary remittances to the region however the different remittances aren't fragmented as previously done in the general literature review on remittances. After the ending of the civil war and the notion about Diasporas importance of the region emerged, the term of remittances as a research area became an interest area for several scholars and organizations.

As mentioned earlier the first research about the term of remittance in Somaliland took place in 1998/9 and was conducted in all major towns of Somaliland.

This study by Ahmed (2000) discusses the remittances role on development send by Somaliland global Diaspora in post war-Somaliland and examines the size of remittance, distribution and how it used. Although the study was conducted in the early years of post-

conflict Somaliland and the Diasporas political contribution was at high, however the study solely concentrate the financial remittances.

This means that any other remittances beyond economic was not touched in the study. During that time Ahmed (2000) estimated that the financial remittance flows to the region is four times the value of livestock export income which is the only resource that the region exports. In contrary to later studies which reveal that major part of the remittance are mainly used recurrent family expenses and unproductive investments like private housing, land, and any other thing which is not generating any future income, this study claims that in the case of Somaliland the remittances have contributed swiftly growth of private sector economy. Although the study revealed the importance of remittances flows to the region however it suggests that remittance has also negative impacts on the region in terms of brain drain through migration, increasing income inequality and inflation.

Other scholars including Horst (2004) also report similar results and suggest that housing is unproductive investments but others have different idea about the investments in land and housing and argue they are often seen as future assets for the emigrants themselves (Sander 2003). In one hand the housing and land investments don't bring any significant income to the owners from the Diaspora. On the other hand the investments of housing bring benefits in terms for the locals in terms of job creation, income for building-material sellers and huge income for the land owners given the fact that most land owners are the local population members, particularly those live in the urban area.

Although not productive for the Diaspora owners but non-remittance recipients can benefit for cheaper rents, in addition the immediate and distant family members can benefit to live these houses without paying rent in which the owners want to fulfill the obliged to support family members and may never use these houses for themselves. Although there are plenty of studies about Diasporas role on Somaliland development, most of them focus the economic remittances beyond the others. One of the recent researches that discusses other terms of remittances was developed for UNDP Somalia by Hassan and Healy (2009).

This research support the argument that diaspora support to Somalia as a whole in terms of economic, social and political ways and explains that Somaliland Diasporas same like the other regions of Somalia, make huge contribution to economy and livelihoods through remittance, and they also give humanitarian assistance and the study also mentions the

diasporas' participation in peacebuilding and recovery and reconstructions effort of the region.

This study touches the types of remittances and their importance to the region in the same study but like any other study beyond economic remittance the research mentions the Diasporas participation in most issues but analytical compare between the positive and negative impacts on Diasporas participation politics and social has not been done in the research. In a way, the study supports the notion that Somaliland diaspora contribute to conflicts to remit financial obligations to their clan but also significantly support and interfere, local reconciliation and state building and the study mentions that this later contribution proved to be an element for the success of not only Somaliland but Puntland as well.

The study argues that diaspora are visible in the institutions of Somaliland and occupy the leadership of political parties, the cabinets, parliament, the house of elders and civil service.

The study also mentions the Diasporas humanitarian assistance in times of man-made or natural crises, in addition the diaspora are major investor and the study argues that they provide nearly all the startup capital for small and medium enterprises (Hassan and Healy 2009). As mentioned earlier the most existing literature focus on the financial remittance and although they describe the political and social participation of the diaspora, however the positive or negative impacts of their participation are not mostly discussed.

In Somaliland media there are always local people complaining about that diaspora members take the jobs and telling that the Diasporas families are living abroad far away from any from harsh life of the region and when they lost their jobs, they just abandon them. They also don't suffer the consequence of renewed conflicts because they are not living there (Collier 2000). In the literature, even those about the political and social participation argue that Diasporas participation of the home of origin policies can have both positive and negative impacts.

A study about Diasporas political participation in the case of Somaliland was done by Ismail (2011). In this study the author describes that the Diasporas political participation shown to be success in the post-conflict Somaliland's reconciliation process and state

building. The study shows the Diasporas role on political leadership of all regions of Somalia. Ismail (2011) argues that the Somali diaspora make less than 10 percent of the population but their political role in the region increases yearly. He also mentions that the Somalis living in the neighboring countries which make the highest number of Somalis living abroad are not treated as diaspora. The study shows that the Diasporas representations in the higher positions in all regions of Somalia are relatively high. In the case of Somaliland, during this research which was conducted in 2011, 7 cabinet ministers out of 20 were members of the diaspora.

