

Remittances Sent to and from the Forcibly Displaced

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Abstract

This paper reviews the literature on remittances in the context of forced displacement. The evidence suggests that remittances are often affected, and affected more strongly, by factors in the displacement context that are different from factors in other contexts, such as “economic” migration. These factors include the possibility of continuing or new conflicts in the region of origin, the possibility of sudden mass repatriations, the relationship of diaspora groups with the authorities of the country of origin and opposition groups, the higher risk of sudden closure of remittances channels, and the complex movement trajectories of the displaced, among others.

Key words: remittances, refugee, IDP, forced displacement, conflict

1. Introduction

The volume of international remittances flows to developing countries, an estimated \$432 billion in 2015, illustrates the potential of these monetary flows to stimulate economic development and growth in receiving countries (World Bank Group 2016). Estimates also suggest that the share of the population receiving internal remittances is greater than the share receiving international transfers, which implies even greater potential for internal flows to affect development (McKay and Deshingkar 2014).¹

Several studies review the substantial evidence on the determinants and impacts of remittances (for example, Adams 2011; Borja 2012; Carling 2008; Cohen 2011; De Haas 2007; Hagen-Zanker and Siegel 2007; Rapoport and Docquier 2005; Ruiz and Vargas-Silva 2009; Yang 2011). These studies focus mainly on remittances from “economic” migrants who move to take advantage of better income-generating opportunities. Less attention has been paid to remittances involving forced displacement. This document reviews the evidence on remittances sent to and from the displaced, especially those who leave home to escape conflict or persecution.

The number of people forcibly displaced by conflict around the world (refugees and IDPs) is currently at its highest level since World War II—some 65 million at the end of 2015—and more than 80 percent of refugees worldwide are in developing countries (United Nations High Commissioner for Refugees 2016). The evidence suggests that many of those who are forcibly displaced worldwide send or receive remittances. Remittances are often a lifeline in situations of forced displacement, helping households cope with insecurity and helping people escape conflict (Van Hear and Cohen 2015). A clear understanding of the dynamics of remittances in situations of forced displacement can assist in the creation of policies that maximise the positive impacts of remittances. To contribute to this understanding, this article reviews the evidence on remittances sent to and from the displaced.

Reviewing remittances with a focus on forced displacement is important for several other reasons. For instance, much of the work on remittances has been developed with the idea that remittances (both sending and receiving) are a major factor in the decision to move. Migration and

remittances have been regarded as part of long-term household strategies for maximizing household income, overcoming market imperfections (for example, lack of credit markets), and diversifying risk (Stark and Bloom 1985). Remittances could play a different role in cases in which individuals leave their homes on short notice for the primary purpose of protecting their lives. Economic considerations are likely to still play a role, but remittances could often be a consequence of population movement instead of being the key driver of the actual decision to move (Lindley 2009a).

Refugees are often different from economic migrants and traverse a different adaptation process in the host country. For instance, Cortes (2004) indicates that refugees in the United States (1975–1980 cohort) made greater gains over time in labour market outcomes than did economic migrants. She explains that many refugees lacked the option of returning home and had a longer time horizon in the host country. As such, they were more likely to make country-specific human capital investments. Studies for other countries, such as Canada, have found that certain groups of refugees do not become as integrated into the host economy as economic migrants (DeVoretz, Pivnenko, and Beiser 2004). The dynamics differ by host country and refugee or migrant group, but differences in the incentive to integrate and overall differences in planning horizons are likely to affect remitting patterns.

The trajectories of the forcibly displaced also tend to be particularly complex in comparison with other groups. In the displacement situation, particularly for refugees, family members are often spread across several locations and settings. Flows from the same individual can go in many directions, including different regions in the country of origin, a country of first asylum, a transit country, or a third country of asylum (Van Hear 2009). The displaced might also receive transfers from their families who have been left behind. These dynamics complicate the analysis of the determinants and impacts of remittances, suggesting that innovative methodological approaches are needed in the forced displacement context.

Forced displacement is often sudden, and the host region endures a large increase in its displaced population in a relatively short time. Even if the displaced would like to start sending or

receiving remittances soon after migration, remittances businesses can take a while to start operating (Rodima-Taylor 2013).² Also, limited options for sending remittances in this initial stage and lack of competition among providers can result in higher fees for these services (Beck and Martinez Peria, 2011). In contrast, in the economic migration context there tends to be a more gradual increase in the migrant population. As such, there is additional time for more remittances services to develop and offer transfers at a lower cost (Beck and Martinez Peria, 2011).

Finally, the provision of public services and ties with family members can be seriously disrupted in the conflict and forced displacement context. Displaced persons often remit to regions in conflict with inadequately functioning governments that lack the capacity and/or willingness to provide public services (Carling, Binvand, and Horst 2012). The displaced are also often unable to go home for short visits (Diaz-Briquets and Perez-Lopez 1997) and this could weaken ties with family members in the country of origin (Blue, 2004). These factors have important implications for the remitting patterns of the forcibly displaced.

This paper focuses on remittances to and from the forcibly displaced, including the interaction with nondisplaced populations. For instance, Figure 1 provides a diagram of the possible direction of remittances in different contexts. The arrows with the plain grey fill indicate the traditional remittances flows between economic migrants (or others nondisplaced) and the family in the region of origin. As explained above, the previous literature tends to focus on these flows. This paper addresses all other arrows in Figure 1. Notice that in some cases the senders and receivers of remittances are displaced persons (that is, arrows with a black fill). For instance, Somali refugees in the United States may remit to Somali refugees in Kenya. In other cases remittances involve the interaction of the displaced and nondisplaced populations (that is arrows with a pattern of black and grey fill).³

[Figure 1]

The review is divided into five parts. After this introduction, the second part explores the evidence on remittances sent from the displaced. The third part covers remittances sent to the displaced. The last section summarises the findings and provides recommendations for future research. Online Appendix 3 to this article includes a discussion of some key methodological issues related to conducting new quantitative research on remittances to and from the forcibly displaced.

