

## Monthly Migration Movements

### Remittances to Afghanistan

#### September 2018

#### Introduction

This summary uses the findings from 278 4Mi interviews to analyse the scale of remittances among Afghan migrants and refugees in destination countries. Results show that around one fifth of Afghan migrants and refugees send remittances back home to their families, friends or communities mainly through unofficial transfer networks such as the Hawala system. These unofficial networks are cheaper, faster and more trusted by Afghan people in comparison to official networks such as the banking system.

The Afghans interviewed for this report are largely single and married Tajik, Hazara and Pashtun men coming from urban areas in Afghanistan. The majority have completed high school or associated/bachelor level of education and were unemployed, students or professional before they initiated their migration journey.

#### Importance and influence of remittances

Remittances are usually understood as financial or in-kind transfers made by migrants to friends and relatives back in communities of origin.<sup>1</sup> Remittances are important not only for recipient families, but also for the countries of origin, and can be seen to influence at two levels.<sup>2</sup> The *household level*, where remittances directly affect the income and purchasing power of a family. In this case, remittances are used by the household to provide basic necessities such as food, clothing, shelter, education, medical bills and sometimes payment of debts. The other effect can be seen at the *community level*, in which local and national economies also benefit from remittances. This happens by creating funds for larger groups in the community which is used for activities such as constructing houses, improving livelihood opportunities and starting small businesses; all of which contribute to the development of economic opportunities in the country. More than anything, remittances impact poverty reduction among the most vulnerable communities in underdeveloped and developing countries.<sup>3</sup> According to 'A Survey of the Afghan People' (2017), over a third of Afghan citizens live below the poverty line.<sup>4</sup>

#### Introduction to 4Mi Asia

The Mixed Migration Monitoring Initiative (4Mi) in Asia region aims at gathering data on regional mixed migration flows. Data is currently collected in Afghanistan as well as with Afghans on the move toward the East and West and analysis are produced monthly. 4Mi is expanding to include data collection of the onward movements of Rohingya and other migrant and refugee groups in South East Asia. The purpose is to increase knowledge about drivers of movement and protection risks faced by migrants and refugees on the move.

#### Introduction to the Mixed Migration Centre

4Mi is a core activity for the Mixed Migration Centre (MMC), which has been established in February 2018. It brings together various existing regional initiatives – hosted or led by the Danish Refugee Council (DRC) – engaged in data collection, research, analysis and policy development on mixed migration issues into a new global network of mixed migration expertise. The MMC focuses on five core regions: Eastern Africa & Yemen, North Africa & Southern Mediterranean, West Africa, Middle East & Eastern Mediterranean and Asia. The 30 staff members of MMC are based in Geneva and Copenhagen and in its regional hubs Amman, Dakar, Nairobi, Tunis and Kabul, where it works in close cooperation with regional partners, stakeholders and donors. To read more about MMC visit the homepage:

<http://www.mixedmigration.org/> and to read about MMC's global work please see the Mixed Migration Review 2018:

<http://www.mixedmigration.org/resource/mixed-migration-review-2018/>

Specific to Afghan remittances, research suggests these funds are used for the purposes described above at the household level<sup>5</sup>, and in addition IOM findings report that Afghan remittances are also used for larger expenses such as repairing and improving housing, weddings and medical emergencies.<sup>6</sup> According to IOM, families who received remittances tend to own their home/land, have businesses,

<sup>1</sup> Migration Data Portal (October 2018) 'Remittances' [online]. Available at: <https://migrationdataportal.org/themes/remittances>

<sup>2</sup> Turnell S., Vicary A., Bradford W. (n.d.) 'Migrant-worker remittances and Burma: an economic analysis of survey results' [online]. Available at: <http://press-files.anu.edu.au/downloads/press/p102401/mobile/ch05s02.html>

<sup>3</sup> Adams, H.R. Jr. (2006) 'Do Remittances Reduce Poverty?' [online]. Available at: <https://www.globalpolicy.org/component/content/article/220/47270.html>

<sup>4</sup> The Asia Foundation (2017) 'A Survey of the Afghan People Afghanistan in 2017' [online]. Available at: <https://asiafoundation.org/publication/afghanistan-2017-survey-afghan-people/>