The study also mentions that Diasporas political participation is not only positive but can be controversial and relates this view to other substantial studies which consider Diasporas as destructive and contribute to conflicts. In the case of Somaliland, although there is no any studies which prove the two terms however the locals describe the Diasporas role in politics: The diaspora as a *positive political force* and the diaspora as a *destructive force* and the local communities of the region discusses these two different notions and although they accept and welcome the diasporas huge contribution to development in terms of financial remittances, their political participation has not always being welcomed by the local communities. Although ample of research about the term of remittance has been done in recent years, nearly all the available researches focus the household remittance.

When it comes to financial remittance which most literature focus on as mentioned earlier, several authors about this field including Hammond (2011), Horst (2004) Goldring (2003) and several others argue that without functioning financial system, stable currencies, challenges to favourable investments climate and the lack of regulating of the remittance flows are unlikely to contribute to sustainable growth. In the case of Somaliland which lacks any international recognition as state, the literature discusses the importance of household level remittance as well as the productive investments to the region. Nearly all the schools interested in the field of migration and development particularly those who research in Somaliland argue that the official investment to the region is very small in size and the business started with remittance are just intended for family members' income diversification rather than cooperation which might create jobs and the non-recipients could benefit.

### **3.9 Conclusion**

As mentioned earlier most of the existing literature of Somaliland Diasporas' role on development focus the household level remittance and most of the studies show the positive impacts of remittances on recipients however some of the studies mention the negative impact side of the remittance. Nearly all the studies conducted in the region conclude that major parts of remittances are intended to recurrent expenses. The next chapter of the study is the research outcomes and the research combines different remittances types and applies different analytical perspectives on remittances.

## Chapter Four

### Research findings

#### 4.1 Introduction

This chapter is divided into three sections. The first section provides an analysis of the family remittance recipient's interview data. It argues that household level remittance is used recurrent family expenses and unlikely to contribute the overall development therefore this section reveals what the remittance is used beyond basic necessities such as food, rent, medicine etc. The second section discusses Diasporas owned business contribution on non-recipients focusing the ethical dimensions beyond employment and Hawalas contribution on development through tax. Lastly, the third section includes the interview data from officers of state institutions and in detail the collective remittance from diaspora to the above mentioned institutions and their future participation on development.

#### 4.2 Quantitative findings of household level remittance

Table 1

			Other Income					Total
			0	Less 50	50-100	100-200	200 and above	
Receiving Gender	M	Count	23	2	12	13	7	57
		% within Receiving Gender	40,4%	3,5%	21,05%	22,8%	12,2%	100,0%
	F	Count	19	1	7	4	2	33
		% within Receiving Gender	57,6%	3,0%	21,2%	12,1%	6,06%	100,0%

Total	Count	42	3	19	17	9	90
	% within Recieving Gender	46,7%	3,3%	21,1%	18,8%	10%	100,0%

Table 1: Other income generating activities

In order to examine the conclusion that recipients of household level remittance are vulnerable due to that 84 percent receive assistance from only one relative, respondents of this study were asked whether they have any other income generating activities. 58 of the remittance receiving respondents do so, out of 90. However their income generating activities are different from respondents to respondents.

Most of them said that they have small business, trucks and some times, members of the family have jobs. Another thing here is that the families are large and although the recipients have more than one person living abroad, all those members living abroad don't remit to the same recipients but they share their family members back home and each one support a part of the family. These findings show that the recipients are not always vulnerable in case the remittance ceases because the fact that remittance also creates another income generating activities however the research also found that the vulnerability is there. In some cases the remittance ceased due to sickness or another challenges to the remitter and the recipients lost totally their livelihood with the impact that even the children lost their opportunity to continue to go to school.