2. Remittances Sent from Refugees and IDPs

2.1 Determinants of Remittances from the Forcibly Displaced

2.1.1 The Motives to Remit

Over the past decades several motives have become standard theoretical explanations of the decision to remit and the amount remitted. Typically the motives to remit are categorised as altruism, self-interest, insurance and loan repayment. The altruism motive posits that migrants remit to improve the well-being of family members or friends left behind. The self-interest motive is based on the idea that migrants remit to improve their own well-being. The usual example is a migrant who remits to invest back home. The insurance motive links migration to risk-reduction strategies. By moving to another region, the migrant will be exposed to shocks that are less correlated with those that the household is exposed to at home. Therefore, the household and the migrant could support each other in times of need. Migrants also remit to pay back the household for previous “investments” in them. This is referred to as the “loan-repayment” motive. The typical example is a migrant paying back for help with the cost of migration. Finally, it is important to note that migrants are often under social pressure to remit money home, in many cases based on cultural expectations.

The evidence indicates that the relevance of the different motives to remit can be affected by the particular situation of the displaced. The altruism motive is likely to be very strong in the case of forced displacement. The forcibly displaced are more likely than economic migrants to come from regions or countries that are prone to conflict. As a result, their family members are more likely to be in danger, which might prompt the displaced to send remittances to help those who cannot leave

areas of conflict (that is, remittances provide a coping mechanism) and to assist those who want to leave (Van Hear and Cohen 2015).

Testing the relevance of altruism or other motives of the forcibly displaced, in particular refugees, is difficult because often several persons in different locations are receiving remittances from the same refugee. Van Hear (2009) highlights the effects that refugees' complex migration trajectories and greater spread of family members have on remitting patterns. Many refugees have a first country of asylum (often a neighbouring country), other transit countries, and a third host country. Family members could be in need of help in each of those locations, and refugees must choose among competing needs across locations. As an example of this situation, Akuei (2005) highlights the case of a refugee in the United States who was sending money to seven different locations spread across five countries. The refugee was directly "responsible" for more than 20 family members in very different circumstances (for example, in refugee camps and urban locations).

The same refugee can remit for altruistic reasons to a person in one location, but for other reason to another individual in a different location. Total remittances outflows from the refugee might remain constant, but the destinations may shift, and correlating these shifting flows with the income variations of different receivers is complicated.

One way of exploring the importance of factors such as conflict in the home country on transfers from refugees is to look at the evidence of remittances to countries with different conflict and migration experiences. Carling, Binvand, and Horst (2012) explore the relationship between remittances from Norway and conflict by comparing remitting patterns of individuals from 10 countries (3 with ongoing conflicts, 2 with recent conflicts, and 5 with no recent conflict). They find that after controlling for other key factors, the likelihood to remit is much higher among those from countries currently affected by conflict. The authors provide three explanations for this pattern. First, conflict creates immediate and vital needs for those affected, including the need for protection, food security, and medical attention. Second, the state of origin often cannot provide these services, which means that it is up to those living abroad to support their family members.

Finally, conflict disrupts livelihoods and has a major impact on the capacity of individuals to generate an income (for example, labour market disruption). One limitation of this study is that the analysis is based on the likelihood of remitting and not on the amount remitted. It is not clear if conflict would lead to larger remitted amounts.

Carling, Binvand, and Horst (2012) also provide a direct comparison of the remitting patterns of Pakistanis and Somalis in Norway. Pakistanis mostly migrated to Norway for work reasons, whereas most Somalis migrated to seek asylum. In both cases, stronger ties to the home country increased the odds of remitting, but the transfers responded to different home country links. Pakistanis were more likely to remit if they owned property in Pakistan, whereas Somalis were more likely to remit if they had a parent in Somalia. These patterns could imply different reasons for remitting (that is, self-interest or investment versus altruism). Although the self-interest motive for remitting could be present for the displaced, in many cases refugees and IDPs are sending money to countries and regions that have been seriously affected by war and in which the possibility of making a productive investment may be smaller as a result of the destruction (Van Hear and Sørensen 2003).

Al-Ali, Black, and Koser (2001) explore the role of conflict, among others factors, in determining remittances from Eritrean refugees in the United Kingdom and Germany. They find that remittances relate mainly to specific requests for help, such as for school materials or to pay debts. Respondents suggested that those requests increased during the conflict period because family income streams were negatively affected. In contrast, Arestoff, Kuhn, and Mouhoud (2016), looking at Congolese, Mozambicans, and Somalis in Johannesburg, find that fleeing to escape conflict has a negative effect on the propensity to remit. They do not provide evidence on the reasons behind these differences but speculate that the difficulty of remitting to countries in conflict and the lack of contact with family members back home could be playing major roles.

The traditional insurance and household income maximization story for migration and remittances, in which the possibility of remitting is a key component of the decision to move, might

not be a great fit for the remitting dynamics of the displaced. In forced displacement situations, remittances are more likely to be a consequence rather than a driver of migration. Although economic factors are likely to still play a role, people leave their homes primarily to protect their lives. However, even though escaping conflict or persecution could have been the original reason for migration, it is possible for economic considerations, including household strategies related to remittances, to become important determinants of onward movement to other regions or countries (Lindley 2009b; Van Hear and Sørensen 2003).

Household strategies regarding insurance can also take different forms for the forcibly displaced. Loschmann and Siegel (2014) explore whether migrants in Afghanistan who financed their migration by taking on formal or informal loans from family and friends remit more money home. Contrary to expectations they find that debt-financed migration actually results in fewer remittances. Given these results they speculate that in Afghanistan, migration and remittances could be a way to assist with finding an alternative location to escape to if the security situation gets worse. In that sense households might not be insuring against unexpected income shocks but against unexpected increases in insecurity. However, the authors do not test this alternative hypothesis.