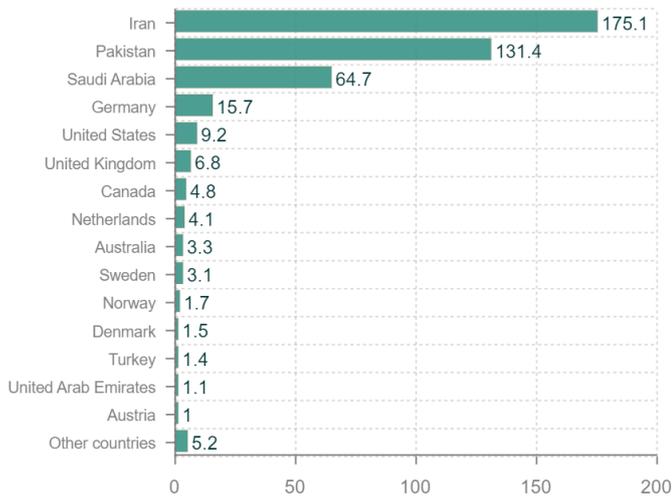
<sup>5</sup> Vadean, F. (2007) 'Skills and Remittances: The Case of Afghan, Egyptian and Serbian Immigrants in Germany', Working paper No. 92, Asia Research Institute. And Siegel M. et al., (2010) 'The Netherlands-Afghanistan Remittance Corridor Study', Netherlands Ministry of Foreign Affairs.

<sup>6</sup> IOM (2014) 'Afghanistan Remittance Overview and Trends: Annex to Afghanistan Migration Profile', p 82-89 [online]. Available at: <https://www.merit.unu.edu/publications/uploads/1442240401.pdf>

or have savings in comparison to those who do not receive remittances.<sup>7</sup>

In Afghanistan decades of war and insecurity have destroyed the country's economic infrastructure, and remittances have proven to be one of the main sources of basic needs for survival among Afghans who are still in the country. Alessandro Monsutti points out in his book *War and Migration*, if not for these remittances, the scale of human tragedy in Afghanistan during the war would have been far beyond what we have witnessed.<sup>8</sup> The main source of remittances to Afghanistan is from Afghan refugees and migrants in Iran and Pakistan. For example, in 2016, Afghanistan received in total more than \$430 million as remittances (accounting for 2.2 percent of the GDP in that year), of which 175 million were from Iran and 131 million from Pakistan (see Graph 1).<sup>9</sup>

Graph 1. Main sources of remittances



Source: <https://countryeconomy.com/demography/migration/remittance/afghanistan>

### Movement and tracking of funds

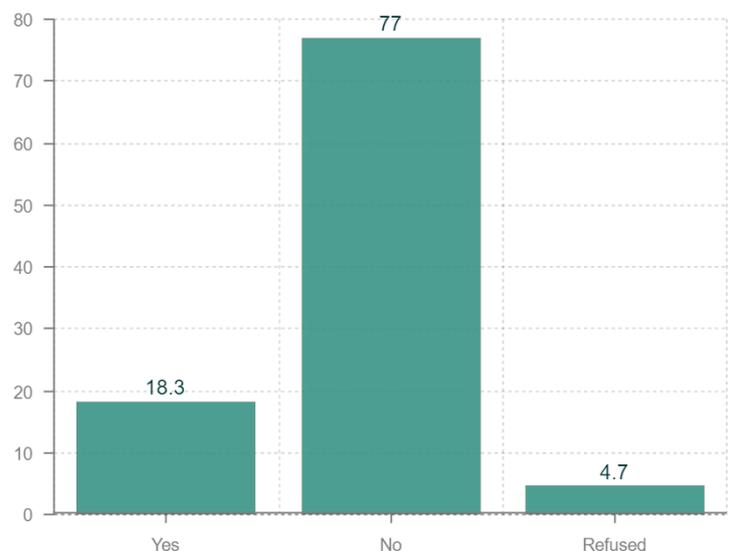
Remittances can be transferred to the country of origin in a variety of ways. In countries with financial institutions and banking systems, formal money transfers are usually the best option, while due to the lack of such institutions in underdeveloped areas, the transfers take place through informal networks and personal delivery.<sup>10</sup> Lacking sufficient data on these informal intermediaries facilitating the process of transferring funds is one of the major challenges in measuring the scale of remittances. Another challenge in measuring remittances is the lack of common methodologies in this area, where different countries take different approaches; some document results based on bank

account recordings; while others combine these bank records with household survey data, and still others use macroeconomic modeling.<sup>11</sup> An example of such reporting differences exists in the Afghan context, where the Afghanistan Central Statistics Organization reported remittances account for 1.7% of GDP, but due to informal channels this figure could be up to ten times higher based on surveys in sending countries.<sup>12</sup> According to IOM,<sup>13</sup> despite the existence of some formal money transfer channels such as banks, the most commonly used transfer channel by Afghans is the traditional informal Hawala system. These networks are seen as more cost-effective and are based on trust-centered networks by the users.<sup>14</sup> This system has been reported on in previous 4Mi reports, [‘Financing Migration Journeys’](#) and [‘Afghan Migration to Europe- the Role of Smugglers’](#), which explains how the Hawala system plays a significant role in financial transactions before and during the migration journeys. The 4Mi monitors in Afghanistan anecdotally explain that Afghans prefer informal systems as they are considered cheaper, faster and more secure compared to other financial transaction systems. This is in line with the IOM findings.