**Box 1: Abdi**

Abdi is 40 years old who lives in small village outside of Burao with 6 children and wife. Abdi tells how their livelihood changed after the remittance they received ceased

“I was born in Tanzania but moved to Somaliland as teenager with my parents and siblings and started a new life as nomad pastoralist. In later years I married and got children but unfortunately we lost our livestock because of harsh drought. Then I contacted asked support to my brother living in the United States as the only immediate family member living abroad. In 7 years we received remittance from my brother and 4 of the children got to school while we used to live in rented house. Our life was very normal but suddenly my brother became ill and could not work. The remittance ceased and there was no anyone else who could support us. We have nothing to live and I decided to move back to the nomadic life and some of my distant relatives and clan members collected for us a herd of livestock. Today none of my children goes to school because there is no any school in the village and we can’t live in bigger towns due to the economic situation we have”

In short the Abdi’s case shows that recipients who have only one remitter are very vulnerable in case the remittance ceases. However in many cases although the households have a single remitter does not mean that they have only on member in abroad. If there are more than one member in abroad it is common that other family member in abroad take the responsibility to remit in case of remittance stop to one of the households in large families.

Table 2

			Savings					Total
			0 - 0	10 - 50	50 - 100	100-200	200 and above	
Receiving Gender	M	Count	45	7	4	0	1	57
		% within Receiving Gender	78,9%	12,3%	7,0%	0,0%	1,8%	100,0%
	F	Count	16	11	5	1	0	33
		% within Receiving Gender	48,5%	33,3%	15,2%	3,0%	0,0%	100,0%
Total	Count	61	18	9	1	1	90	
	% within Receiving Gender	67,8%	20,0%	10,0%	1,1%	1,1%	100,0%	

Table 2: Savings

This study examined that the remittance is used almost only recurrent family expenses however the data from this study shows that some recipients make savings. Most of the savings are relatively very small and don’t substitute in case of remittance stop. These

findings reinforce the conclusion from other researches that the recipients have less possibility to save. The respondents claimed that the household level remittance is just earmarked for living by the remitter and incase the recipients have some other needs they ask extra support from the remitter.

The first table showing the other income generating activities and the saving table, indicate that those who have other income have also the possibility to save. According the volume of the savings amounts, it is hard to believe that the recipients become less dependent on remittance. Most of the cases which have been examined in this study show that only small size families have the opportunity to be less dependent on remittance through that they received substantial amount of money from the remitter to start other income generating activities. Again the household level remittance which is intended to basic needs doesn't save the recipients from dependency on remittance unless they receive extra remittances to start other income generating activities or save bigger amount for future plan.

Table 3

						Total
			No children to School	School 1 - 12	University 3 - 5	
Receiving Gender	M	Count	8	41	8	57
		% within Receiving Gender	14,0%	71,9%	14,0%	100,0%
	F	Count	9	22	2	33
		% within Receiving Gender	27,3%	66,7%	6,1%	100,0%
Total		Count	17	63	10	90
		% within Receiving Gender	18,9%	70,0%	11,1%	100,0%

Table 3: Education through remittances

Remittance increases the school enrollments of children. The above table about this term shows that 70% of the respondents in this study have children and other members of the family who get education through remittance. Currently there are many public schools in Somaliland but there are also many private schools which have better quality than the public schools. Most of the respondents in this study have their children in private school because they afford to pay the school fees.

In the higher education, in 2009 there were only three public universities in Somaliland but today there are several private universities and many lecturers are from the

neighboring countries such as Uganda, Ethiopia and Kenya. This study finds that when the families have children in higher education, they all get extra remittance for universities fees and facilities like books, PCs and other extra support that the students need and some of the respondents have students in foreign universities such as India, Pakistan, and Malaysia and in many countries in Africa.

**BOX 2: Kaltun**

Kaltun is a 48 years old, living in Hargeisa. She has two sons and two daughters and one of the sons, lives abroad.

“My husband has another wife with children and lives another town. The two daughters are married and one of the two sons is the only household member who sends us permanent remittance. In 5 years my son who lives with me now, studied abroad through the support of my other son. As we are small in number in the household, my son managed to send us monthly remittance and supported his brother to university fees and living costs. After my son who studied abroad returned, he found job and my son in abroad continue to send us remittance and now we achieved our intention of income diversification. As we have two incomes, I started to support other immediate and distant family members of my side and my husband’s side”

The case of Kaltun tells that remittance impacts to development to recipients depend on the number of the household members and it is contrary to the case of Dhakir in next box 3.