Some limited evidence addresses differences in the likelihood to remit between the forcibly displaced and economic migrants. For instance, in their comparison of Pakistanis and Somalis in Norway, Carling, Binvand, and Horst (2012) show that there are differences in the share of members of each group that sent money home. Less than half of Pakistanis (44 percent) sent remittances home compared with 74 percent of Somalis. Moreover, 38 percent of Somalis in the survey sent remittances on a monthly basis. This number was just 6 percent for Pakistanis. Carling, Binvand, and Horst's (2012) estimates are in line with findings from Lindley (2009b) for the United Kingdom, who found that 61 percent of the Somali refugees in her survey remitted on a monthly basis. This relatively high share of remitters among refugees is consistent with findings from other countries. For instance, Johnson and Stoll (2008), looking at Southern Sudanese men living in Canada, find that

42 percent of their respondents sent money home at least once a month. These studies are based on small, non-random samples, and it is not possible to determine whether the information is representative of the remitting dynamics of the displaced.

2.1.2 The Role of Length of Time Abroad and Return Plans

Evidence from many countries suggests that as time passes some migrants reduce the level of remittances sent home or stop remitting altogether (Amuedo-Dorantes and Pozo, 2006; Makina and Masenge, 2015), a phenomenon known as the “remittances decay hypothesis.” Time away from home can result in weaker ties with family members in the region of origin and a smaller probability of returning home. In fact, previous studies suggest that remitted amounts are also affected by the migrant’s return plans. In particular, the intention to stay longer in the host country affects remitted flows negatively (Dustmann and Mestres 2010). Those migrants who face relatively high uncertainty in the host country could also be more likely to remit given the higher likelihood of return migration (Delpierre and Verheyden 2014).

In some cases, particularly for refugees in third countries of asylum, the displaced have a longer time horizon in the host country than economic migrants (Cortes 2004), a fact that suggests that they are likely to send fewer remittances back home. Some evidence supports these differences. Ahmed (2000) explains how return plans affected remittances to Somaliland over time. Economic migrants from Somaliland to the Gulf in the 1970s and 1980s were mainly young single men who remitted to support their families and to make investments for an eventual return. In contrast, refugee migration, which started in the late 1980s, was meant to be permanent and often included the entire family. These dynamics resulted in many refugees having greater family obligations in the host country and a smaller propensity to remit compared with economic migrants (Ahmed 2000).

In some instances, the displaced are subject to sudden repatriation. This includes individuals waiting on the outcome of their asylum applications and those in first countries of asylum. For many of these individuals, remittances can become a way to secure a place back home in case of

deportation (Jacobsen 2005). Thus, a high risk of repatriation could theoretically lead to higher remittances. More research is necessary to explore if this is the case.

Once conflict is over, many refugees send money home to assist recovery efforts (Rodima-Taylor 2013; Van Hear and Cohen 2015). Yet, the degree to which postconflict countries receive large amounts of remittances depends on the long-term “solution” to the situation of refugees. Remittances account for a large share of national income in many countries affected by conflict, and refugee return could result in a decrease in the inflow of remittances (Ferris 2001). Therefore, even though return is often seen as a successful long-term solution for refugees, it also has implications for postconflict economic recovery. On the other hand, resettlement to a third country is more likely to lead to a greater flow of remittances (Jacobsen 2005).

2.1.3 Social Pressure and Migrant Networks

Refugees face strong pressure to remit money home. Akuei (2005) explains that network connections between refugee camps in first countries of asylum and ethnic communities in third countries of asylum often make it possible to know about relatives’ locations and contact information fairly quickly. Jacobsen (2005) argues that the pressure to remit for the displaced is different from that in other groups because, in addition to facing economic challenges, their family members are often more likely to be in immediate danger. The greater pressure to remit often leads to sacrifices that have long-term implications. For example, Tharmalingam (2011) explains that Tamil refugees in Norway feel strong pressure to remit, which often means they do not take opportunities such as increasing their educational levels. Hammond (2011) looks at Somali refugees in the United States and finds that they are under considerable social pressure to send money home. The pressure to remit comes not only from family members back home, but from clansmen. Somalis are organised by clans, and remittances are a way to maintain prestige and respect within the clan. Refugees sometimes even change phone numbers to avoid requests for money from family and friends (Akuei 2005; Lindley 2009b).

Migrant networks can also block remittances to the country of origin. Refugees are sometimes remitting to a regime that is opposed by a large portion of the country's diaspora. Diaz-Briquets and Perez-Lopez (1997) explore this dynamic by looking at remittances to Cuba. Cubans can claim asylum in the United States relatively easily. The first generation that left Cuba in the 1960s and 1970s was strongly opposed to the Cuban government and was organised politically. As time progressed, those arriving from Cuba were still be able to claim political asylum, but they were less politically motivated, with a greater focus on improving their economic situation and more likely to have close family members back home. Thus, the new generations were also more inclined to remit. However, remittances were seen by the old generation as indirectly supporting a regime that they opposed. Eckstein (2010) explains that at least until the mid-2000s, the American-Cuban leadership from the 1960s migration wave openly lobbied the U.S. government to restrict the sending of remittances to Cuba.

Blue (2004) also explores remittances to Cuba, but from the perspective of the recipients. She finds that in some cases Cubans were not willing to accept or request remittances from family members abroad for political reasons. However, this attitude changed after the deep economic crisis Cuba experienced during the 1990s. Since then economic concerns have surpassed political concerns for many Cubans in Cuba and the United States. Eckstein (2010) also adds that although many Cubans actually rejected gifts from abroad based on political views, other less politically inclined Cubans hid money and gifts from abroad as a response to social pressure.

2.2 Impacts of Remittances from Those in Forced Displacement

2.2.1 Impacts on economic factors, schooling and health

Evidence from the economic migration literature suggests that remittances can have an impact on the distribution of income. In the first stage, migration is only available to those households with higher incomes and these are the beneficiaries of remittances, thereby initially increasing income inequality. But as migration becomes more common, the cost of migration decreases (for example,

through network creation), and households with lower incomes are able to send relatives abroad and benefit from remittances (Stark, Taylor, and Yitzhaki 1986).

Because violence and conflict are the key drivers of movement in forced displacement, economic selection is less likely to be a factor in who leaves the community of origin. However, remittances can still have an impact on inequality in receiving communities. As explained by Van Hear (2006), even if conflict is the main driver of emigration, those from wealthier families can travel farther and select better destinations. As a consequence, they are able to remit greater amounts of money home, potentially increasing inequality. This imbalance is likely to create key differences in remitting potential between IDPs and refugees.