### Who send remittances and how much?

Among the current sample, 18% of respondents reported sending remittances to Afghanistan (Graph 2). This number is relatively low, which is likely because 4Mi mainly interviews newly arrived migrants who most likely have not yet settled down in the country of destination.

Graph 2. Did you send money back to your family, friends, or community in Afghanistan?



<sup>7</sup> Ibid.

<sup>8</sup> Monsutti, A. (2005) 'War and Migration: Social Networks and Economic Strategies of the Hazaras of Afghanistan', Routledge.

<sup>9</sup> 'Afghanistan: Migrant Remittance' [online]. Available at: <https://countryeconomy.com/demography/migration/remittance/afghanistan>

<sup>10</sup> Ibid.

<sup>11</sup> Jens Reinke and Neil Patterson, IMF (January 2005) 'Remittances in the Balance of Payments Framework' [online]. Available at: <https://www.imf.org/external/np/sta/bop/pdf/rem.pdf>

<sup>12</sup> The World Bank (February 2018) 'Labor Migration can Help Boost Afghanistan's Growth' [online]. Available at:

<https://www.worldbank.org/en/country/afghanistan/publication/labor-migration-can-help-boost-afghanistans-growth>

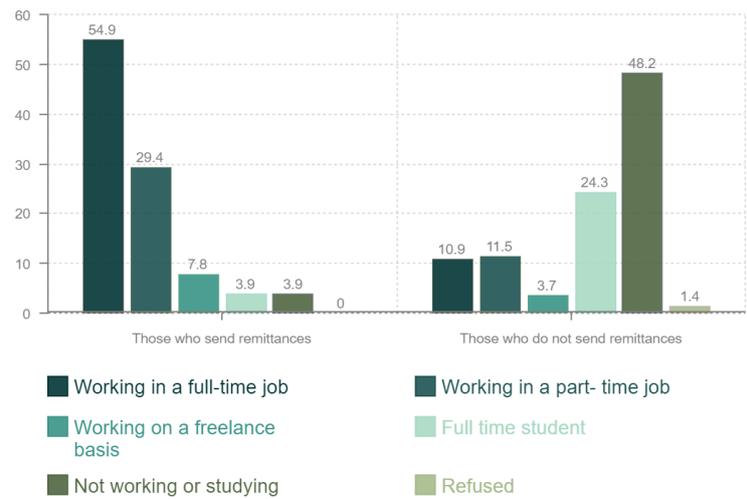
<sup>13</sup> IOM (2014) 'Afghanistan Remittance Overview and Trends: Annex to Afghanistan Migration Profile', p 12 [online]. Available at:

<https://www.merit.unu.edu/publications/uploads/1442240401.pdf>

<sup>14</sup> Ibid.

Those sending remittances were largely pending asylum seekers (40%) or registered refugees (30%) at the time the 4Mi data was collected. In terms of job, 92% of them reported having a full-time, part-time or freelance job in their host country. Not surprisingly, the largest factor that affected those who report not sending remittances to Afghanistan had to do with employment in the host country. Almost 50% were unemployed and 25% were full-time students (see: graph 3), which limits their ability to financially assist those back home. Having employment in the destination country thus seems to be the main factor contributing to the ability to send remittances back to Afghanistan. For those who can send remittances, the average amount transferred is \$285.00 per month, which is surprisingly high compared to other research. According to the World Bank, the annual average for remittances is \$1,680 for a household, and this accounts for more than half of the household income.<sup>15</sup> Overall, migration and remittances are an important influence on sustaining livelihoods in Afghanistan, with 16% of households having a family member that has previously or is currently residing outside the country.<sup>16</sup>

Graph 3. What is your employment status now?



<sup>15</sup> The World Bank (February 2018) 'Labor Migration can Help Boost Afghanistan's Growth' [online]. Available at: <https://www.worldbank.org/en/country/afghanistan/publication/labor-migration-can-help-boost-afghanistans-growth>

<sup>16</sup> Ibid.