Table 4

			Remitted further				Total
			0 = 0	0-50	50-100	100 and above	
Receiving Gender	M	Count	20	16	18	3	57
		% within Receiving Gender	35,08%	28,07%	31,5%	5,2%	100,0%
	F	Count	12	17	4	0	33
		% within Receiving Gender	36.3%	51.5%	12.1%	0%	100,0%
Total	Count	32	33	22	3	90	
	% within Receiving Gender	35.6%	36.7%	24.4%	3.3%	100,0%	

Table 4: Internal remittance

Internal remittance in this table is inter-household support from the recipients to their non- direct recipients' immediate and distant family members in rural and urban areas. 58 recipients out of 90 in this study answered that they share the remittance with their relatives and the rest answered that they would share if they have the opportunity to have more money. In early times the recipients used to send clothes, food and other items to their relatives living in rural areas. Today the new technology ZAAD mobile money, mentioned in this study, increased the mobility and distribution of remittances.

With this technology the recipients send money through this system. Before this technology came to the region the internal remittances took places some times and it was mostly possible when the relatives from the rural areas come to town but now the frequency is very high. Before the recipients used to send like \$30 and above but now they can send from \$1 and as much as they can so long both the internal-remitter and the recipients have cellular phone with the mobile money system. This service is free of charge and the providers make profit through the use of their SIM card. The respondents of the study agreed that the system increases their wish to support others due to the fact that they even can send only one dollar, what was earlier impossible.

Table 5

			Number relatives in abroad who remitted					Total
			One Family Member	Two Family Member	Three Family Member	Four Family Member	Five Family Member	
Receiving Gender	M	Count	18	15	11	11	2	57
		% within Receiving Gender	31,6%	26,3%	19,3%	19,3%	3,5%	100,0 %
	F	Count	5	13	8	4	3	33
		% within Receiving Gender	15,2%	39,4%	24,2%	12,1%	9,1%	100,0 %
Total		Count	23	28	19	15	5	90
		% within Receiving Gender	25,6%	31,1%	21,1%	16,7%	5,6%	100,0 %

Table 5: the number of remitters

This table shows the number of family members who remit. The intention to conduct this data was to examine why many recipients have only one remitter according other

researches. This data shows that 67 of the respondents have more than one remitter. To have more than one remitter doesn't mean that the recipients receive money from all their family members. The family members of these respondents were from 1 up to 20 members. According the data conducted in this study and the researchers experience as remitter, although the family members who remit are more than one person however the family size of the region are very big and every member of the remitters have the responsibility of some parts of the big family. The strategy behind that the remitters share to remit to different family members because of the big size of the families, make that the recipients most likely receive remittance from only one remitter and having more than one family member in abroad does not mean more remitters to one household.

### **Box 3: Dhakir**

Dhakir, who is 54 years old, has four wives and 17 children. Three of the wives and their children are living in Hargeisa and the fourth in Burao.

“My household contains 20 persons and we receive US\$800 remittance from different family members. The money is large in size in the context of Somaliland. Despite receiving that substantial money, we use it only to family expenses and we save nothing. Several of the children go either to school or universities and we need extra remittance for the university fees which we pay yearly. In average my family receives more than US\$1000 per month. As a clan leader I also get occasionally some extra support from the clan members abroad as well as some support during conflict losing and I also receive small amount of salary from the state as clan-chief. Although the money we receive is in big size we could not create any other income generating activities due to the number of the family and given the fact that we live in different towns which my travel from town to town brings extra costs”

Dhakir's case shows that the remittance impact is proportional with the number of the household members. This means if the household is large it is less probability that the household can save money to the future or create other income generating activities.

### **4.3 Qualitative findings of Diasporas owned business role**

Obviously the Diasporas owned business are one of the most important activities in Somaliland. In order to understand the Diasporas owned business' role on development

through jobs and other benefits, the researcher interviewed the managers of 10 of diaspora owned business. Most of the businesses are small and the category of SME's in the context of Somaliland. The ten respondents contain three hotels, three telecommunication companies, two Hawalas, one mineral water processing factory and Airline operator. Their locations are the towns of Burao and Hargeisa. The objective of this part of the research is to understand the ethics behind employment particularly the opportunity that women and marginalized groups (*discriminated clans who their members have difficulties to migrate due to economic problems*) can get jobs from these companies.

