

Somali communities face dropping remittances and wider economic impact amid COVID-19 crisis

A warning from activists, aid workers & academia

Roughly half of all Somali households rely on remittances to cover basic needs such as food, water and basic health care. According to Somali money transfer operators (MTOs), remittances have already declined substantially since the onset of COVID-19 due to economic pressures on members of the Somali diaspora. This is a global phenomenon, with the World Bank projecting that remittances will drop 20% in 2020 due to the COVID-19 crisis, and Somali communities will feel this acutely, with communities that are already vulnerable, who rely so centrally to remittance flows, and who are already facing many barriers to their delivery.

The potentially huge economic impact of reduced remittances on vulnerable communities in Somalia/Somaliland comes amidst other ongoing crises, which taken together could lead to famine, according to the [UN's World Food Programme](#). The UN estimates that in 2020, 4.1 million Somalis are food insecure, 2.6 million are internally displaced and over a third do not have enough water to cover their daily needs.

The climate crisis has contributed to persistent droughts, flash floods and more recently a locust infestation, all amidst ongoing conflicts between government and clan actors and insurgent groups, most significantly Al Shabaab. The above average Gu rainy season predicted – normally a boon for most of the country in the medium term – could in the shorter term precipitate floods and will exacerbate the spread of [locust swarms affecting some 360,000 hectares](#), which the [FAO says are continuing to breed in the Somali territories](#). [New swarms are expected to form in the coming weeks](#).

Many members of the Somali diaspora have lost their jobs and are unable to send as much, or any money at all to their relatives. In countries where no salary compensation schemes are in place – such as the Gulf countries – these losses are even greater. As women are increasing having to stay home to care for sick family members and children out of school remittances are often the only funds that female caregivers are able to access and control, making them [a vital tool for women's economic empowerment](#).

Even where people have the ability to remit, **sending money in the time of coronavirus is proving more difficult for many due to social distancing measures and existing financial barriers**, just as the effects of the pandemic begin to be felt on the receiving end of the remittance chain. As the virus forces many storefront MTO agents in diaspora countries to suspend operations and discourages consumers from leaving their homes, the remittance options for Somalis are becoming more limited. Some senders have been able to shift to sending payments through online systems, [but not all senders have the technical skills or are willing to do so](#). Some MTOs have had their bank accounts closed due to bank concerns about falling afoul of counter-terrorism and de-risking anti-money laundering regulation; this prevents them from conducting online services. Moreover,

some Somali MTOs working are not able to reach remote communities, including IDP and refugee settlements and other places where the most vulnerable live.

MTOs not only provide the only viable mechanism to legally and transparently send money to Somalia/Somaliland, they also serve a dual function in terms of providing letters of credit to Somali traders who come to Dubai, Djibouti and other international hubs to purchase essential food and nonfood items for sale inside Somalia/Somaliland. With the shutdown of commercial air travel in and out of the UAE, there is a shortage of available hard currency in the trading hubs and a buildup of local currency domestically. This may drive prices up as traders find it more difficult to purchase essential items for import into Somali territories. For the most vulnerable Somali communities, these shortages and price rises will be disastrous.

The lack of access to foreign currency could also complicate the efforts of humanitarian organizations and governments to implement existing humanitarian programs and scale up the COVID-19 response through the purchase of medical supplies.

The onset of **COVID-19 is also likely to contribute to reduced trade between Somalia/Somaliland and its regional partners** – perhaps most clearly manifested by the [possible cancellation of the Hajj by Saudi Arabia](#). Live animal export and other trade during the Hajj each year is vital for the Somali economy, contributing [85% of export earnings and 30% of the GDP and directly and indirectly employing 70% of the population](#). The sector has been boosted recently by the reopening of markets in Saudi Arabia, but this essential income would vanish if the Hajj later this year is cancelled. Those who will feel the effects most acutely will be poor Somalis all throughout the supply chains.

Somalia is in the [early stages of exposure to the COVID19 pandemic](#). The dynamics we describe here can be expected to take place regardless of the trajectory of the virus in Somali areas. Steps being taken to institute social distancing include school and retail business closures, curfews, and restrictions on gathering. All of these steps are important to slowing the progression of the virus, but they also have economic costs, which include loss of household income, increased costs for care for those who are sick, and reduced income for government. Without the vital source of remittance income, many will have even less of an option to stay home as they will need to earn a living and meet their families' urgent needs for food, medicine and more. Sadly, many of these forces are the same as those being faced by **the senders of remittances – feeling the same restrictions and barriers on both ends of the relationship and transaction**.