Little empirical evidence addresses the impact of remittances from the forcibly displaced on factors such as schooling and health. This is a major omission as the evidence suggests that forced displacement can have a major negative effect on the health and education of children (Eder, 2013; Fiala, 2015; Ruiz and Vargas-Silva, 2013; Verwimp and Van Babel, 2013) and remittances could help counter this effect.

2.2.2 Diaspora Relationships, Collective Remittances, and Conflict

The displaced are often able to organise to help solve problems related to displacement and conflict back home. Blayney (2015) explores the collective remittances of the Iraqi diaspora in the United States to Iraqi refugees in Jordan. The study finds that raising money led to more integration among members of the diaspora, including more interaction between the established Iraqi diaspora and recent Iraqi refugees.

As explained above, remittances from the forcibly displaced often respond to changes in security levels and conflict in countries of origin. Remittances could also have an impact on conflict levels in countries of origin, including the possibility that diaspora groups send collective remittances home to support the activities of armed groups (Van Hear and Sorensen 2003; Van Hear 2009). Horst (2008) explores the interaction between political engagement and collective remitting of Somali refugees in Norway. She explains that Somali conflicts typically take place as confrontations between

clans. Once a confrontation starts, Somalis in Norway are asked to contribute money to support the military action of their clans. Her informants indicate that some clans received millions of U.S. dollars to fund single conflicts. Refugee contributions could also help prevent conflict by equalising military power across clans. Contributions from refugees also play a role at the end of the conflict as payments to compensate for the loss of life and material well-being.

2.3 Channels, Costs, and Difficulties of Sending Remittances

The nature of displacement camps (that is, a concentrated migrant population) could make these an easy target of large money transfer operators. The evidence suggests that money transfer operators have indeed targeted refugee camps in the past and that the displaced often use official channels to remit money. For instance, Crisp (2003) explains that Liberian refugees in Côte d'Ivoire and Ghana relied on Western Union services and that Western Union established offices in both countries to serve the refugees.

In other cases the forcibly displaced rely on informal channels. In her study of Somalis in the United States, Hammond (2011) finds that social networks in the form of clan affiliation was a way of remitting money without having a fixed and known address for the recipient. This situation echoes results from Cockayne and Shetret (2012) who find that remittances organizations in Somalia relied heavily on existing social capital (that is, clan ties) to serve as a distribution network. Shire (2006) discusses similar findings about the usefulness of clan identity for beneficiaries in locations with no addresses or official forms of identification. However, he adds that the culture of clan identity also makes it a challenge for Somalis in advanced economies to remit using formal channels because they are not used to revealing personal information or showing identification.

The challenges faced by refugees in remitting are not completely different from those of other migrant groups. However, certain issues are likely to occur more frequently for refugees, such as the lack of identification documents and the closure of banks in the country of origin. For instance, Monsutti (2004) explains that these two challenges were major hurdles for Afghans in Iran who wanted to remit using formal channels. In fact, the issue of closure of banks and, more often,

the bank accounts of remittances companies appears often in the literature. These bank accounts have come under increasing scrutiny in recent years given concerns about the financing of terrorism and money laundering. Particular attention is often paid to countries in conflict without functioning governments. These are the same countries that often have a large refugee diaspora. Companies transferring money to Somalia received much attention recently. Several banks in the United States and Europe (for example, Barclays) closed the bank accounts of these money transfer companies (Orozco and Yansura 2013). These types of actions are not taken only by high-income countries. The Kenyan government suspended the licenses of several Somali money transfer agencies in 2015 in response to a terrorist attack in Kenya by a Somali based militant group.

It is not clear if the closure of formal remittances channels pushes refugees toward the informal sector, decreases flows, or increases the cost of remitting. A report by the FAO's Food Security and Nutrition Analysis Unit–Somalia (2015) provides some evidence of a decrease in remittances as a result of the closure of remittances channels. The report finds that in most regions in which their survey was conducted, a substantial share of the households (23 percent to 49 percent) indicated that remittances declined during the period in which remittance channels to Somalia were affected. Please keep in mind that the closure of the bank accounts of money transfer companies will directly affect the formal remittances sector, but it is unlikely to have a major effect on the informal sector.

A World Bank Group report based on a survey of key stakeholders in the remittances market (governments, banks, and money transfer operators) suggests that the main drivers behind the closure of money transfer operators' accounts include increasing fear of regulatory scrutiny, reputational risk, low revenue-generating potential, and fear of losing access to correspondent banking relationships (World Bank Group 2015). There is a perception that for banks the risk of continuing to provide services to money transfer operators outweigh the benefits.

There is space for government-led initiatives in collaboration with development agencies. One example is the "UK-Somalia Safer Corridor Initiative," which focuses on this specific corridor to

strengthen existing remittances channels and to address the bank concerns that have led to the closure of accounts of remittances companies or money service businesses (MSBs). The initiative consists of three stages (U.K. Government 2015). The first stage was to provide banks and MSBs in the United Kingdom with comprehensive guidance for improving compliance with regulations and to appropriately manage risk. The second stage involves coordination with the financial sector in the United Arab Emirates. Financial transfers between the United Kingdom and Somalia usually travel through Dubai, but U.K. banks lack familiarity with the arrangements many MSBs have made in Dubai. The third stage involves supporting the Government of Somalia with the drafting and issuance of new anti-money laundering/combating the financing of terrorism legislation, MSB operating regulations, and customer registration rules.

Research from southern Syria suggests that distance to money transfer operators is a major obstacle to receiving remittances (Dean 2015). Distance is also an issue for remittances in other contexts, but in situations of conflict the risk of traveling increases, and collecting remittances may involve traveling in and out of areas outside of government control. The risk increases substantially for elderly, disable and very young individuals who lack the support of other people in order to collect remittance payments.