Although the three hotels are among the biggest hotels in the region however their numbers of employees are limited. Due to the fact that most investment from the diaspora goes to hotels sector, these three respondents were good sample for the sector. All three respondents mentioned that there is no any tourism activity in the region and the only times they operate properly and use their capacity are during the summer and the clients are diaspora making vocation during this time. Two of respondents are managers of two hotels in Burao and explained similarly that due to the lack of international tourists, their incomes are break even if lucky.

When it comes to employment, the respondents expressed that although they prefer professional staff however the number of employees are limited and due to security reason and the most of the employees are immediate or distant family members of the owners. The respondents mentioned that women have the same opportunities but there is no any possibility that the employers have strategy to earmark a number of the staffs for women or any other owner's unrelated persons however one of the hotels give training courses such as cooking and other skills and anyone can apply to these opportunities. The training takes seven months and after finished the courses, all find jobs in other hotels. The third hotel is in Hargeisa and is the biggest hotel in Somaliland. Although the hotel is only one branch in the capital of Hargeisa but it has 230 employees. More than 50 of them are female working as hotel room attendant.

The hotel's clients are almost the International Organizations staffs and the security of this hotel is very high however the respondent manager told that they never concentrate the tribes of the applicants. After the person treated as qualified, he/she must bring a person who (mostly elders of his/her clan) who is responsible for him/her. The criteria of employments are same and anyone takes the chances no matter gender and tribe. Due to security reasons, the

guards could be family related to the owner. The second respondents were the three telecommunication companies. These companies operate as shareholders and their owners are both from the diaspora and locals. These companies are the second biggest employers after Hawala operators. The smallest of the three has 200 employees, 20% of them are female. The second has 526 employees and has 6 % female of the employees. The third company which is the biggest in Somaliland with 950 employees has 10% of them female.

All three responded that they do not have any strategy toward employment in terms of minority tribes and gender. The manager of the biggest company mentioned that female applicants increased in recently years and will take look at how they can increase the number of female workers. Although the companies prefer skills however all of them mentioned that they can't deny that there are employees who get the jobs because of their relation to the owners in terms of clan and family membership. The reason that these groups take jobs regardless their skills are the reality of huge unemployment, the present state/condition of the region and loyalty. The two Hawala operators which were interviewed in this research mentioned that they are very strict on employment. Because of economic situation of the region and the money that involves in their operations, the applicants must be approved through bringing a responsible person in case of future theft.

Although the administration positions are skilled staffs however the operators of the local agents must have absolutely responsible persons who compensate any future loses through loss of money. While women still have the opportunity of getting jobs from Hawala operators, the minority clan members can't afford a responsible person among their clan members and this challenge exclude them to have jobs in Hawala operators. The two last Diasporas owned companies interviewed in this research are mineral water processing factory and an Airline operator. The mineral factory has two engineers from abroad and the rest are local workers. The factory gives its potential future workers to three months training and workers do not need and particular skills.

Although very high number of workers has relationship to the owner however other people work in the factory. The Airline operator staffs are mostly educated people who speak different languages but their employment strategies are not different than the other Diasporas owned business. This means that most of the cases of employment occur in terms of loyalty and secure livelihood for members of the owner's families and clans and some cases religious intentions. This part of the research find answer the ethical dimensions behind the

employments of Diasporas owned companies in order to understand if women and minority clans who are less recipients of remittance can benefit through jobs. The outcomes conclude that although the official investments from diaspora improve the livelihood of many people however equal opportunities for all has not been yet realized in the region.

The owners of these 10 businesses and many others that the researcher discussed as well as observations in different times in the region by the researcher underlines that lack of regulations and encouragement from the government play major role that most of diaspora invested business are not generating the planed profit. Some of the challenges are the fact that most of the businesses are small and owned by only one family because in the Somali way of business making the shareholder approach is minimal and it is understandable that single migrant can't create large enterprises which could contributed to the overall development. There are also huge concurrences in the market and here are some examples: A group of diaspora started Taxi service and imported many cars, and then they created advanced communications between the Taxis and the central office and many drivers found jobs through this investment. After very short time of period many others copied the idea and the market became full. Same like this happen to a diaspora member who built modern small football field where a team of players should have to pay \$10 for an hour. Within months four other fields which locate much nearer than the former one were built and the price decreased dramatically into \$1-2 for an hour.