Recommendations

We, a collective of Somali and international NGOs and academics, urge:

1. The **US and European governments** to facilitate urgent wiring or other payment settlement mechanisms for Somali MTOs:
 - A. The **US government to take urgent action** to ensure that Somali remittance lifelines remains intact. The [US Treasury Department and banking agencies can facilitate emergency transfers from the US and](#)

[help create an enabling environment globally for Somali MTOs to access banking services.](#)

- B. Treasuries in the US and European countries and banking agencies to clarify that a) banks are not discouraged from offering services to customers they regard as “high-risk,” and b) banks are encouraged to open accounts and offer wiring services to Somali MTOs, as they are able, on a humanitarian basis.
2. **International banks** to work in collaboration with Somali MTOs, governments, and civil society leaders to offer wiring services on a nondiscriminatory basis.
3. **Somali MTOs** to develop and encourage the use of online remittance services for their customers in the diaspora and to expand their reach into more remote and vulnerable communities
4. **Somali officials** to facilitate an enabling environment for mobile money transfer systems and online remittance platforms, both into the country and out of the country so that essential goods can be imported.
5. **The UN and international NGOs** to work to ease the liquidity and potential price inflation crisis by paying for goods and services to be delivered in Somali communities through payments to the foreign currency accounts of providers.
6. **Somali officials and donor governments - in collaboration with UN agencies and local and international NGOs:**
 - A. to scale up and prioritize social security policies such as cash and voucher transfer programmes, feeding programmes for vulnerable children who are unable to take advantage of school feeding programmes due to school closure, herd destocking as necessary, and provision of health and water services to the most needy.
 - B. to monitor remittance flows carefully and to address the impact of reduced remittances in their humanitarian needs planning and responses by programming additional funds for the activities given in point 6A above.

Endorsements of this warning

By Activists, aid workers & academia

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2. Nexus (<http://nexusom.org/>)
3. African Development Solutions (Adeso)
4. African Community Housing and Development(Hamdi Abdulle WA)
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6. Nisar Majid, London School of Economics (LSE)
7. Centre for Peace and Democracy (CPD)
8. Save Somali Women and Children (SSWC)
9. Gargaar Relief and Development Organization (GREDO)
10. Wajir South Development Association (WASDA)
11. Taakulo Somaliland Community (TASCO)
12. Dan Maxwell, Professor, Feinstein International Centre (Tufts University)
13. Peter Hailey, Centre for Humanitarian Change (CHC)

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16. NAGAAD Women's Network
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39. Siham Rayale, Lecturer, University of Toronto at Scarborough
40. FCA
41. World Concern Development Organization(WCDO)
42. Matt Bryden, Sahan Research
43. Candlelight for Environment, Education and Health (Candlelight)
44. International Aid Services
45. Concern Worldwide
46. Norwegian Church Aid
47. American Refugee Committee (ARC)
48. Philippe Gourdin, Independent Consultant
49. Anna Lindley, Senior Lecturer, SOAS, University of London
50. International Rescue Committee (IRC)
51. Sustainable Development and Peacebuilding Initiatives (SYPD)
52. Somali Lifeline Organization (SOLO)
53. KAAALO AID and Development Organization
54. Puntlaand State University Garowe
55. American Friends Service Committee (AFSC)
56. Finnish Somalia Network (FSN)
57. Human Appeal Somalia
58. Oliver Bakewell, Senior Lecturer, Global Development Institute, University of Manchester
59. ZamZam Foundation
60. International Solidarity Foundation (ISF)

61. Jawaahir Daahir, Founder & CEO of Somali Development Services and Chair of Somali Global Diaspora Board
62. Somali Development Services
63. Global Somali Diaspora (GSD)
64. Horn of Africa Voluntary Youth Committee (HAVOYOCO)
65. Puntland Non-State Actors Association (PUNSA)
66. Asal Consulting
67. New Horizon
68. Cesvi
69. Somaliland National Youth Umbrella (SONYO)
70. Solidarity Youth voluntary organisation (SOYVO)
71. Somaliland Y-PEER
72. Kayd Somali Arts and Culture
73. Ayan Mahamoud Mahamed MBE, Former Somaliland Representative to the UK
74. Edna Adan Ismail, Edna Adan University Hospital, Hargeisa
75. Edna Adan Foundation, UK Registered Charity
76. Farah Adan, fundraiser, Edna Adan Foundation
77. Ian Fenwick, Trustee, Edna Adan Foundation UK
78. African Foundation for Development (AFFORD UK)
79. Anglo-Somaliland Resources Ltd.
80. ALR Projects Ltd.
81. Twin Group Ltd.
82. Kim Fenwick, volunteer at Edna Aden Maternity Hospital
83. Hollie Puttock, volunteer at Edna Aden Maternity Hospital
84. Rebecca Novis, volunteer at Edna Aden Maternity Hospital
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