3. Remittances Sent to Refugees and IDPs

3.1 Determinants of Remittances to Displaced Populations

3.1.1 The Origin of the Flows and Wealth Levels of Recipients

The likelihood of forcibly displaced people receiving remittances and the sources of these funds vary across locations and periods. Using 2009 survey data, Doocy et al. (2011) find that 40 percent of Iraqi refugees in Syria received remittances. In fact, they find that remittances were refugees' most common income source. Betts et al. (2014), looking at remittances in Uganda, find that in Kampala 53 percent of Somali refugees regularly receive remittances, whereas 27 percent of Somali refugees in the Nakivale settlement receive remittances. Young, Jacobsen, and Osman (2009) find that 25 percent of IDP households in the Kebkabiya area of Darfur in Sudan received remittances in 2007.

Several studies present cases in which just a small number of households report receiving remittances. For instance, Voon (2014) explores the case of Syrian refugees living outside camps in Jordan and finds that only 7.4 percent of female-headed households and 3.3 percent of male-headed households received remittances. However, authors of these studies concede that households might not want to disclose the extent of their remittances income.

Remittances senders are often relatives and friends who stayed behind in the conflict-affected country of origin. Dalen and Pedersen (2007) find that 42 percent of Iraqi households in Jordan received remittances from Iraq, while just 22 percent of the households received remittances from outside Iraq. Jacobsen, Ayoub, and Johnson (2014) in their study exploring Sudanese refugees in Cairo find that 10 percent of respondents had received remittances from Sudan, while 15 percent had received money from outside Sudan.

Remittances flows might not always be a reliable source of income for the displaced. For example, Jacobsen et al. (2014) highlight that only 14 percent of their respondents received remittances on a monthly basis. The rest received remittances only occasionally.

Several studies also report a strong positive correlation between receiving remittances and the wealth levels of recipients. Dalen and Pedersen (2007) estimate that about half of the wealthiest households received remittances from Iraq, while the share was close to a quarter for the poorer households. However, for remittances from the rest of the world there were no major differences across household wealth levels. Omata (2011a) also explores receipt of remittances along the wealth distribution, but using information from Liberian refugees in Ghana. He finds that 95 percent of the income of the better-off households came from remittances, whereas the poorest households received no income from remittances. These studies do not test the direction of causality of the relationships between remittances and income level. It is not clear whether the correlation comes from previous remittances increasing wealth levels or from wealthier households receiving more remittances.

3.1.2 The Key Role of Access to Communications

Omata's (2011b) study of Liberian refugee settlements in Ghana finds that they are aware of the pressure that they impose on family members living in developed countries. Refugees argued that they are more likely to receive a negative response if they only contact family members to request money. They prefer to contact family members frequently, keeping them up to date with news from their lives and to request money only occasionally.

Omata (2011b) highlights the importance of Internet cafes in refugee camps in facilitating constant interaction with family members abroad. Porter et al. (2008) also confirm the key role of constant communication and Internet cafes for Liberians in refugee camps in Ghana. The authors suggest that these findings explain in part the substantial receipt of remittances by young people in camps (that is, those who are more technologically savvy). Savage and Harvey (2007) also highlight the role of Internet cafes and recommend setting them up in displacement camps to restore or initiate the flow of remittances quickly after a natural disaster. The increasing popularity of mobile phones for communication and transfers of money may reduce the relevance of Internet cafes for those who have been displaced. However, there is no evidence in this regard yet.

The key role of communication with family members abroad also means that refugee camp residents are sometimes in an "on-call" status. Trapp (2013) reports that some Liberian refugees in Ghana with family members abroad would wait by the phone for a family member to call and, hopefully, confirm that money was on its way. She adds that the link between communication and remittances meant that often other outreach efforts to family members, unrelated to money, were also interpreted as requests for money.

3.2 Impact of Remittances Sent to Displaced People

3.2.1 Movement and Location Choices

Remittances can facilitate movement to find employment. Refugees often have a choice between living in a camp or in an urban area (sometimes without proper authorization). Living in urban areas increases the types of available jobs and the possibility of starting a small business. However, urban areas are often more expensive to live in and assistance from international actors is often less

available. Therefore, refugees often need external support to establish themselves in urban areas. Campbell, Kakusu, and Musyemi (2006) explain how Congolese refugees in Kenya used remittances money to support themselves in urban areas. Those refugees without access to remittances were more likely to remain in (or return to) the camps.

Access to remittances can be a reason for movement to cities. Shandy (2006) explains that even a rumour that a relative might be considering sending money to Addis Ababa was enough for some Sudanese refugees in Ethiopia to make the trip from the camps to the city. If no money actual showed up, the refugee might have to return to the camp. She also explains that some refugees skip the refugee camps and go directly to the city, hoping to receive remittances. Although those at the camps might still receive money there is a perception that they get one-time payments, whereas in Addis Ababa it is easier to receive regular monthly remittances. However, there are still potential issues related to a high dependence on remittances. For instance, if remittances stop the refugee can be stranded and might not have enough resources to return to the camp.

3.2.2 Savings and Expenditures

The impact of money sent to the displaced on their savings and expenditures behaviour has not been the subject of much research. A report by Groupe Speciale Mobile Association (GSMA 2014) suggests that, in Ugandan refugee settlements, refugees tend to immediately withdraw the money received in their mobile money accounts. The report explains that this is in part a response to the fact that the potential use of mobile money for payments to merchants was limited. There was also evidence that one person may receive a transfer that then must be split with several individuals, and cash was the preferred way to do this. A consequence of withdrawing the money immediately is that, contrary to other situations, mobile money accounts do not result in big increases in savings.

Looking at several cases in Southeast Asia, Ballard (2002) suggests that remittances may have played a key role in providing refugee returnees with a source of investment capital. Betts et al. (2014) also speculate that Somali refugees used remittances to start businesses in Uganda. However, there is little actual evidence of specific instances in which this has occurred. The uncertainty and

unpredictability of time in exile for many refugees can reduce the incentive to invest in the host location.