Most of Diasporas investments go the same sector such hotels and any other new visions are copied in very short time. This makes that the investors get less profit and limits their future plan to expand and create jobs. The life span from a new business area come to the market and its decrease is very short. The other challenges include that to invest the region is not easy task because of long process of bureaucracy. Recently many huge remittances recipients countries like Mexico, India and many others introduced motivating strategies toward diasporas investment such the Mexican 1 for 3 which means that every dollar invested by the diaspora, the government adds three or even recently 4 dollars (Goldring 2003). The possibility that the government of Somaliland contributes the Diasporas investments by money is not there yet indeed the government can contribute to make functioning regulations and facilitate the required process for starting a business by the members of diaspora.



## Somaliland Diaspora Investment

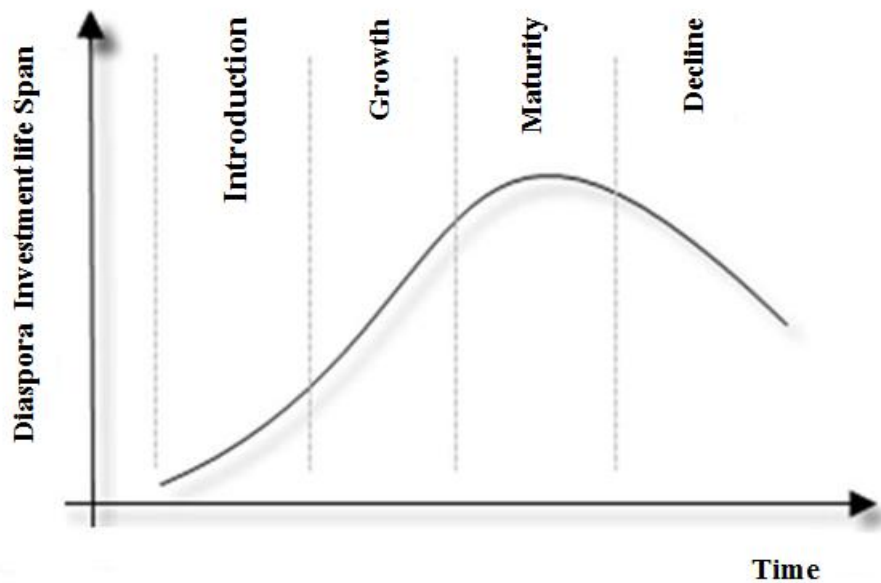


Figure 2: Diaspora Investment Lifespan

According to the data obtained from these 10 business and observations made in the region show that due to unregulated competition between investments areas minimize the potential to expand and create jobs in which non-recipients could benefit. The research literature in chapter two described that most investments from the diaspora go to housing and other unproductive activities and the outcomes of this part of the research which examined the official investments of diaspora adds the existing knowledge that even many Diasporas official investments of income generating activities are also unproductive due to the similarity of the activities and don't contribute to huge economic development. Based to the data gathered from the 10 respondents that most employment process is very complex and many among the respondents told that *"if we need to employ someone, we ask the people we know to bring someone"*.

According to the size of family businesses which are mostly single activity, huge unemployment of the population and the traditional way of family and clan members support contribute that the minority clans and any other members of the community who has no any relatives abroad can't benefit from diasporas investments and equal distributions are not always there.

#### 4.4. Hawala taxation

Hawala Money transfer plays major role in this region because it is the only way to send money but the money send through Hawala does not go any financial system. According to literature on remittances, if the remittances are sent to a bank account and enter the financial system they often have the most benefits for development (Carling, Marta et al. 2007). Given the fact that Somaliland is not recognized and has no any official functioning financial system in which the international financial institutions can deal. The lack of the banking system gave the Hawala operators to grow and earn more money year after year. 5% of the \$700 million remittances sent to Somaliland goes to Hawala operators which make \$35million per annum.

The research examined the Hawalas role on development and found out that the Hawala business is the biggest employer of the region which the non-recipients benefit through having jobs. One other thing is that the research wanted to know was the tax that Hawalas pay. Currently there are 12-13 Hawala companies in the region. Dahabshiil and Dara-Salama remittance Bank are the biggest Hawalas. When it comes to tax they pay, the ministry of finance of the region takes \$2000 from the small Hawala operators for the license to operate and 14 percent of their income per annum but according the interviewed tax officer the 14% can't be implemented due to the challenges to obtain data of Hawala income and all the small Hawalas pay about US\$1000 of income tax rather than the 14% which are on papers. They also pay 6% of the staff income per month.