3.3 Channels, Costs, and Difficulties with Receiving Remittances

Information from remittances receivers confirms that in some cases official remittances channels are popular with refugees. In a study of Sudanese refugees in Cairo, Jacobsen, Ayoub, and Johnson (2014) explain that about 50 percent of remittances receivers reported receiving the money through Western Union. In fact, Western Union was preferred over other agencies (for example, MoneyGram) that had stricter identification rules for dispatching the money. Close to 15 percent of the refugees in this study used the informal Hawala system to receive remittances.⁴

Senders and receivers of remittances confront similar challenges in using formal channels. Refugees often do not speak the official language of the host country, which makes it difficult to receive remittances, particularly through official channels that often require the provision of some basic information to receive the money. Another common problem in accessing official channels is that refugees often do not have proper identification. Shandy (2006) explains how these two factors are an important impediment to the receipt of remittances in Addis Ababa.

Mobile money accounts could facilitate remittances in forced displacement situations. Several studies suggest that until recently mobile money had not played a major role in this context, but it is becoming popular (Young, Jacobsen, and Osman 2009). As explained above, camps could represent a very concentrated population which remittances companies, including mobile money operators, could target more easily. However, GSMA (2014) suggests mobile companies may lack incentives to make large investments in technology given the perception that displacement camps are temporary. The report highlights the protracted nature of many displacement situations as a counterargument to this point.

4. Summary of Key Findings and Recommendations

An overall finding from the review is that the current evidence is mostly based on qualitative research focused on refugees and concentrated around a few specific cases. Quantitative research is

important to demonstrate the causal impacts of remittances from/to the displaced on different factors. IDPs account for more than two-thirds of the forcibly displaced worldwide. The roles of regulation, communications, and information, among others, are also likely to be different for IDPs and refugees. Displacement situations vary widely across countries, and the dynamics in one case might not apply in other cases. Taking these factors into consideration, future research efforts should concentrate on providing more insights into IDPs in countries and corridors that have not been explored yet and should include a strong quantitative component.

The specific findings from this review include the following:

- **Determinants of remittances:** Remittances are often affected by factors in the displacement context that are different from factors in other contexts, such as “economic” migration. These factors include the possibility of continuing or new conflicts in the region of origin and the possibility of sudden mass repatriations.
- **The mixed role of social networks:** Ample evidence indicates that social networks exert significant pressure on the displaced to remit money home. However, there is also evidence to the contrary. In those cases in which a significant share of the diaspora opposes the home-country political regime, social networks can exert pressure to block remittances.
- **The use of mobile money is growing, but not yet common:** Mobile money accounts are becoming more popular for the displaced to send and receive remittances. However, the use of these accounts still limited. This area is evolving quickly, and frequent studies are necessary.
- **Language barriers and identification requirements are obstacles preventing displaced populations from sending and receiving remittances:** Refugees often do not speak the language of the host country and lack proper identification documents, making it difficult to comply with legal requirements to send and receive remittances.
- **The remittances market is exposed to sudden closures:** Remittances flows to some countries, such as Somalia, have been affected by the closure of the bank accounts of

remittances companies and the revocation of licenses of companies. The closure of legitimate remittances channels may push refugees toward the informal remittances sector, but there is scarce evidence in this regard.

- **Diffuse impact of remittances:** The displaced population, particularly refugees, tends to have complex movement trajectories compared with other migrant groups. The same person may remit from several locations and to family members in different locations. One consequence of this geographical spread is that the overall impacts of these flows are more diffuse and difficult to quantify.
- **Remittances as a driver of onward movement:** The forcibly displaced leave their homes to escape violence or oppression. However, onward movement to other regions is likely to be influenced by the possibility of sending or receiving remittances. Likewise, receiving remittances can also facilitate onward movement.
- **Remittances can help support displaced persons in urban areas:** Leaving displacement camps and rural areas and moving to urban areas can provide access to greater employment opportunities (including self-employment). Remittances can help cover the cost of moving to and getting settled in those urban areas.
- **Remittances from displaced persons contribute to war, peace, and reconstruction:** There is a complex endogenous relationship between remittances and conflict. Some displaced might remit to support armed groups in their home countries. Others increase remittances in response to conflict to help their families in difficult times. Finally, others remit to support reconstruction after conflict ends.

Overall, there are many factors related to remittances for which there is insufficient evidence in the displacement context. For instance, given the absence of quantitative analysis of remittances for the displaced, it is not clear whether the amounts and frequency of remittances reported in previous studies are common or are specific to the cases studied. Other key factors for which there is little information include the following:

- The interaction between humanitarian aid and remittances to and from the displaced.
- The consequences of remittances to and from the displaced on factors such as income, poverty, inequality, schooling, health and the labour supply.
- The response of remittances to restrictions on the rights of the displaced population to work, own a business, own land or move.

Endnotes

¹ The definition of “remittances” used in any given study depends on the available data. Sometimes the term remittances refers to transfers between members of the same household, while in other cases it also includes transfers between members of different households. See Brown et al. (2014) for further discussion.

² In some cases, a remittances infrastructure is already in place to serve the needs of migrant workers. This same infrastructure can change its purposes after conflict to facilitate remittances from and to the displaced. See Iazzolino (2015) for a discussion of Dahabshiil in Somaliland.

³ Please see Online Appendix 1 for a definitions of the key terms used in this paper and Online Appendix 2 for details about the search methodology.

⁴ Hawala is an informal system that matches transfers between people who want to get money into a country (for example, remittances inflows, goods exports) with those who want to get it out (for example, remittances outflows, goods imports). It reduces the need to actually transfer money across borders.