According the interview I had with an officer from the tax department of the ministry of finance, the two larger Hawala operators, Dara-Salama and Dahabshiil, the cost of their license to operate and their income tax are decided by the minister of finance, the director of the tax department and other officials in the ministry. According the interviewee, these Hawala operators pay *indirect tax* decided by high level of the government. The research found out that the regulations of the tax system of the region are not functioning probably and the research sources used the Somali word *Xeer Jajab* when they explained the tax that Hawalas pay. The word can roughly translate into English "*traditional problem solving*".

This means that the decision of tax payments are not mostly based on *data* but the understanding between the Hawalas and government officials and there is very clear that the tax regulations towards Hawalas which make huge money are less effective and Hawala

operators pay meager tax. It is also challenging to implement proper taxation system to a region where people aren't accustomed to paying government taxes. This outcomes proves the notion that the cost of remittance services is one of the most important parameters on development impacts if some of these large proportion of the money go to tax and according the data found, this is not happening at the current tax regulations in Somaliland and the lack of regulations of the remittances flows to the region reduce dramatically the potential benefits of remittances to the region.

#### **4.5 Collective remittance to public goods**

Collective remittance is one of most important remittances flows to the region. In order to understand the capacity of this remittance, the researcher interviewed the director generals of ministry of health, ministry of education, Hargeisa general hospital, the psychiatric clinic in Burao. Also there were discussions with the leaders of university of Hargeisa, university of Burao and Hargeisa technical school. The objective of this part of research is to understand the Diasporas Companies and general Diasporas contribution to health, education, security and any other humanitarian and development contribution. When it comes to Diasporas contributions the data needed were conducted from the above mentioned institutions and diaspora owned business contributions were based the 10 earlier respondents.

The research found out that some highly trained diaspora members particularly medics travel their vocation to the region and help hospitals there. One very well-known is a doctor from Norway. This diaspora member is psychiatric doctor and he stays every summer in Burao and works the psychiatric clinic there. After many years of conflicts these type of illness is very common and this contribution from this particular member is highly welcomed. Some others give lectures in the higher education institutions. Based on the interviews conducted from the different DG's, in the beginning of the post-conflict Somaliland, the region received huge collective contribution from diaspora in terms of medicine, different equipment and books.

Diaspora started to build universities, schools and many other infrastructures. In recent years as the region gets more humanitarian and development support from the international community, the Diasporas' contribution to some institutions decreased. However they still support building many new roads and answer whenever any crises emerge. According to data conducted from the 10 business respondents, they all contribute to planned and unplanned

way and time. To understand the Corporation Social Responsibility, questions regarding this issue were asked and observations were made in this term. The outcomes are they train unskilled people and they find jobs after finished training. The companies also give donations and answer to crises such as droughts. The Diasporas collective remittances are totally unorganized except some members who run schools in their small towns of origin. There is no any diaspora organization which has cross-clan members except some small female organizations in the UK and the lack of common organizations make that their contributions are not equally distributed.

As there is no any ready collective remittance, it takes very long time to collect remittances and the support become delayed and can't be rapidly responded to droughts and any other emergencies. The reality that the Diasporas are organized in clan structure, their support is not effective and has less positive impact to the wider communities.

#### **4.6. Conclusion**

This chapter analyzed the interview findings. In the examination the research fragmented the respondents into two groups. The first group is the respondents of diaspora owned business managers which contain 10 respondents. In this group also includes the state institutions directors and other staffs and outcomes has been analyzed in qualitative approach. The intention to examine this group was to find out Diasporas activities impacts of non-recipients and the research finds out that most of the Diasporas business are small and can't contribute to large employment and minimize the equal distribution in which non-recipients could benefit. When it comes to collective remittance, although diaspora organizations contribute to humanitarian and development aid however without inter-clan organizations their effort to assist is limited. The second group of the study examined the household level remittance practices and its impact on recipients and 90 recipients household were interviewed. The study use quantitative approach to analyze the outcomes in different perspective and finds that the most of the recipients have also other income generating activities and that the remittance to this group will be sustainable due to fact that new members of family have some sort of opportunity to migrate and send money back. In that matter their income diversification will exist.

## **Chapter Five**

### **Conclusion**

The Diasporas contributions on development through collective, investment and household level remittances are the main research questions that this study examined. This study aimed to predict the future of the household level recipients and their use of remittance by examining the household level recipients in the towns of Burao and Hargeisa in Somaliland. The investments and collective remittance, 10 companies owned by diaspora were examined as well as state institutions to understand the distribution and the impact of remittances to non-recipients. This study also attempted to seek and an explanation from the theoretical literature on this topics.

Through the quantitative research method, the household level recipients is found that a good sample of recipients have also other income generating activities. They also have some savings although small. Education and inter-household remittance practices were also found. To answer the question that the recipients can be less dependent on remittance, the study found that unless the recipients get extra remittance in big size, the saving they make and the other income they have don't completely substitute the remittance but those who have more other income ease the pressure on the remitters.

Through qualitative research analysis the study finds that the non-recipients don't directly benefit the investments and also through employment. Some of the reasons that the non-recipients can't benefit from this remittance, are the fact that to find job in the diaspora companies is very challenging due to nepotism, required guarantees among others. Those who demand guarantees during employment are the Hawala and Telecommunication companies which are major employers of the region. In quantitative research the study also finds that the collective remittance flows to the region are mostly humanitarian aid and take place during crises. The diaspora organizations have clan-characteristics and most likely help the area where the members come from.

The research also finds that the taxes that Hawalas pay are not based on data and the money which goes through Hawala doesn't make huge contributions because of not paying

proper taxes. Missing financial system in Somaliland undermines the benefits of remittances and this in line with the suggestions that remittances highly contribute on development through official financial system. The study acknowledges the limitations of that the diaspora owned companies did not show any written data which could approved the female numbers of their staff as well as other data regarding their contributions on development and humanitarian contributions.

## **Chapter Six**

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## Appendix A:

### Pictures from the field work



Picture 1: University of Burao.



Picture 2: A sign about Diasporas contribution on the construction of the University of Burao





Picture 3: Beverages Company in Burao



Picture 4: Burao mineral water processing





Picture 5: University of Hargeisa



Picture 6: Institute of peace & conflicts studies University of Hargeisa



Picture 7: Ministry of education



Picture 8: Director General of ministry of education





Picture 9: Ambassador Hotel in Hargeisa



Picture 10: Director General of Hargeisa group hospital



Picture 11: Hargeisa group hospital



Picture 12: FGM trauma center in Hargeisa funded by NORAD

## Appendix B:

### Sample of Interview Questions

#### QUESTIONNAIRE: HOUSEHOLD LEVEL

Name

Age

Gender M\_\_\_ F\_\_

HHH M\_\_\_ F\_\_

Educational level of HHH

Occupation of HHH

Number of the HH

Number of wives

Household Composition

Types of relationship (close kin\_\_\_distant kin\_\_\_non kin\_\_\_others\_\_\_)

Permanence and changes over time of HH composition

Remittance amount

How often- monthly\_\_\_yearly\_\_\_sometime\_\_\_often\_\_\_seldom\_\_\_

Who send it (kin) M\_\_\_\_\_F\_\_\_\_\_

Other types of resources (valuables-----gifts\_\_consumer goods\_\_food  
stuffs\_\_clothes\_\_etc)

Sending objects and values to partake in remittances

Internal remittances

Other income generating activities

Number of children who go to school

School fees

House situation (own \_\_\_\_\_ rent \_\_\_\_\_)

Amount of the rent

Living costs

Savings

Other expenses e.g. *Kat* etc.

Negative

Positive

#### QUESTIONNAIRE: OFFICIAL INVESTMENTS

Name

The ownership of the company

Number of employees

Branches

Annual income

#### OBJECTIVE 1:

To understand the ethical dimensions behind employments of Diasporas owned companies.

1. What are the criteria to employ the skilled/professional employees?
2. What are the criteria to employ unskilled/unprofessional workers?
3. In which strategy the company prefers to employments?

4. Is there any quota for employing the minority groups/tribes or any other strategy to employ these groups?

**OBJECTIVE 2:**

To understand the company's contribution beyond tax, on health, education and security sectors.

1. Do the company helps the socially useful sectors such as health, education etc?
2. Is there any certain amount of money that company gives annually or does the company give help in unplanned way and time?



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