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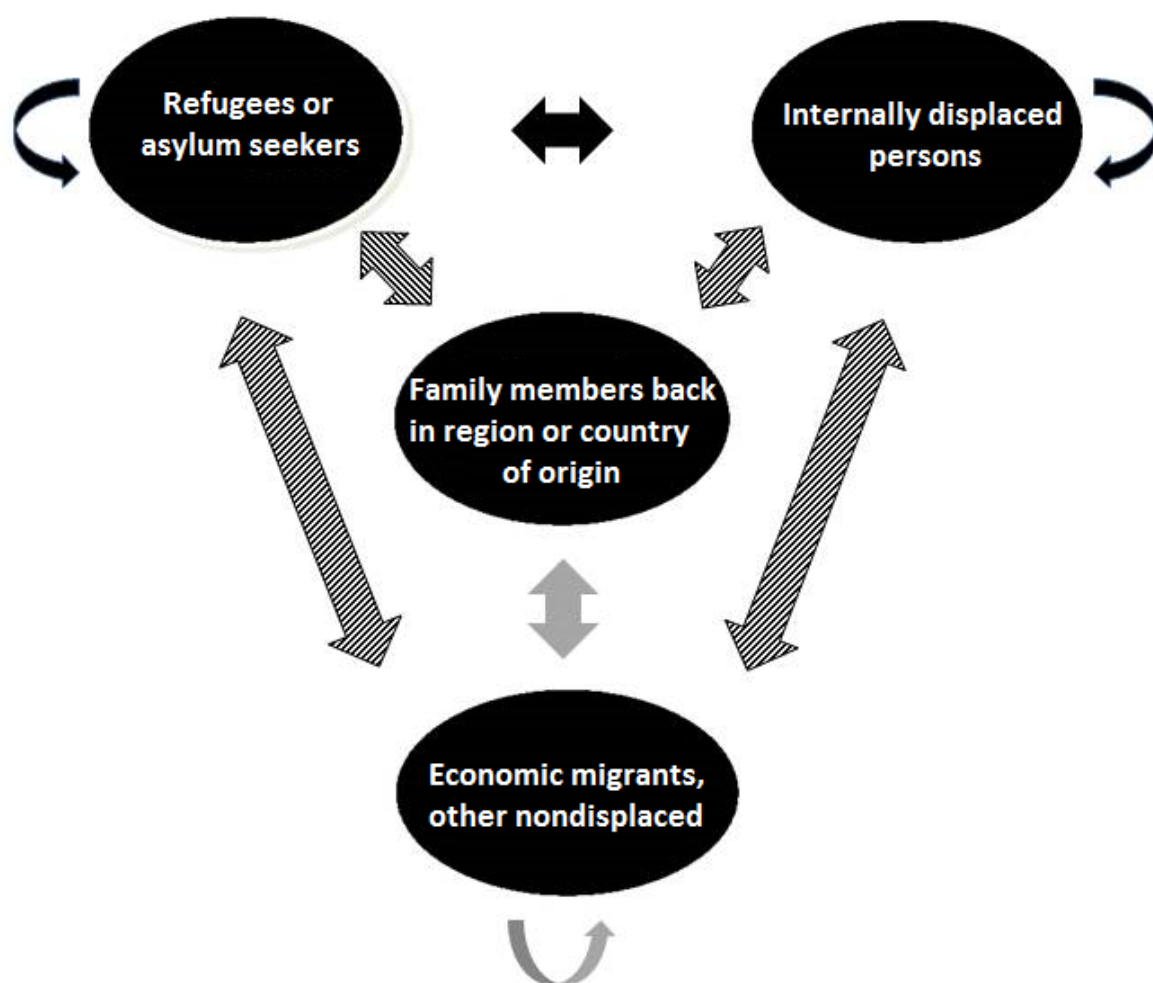
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Figure 1 - Possible Direction of Remittances.



Online appendix 1 – Key definitions

Refugee. Term is often used loosely and typically refers to people who are outside their country of origin because they have suffered (or fear) persecution on account of race, religion, nationality, or political opinion; because they are a member of a persecuted social category of persons; or because they are fleeing a war. A legal definition of refugee can also be found in the 1951 United Nations Convention Relating to the Status of Refugees; see UNHCR (2011) for further discussion.

Asylum seeker. Someone who is claiming refugee status, but whose legal claim has not yet been definitively evaluated by the host country. The term “refugee” is also often used in reference to asylum seekers.

Internally displaced persons (IDPs). Those who are forced to flee their homes for similar reasons as a refugee but who remain within the borders of their home country.

Displaced person. For the purposes of this article, a person who is a refugee, asylum seeker, or IDP. Note that, in general, forced migration is a broader term that not only encompasses people fleeing persecution or conflict, but also those escaping environmental change or natural or human-made disasters or migrating because of development projects.

Protracted displacement. Refers to long-term displacement without an end in sight. Often defined in policy circles as a situation in which 25,000 or more refugees originating from the same country have sought asylum in another country for at least five consecutive years; see UNHCR (2004) for further discussion.

First country of asylum. Refers to the neighboring country to which refugees flee originally.

Third country of asylum. Refers to the next country of residence after the first country of asylum.

The concepts of first and third country of asylum also have legal implications for asylum applications; see Legomsky (2003) for further discussion.

Online appendix 2 – Methodology

Different sources were explored by searching the key term “remittances.” If too many hits appeared, then the search was limited to the following terms:

- | | |
|------------------------------------|---------------------------------------|
| • “remittances” and “refugees” | • “remittances” and “forced migrants” |
| • “remittances” and “IDPs” | • “remittances” and “conflict” |
| • “remittances” and “displacement” | • “remittances” and “violence” |

For academic pieces the following databases were explored:

- | | |
|-----------------------------------|-----------|
| • Google Scholar | • RePec |
| • JSTOR | • EconLit |
| • Social Science Research Network | |

To make sure that recent material (particularly working papers) was included, the websites of the following academic centers were searched:

- | | |
|--|--|
| • Centre for Research and Analysis of Migration, University College London | • Refugee Studies Centre, Oxford |
| • Centre on Migration, Policy and Society, Oxford | • Institute for the Study of Labor (IZA), Bonn |
| • International Migration Institute, Oxford | • International Growth Centre, London School of Economics |
| • Sussex Centre for Migration Research | • Center for Comparative Immigration Studies, University of California–San Diego |
| • Center for Migration and Development, Princeton | • London School of Economics Migration Studies Unit |
| • Maastricht Centre for Citizenship, | • Center for Migration and Refugee Studies, |

<p>Migration and Development</p> <ul style="list-style-type: none"> • Migration Research Center, Turkey • Institute for the Study of International Migration, United States • Stockholm International Peace Research Institute 	<p>Cairo</p> <ul style="list-style-type: none"> • Households in Conflict Network • Peace Research Institute, Oslo
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The websites of the following organizations were visited to include policy-related material:

<ul style="list-style-type: none"> • Asian Development Bank • European Commission • Center for Global Development • UK Department for International Development • GIZ • International Fund for Agricultural Development • Inter-American Dialogue • Internal Displacement Monitoring Centre • Canada's International Development Research Centre • Institute for Development Studies • Inter-American Development Bank 	<ul style="list-style-type: none"> • International Organization for Migration • Institute of Public Policy Research • Migration Policy Institute • Overseas Development Institute • Organisation for Economic Co-operation and Development • Oxfam • Pew Research Center • Other UN websites (including UNHCR, UNU-WIDER, and others) • World Bank • US Agency for International Development
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Relevant unpublished material was included by searching the programs of related conferences held during the last few years, including the following:

- | | |
|---|---|
| <ul style="list-style-type: none">• International Conference on Migration and Development, World Bank• Annual Migration Meeting, Institute for the Study of Labor• Metropolis | <ul style="list-style-type: none">• NORFACE Research Program on Migration conferences• IMISCOE (International Migration, Integration, and Social Cohesion) conferences• International Association for the Study of Forced Migration |
|---|---|

Online appendix 3 – methodological considerations for new quantitative research

Existing Data Sets

To conduct quantitative research on remittances to and from the displaced, it is necessary to identify the sender or receiver of remittances as a displaced person. Ways in which to make this identification depend on the context. Possibilities include surveys that only look at displaced persons or contain information related to place of birth and reason for movement. The discussion below includes examples of the types of surveys that could be used to explore remittances in situations of forced displacement.

Surveys of the Forcibly Displaced

Some surveys focus exclusively on forced displacement. In these surveys, all respondents are part of the target group. The only additional requirement is for the survey to request information on remittances (sent or received). Unfortunately, many of these surveys are not publicly available for researchers to use.

General surveys in which it is possible to identify the displaced

Surveys that target a representative sample of a certain population (for example, nationally representative, representative of the whole migrant population, representative of the migrant population from certain countries) often include a way to directly identify the displaced. These surveys provide the best opportunity for empirical research because comparisons can be made between the displaced and other groups, such as economic migrants or nonmigrants, and data sets are often easily accessed by researchers.

Most of these surveys record the movement history of respondents. If a person is defined as a “migrant,” a follow-up question about reasons for migration is often included. Typically this follow-up question will include whether the main reason (or one of the main reasons) for migration was escaping conflict, war, violence, repression, or persecution; increasing security or safety; or for political or religious discrimination or claiming asylum or becoming a refugee. The actual wording of

the question differs across surveys, but in general, responses can be used to broadly identify those who are displaced.

Additional Quantitative Data Collection

This section discusses some content and methodological considerations for future quantitative surveys exploring remittances in the displacement context. These recommendations are based on the findings from the literature review. This is not intended to be a full explanation of the issues. Several studies discuss data collection in the forced migration context (Jacobsen and Landau 2003) and methodological considerations for remittances surveys in general (Brown et al. 2014).

Control Group

One of the limitations of many existing surveys with relatively large samples of displaced is that there is no control group (Jacobsen and Landau 2003). These surveys often only include the forcibly displaced, which makes it impossible to directly explore whether the displaced differ substantially from nonmigrants or from economic migrants. New surveys should aim to include a control group. The nature of the control group will differ with the purpose of the study. Sometimes the control group might refer to a sample of the host population living close to the displaced; in other cases it could be those from the same location of origin who remained home. The important issue is for surveys to allow some kind of comparison with those who are not displaced.

Longitudinal Data

Another limitation of many existing surveys is that they have no longitudinal component. Therefore, the medium- and long-term impacts on displaced populations of receiving remittances cannot be explored. Previous studies have provided insights into the long-term impacts of remittances in the postconflict setting, such as the possibility of further migration abroad (Dimova and Wolff 2015). Longitudinal information is necessary for these dynamics to be studied in detail.

Multiple Destinations and Sources

On the sending side, the evidence suggests that remittances from the displaced often go to several destinations (regions or countries). Therefore, it is important for surveys to collect information on

the money's different destinations, including different regions within the same country. The evidence also suggests that refugees often send money to other refugees and to IDPs. Therefore, it is also important to note whether any the recipients of the money are or have been forcibly displaced.

On the receiving side, the evidence review also suggests that displaced persons receive money from different countries, including the conflict-affected home country. If a person or household receives money from different people, it is important for surveys to collect information on the different senders. It would be particularly useful to know whether any of the senders are also displaced.

Underreporting

Researchers are in general agreement that respondents underreport receiving remittances or underreport the amount of money received (Brown et al. 2014). Many displaced persons receive assistance from government authorities, and reporting remittances might affect their eligibility for assistance. Also, security could be an issue and reporting remittances might be associated by some interviewees with greater exposure to theft. Finally, political or legal issues could surround sending or receiving remittances. Sending remittances might be seen as indirect support for the home country or region government, and receiving remittances can be seen as attachment to diaspora groups opposed to the government. In fact, in some historical cases sending remittances to the home country has been explicitly prohibited by the host country (for example, remittances to Cuba from the United States).

The problem of underreporting could be addressed by asking about remittances in different ways to allow for comparison of answers (for example, total amount, share of income, share of expenditures). Also, Brown et al. (2014) suggest that in settings with strong social pressure to remit, questions could be presented in ways that ultimately excuse nonremitting. Finally, it is possible to triangulate information from difference research methods, including discussion groups.

Preconflict Information

Many surveys contain information on the situation of displaced and migrant households before migration. This information is used to control for previous characteristics, such as wealth. In those situations in which displacement is clearly the result of conflict with a defined start date, it would be useful to gather information on the preconflict situation. This information would provide a better control for background of the household given that the household's premovement situation could have already been seriously affected by conflict.

Multiple Recipients

Many of the existing studies suggest that remittances sent to the displaced are often received by a single person who then distributes the money to other people. Surveys need to take this into account and make sure to differentiate between the receiver of the money and the person for whom the money is intended. Also, it is important to understand who is in charge of determining the overall distribution of the money (that is, the sender or the person distributing the money).

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