

Remittances: the scale and role of private financial transfers

OVERVIEW

Afghanistan is going through a protracted humanitarian crisis, closely linked to the economic shock and the drastic reduction in Official Development Assistance (ODA) that followed the regime change in August 2021 (HRW 04/08/2022). The country ranks among the highest on the climate risk index score, with high levels of hazard exposure and limited coping capacities (Germanwatch 01/2021). Between May–October 2023, an estimated 15 million Afghans are likely to be acutely food-insecure, including 2.8 million people facing Emergency (IPC Phase 4) food insecurity (WFP 25/01/2023 and 24/05/2023).

In 2016–2017, an estimated 10% of Afghan households relied on remittances and the average yearly flow of remittances remained relatively stable between 2016 and 2021 (Migration Data Portal accessed 23/07/2022; WBG accessed 21/07/2023). Sent from neighbouring countries, Australia, Europe, the Gulf Arab states, and North America, financial transfers include support from individuals to their families and relatives and, on a larger, organised scale, through diaspora organisations attempting to support development projects or address crises.

Understanding the level, role, and recipients of remittances is important for humanitarian response planning. The loss of remittances is a driver of food insecurity, and the IPC monitors how they affect changes in humanitarian needs, acknowledging the importance of these financial transfers for humanitarian assistance (IPC 2021 and 21/06/2021). Unlike the ODA, remittances are independent of political decision-making, so they fluctuate less in times of economic crisis. This stability is important, as Afghanistan competes over ODA with countries like Ukraine and issues such as the economic recessions in Pakistan and Iran, as well as rising energy costs and the cost of living crises in Europe and North America, affect Afghan labour migrants. Remittances are relatively resilient compared to the ODA and private capital flows.

As remittances go directly to people inside of recipient countries, such transfers can be effective alongside humanitarian assistance in supporting people's livelihoods. At the same time, remittances should not be considered an alternate or substitute for humanitarian aid. Remittances function like private capital, they are not orientated to those most in need, and senders often occupy vulnerable economic and social positions themselves (HPG 03/2019). Questions remain about the sustainability of current or increased levels of private financial transfers in light of a protracted humanitarian crisis in Afghanistan, limiting the country's ability to mitigate the fallout from a long-term reduction in the ODA.

The IMF's Balance of Payments and International Investment Position Manual (6th edition) defines remittances as "household income from foreign economies arising mainly from people's temporary or permanent move to those economies. Remittances include cash and noncash items that flow through formal channels, such as via electronic wire, or through informal channels, such as money or goods carried across borders. They largely consist of funds and noncash items sent or given by individuals who have migrated to a new economy and become residents there and the net compensation of border, seasonal, or other short-term workers who are employed in an economy in which they are not resident" (UNCDF accessed 21/07/2023).

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PURPOSE OF THE REPORT

Humanitarian responders recognise the importance of remittances as a substantial source of income and support for individuals, households, and national economies in humanitarian crises. At the same time, knowledge gaps remain on the scale, measurement, use, and impact of remittances on senders and recipient households.

This study aims to better understand the role remittances play for Afghan households alongside humanitarian assistance and other coping mechanisms following the regime change in August 2021. The focus is on the use and impact of remittances on senders and recipient households. The research analyses who sends and receives remittances, how transfers are made, and how Afghan households use remittances to cope with difficult situations.

Methodology

This report uses a mixed methods approach comprising a rapid desk review, online surveys, and qualitative interviews. Building on the desk review, two online surveys were conducted to understand the perspectives of remittance senders and recipients on remittance sending, how sending remittances affect their situation, what they use remittances for, and the extent to which remittances contribute to livelihoods and coping with crisis. The Danish Refugee Council and Mixed Migration Committee distributed the surveys via social media platforms Facebook, LinkedIn, and Twitter and to personal ACAPS contacts (through emails and WhatsApp). A total of 25 senders and 15 receivers of remittances participated in the survey. To complement the surveys, ACAPS conducted a limited number of qualitative interviews (eight) with remittance recipients (four) and senders (four).

Table 1. Profile of key information interviewees

SENDERS	RECIPIENTS
<ul style="list-style-type: none"> Man, 30, UK Man, 60, Australia Woman, 27, Germany Woman, 34, Australia 	<ul style="list-style-type: none"> Woman, Kabul, 52 Woman, Kandahar city, 40 Man, Nangarhar, 40 Man, Kabul, 42

Source: ACAPS

Limitations

Remittances can take on the form of financial, in-kind, or social transfers (ideas or social capital) between residents and non-residents (Migration Data Portal accessed 23/07/2023). Transfers can come from individuals or families. We excluded support from diaspora organisations or crowdfunding projects targeting Afghans facing crises from this study, only mentioning them briefly in the last section of this report. This study is limited to exploring characteristics relating to financial remittances and transfers from individuals and families living abroad sending money to recipient households inside the country. It is not an exhaustive account of all types of remittances or other transfers (the ODA, private capital flows, philanthropic humanitarian assistance) and their impact on Afghanistan's micro- and macroeconomic levels.

The research is exploratory and based on a non-representative sample of the population. Most survey participants (remittance recipients) live in cities. The recipient survey has a bias, as some rural districts had very high labour migration to Gulf Arab countries before 2021; future research could address this. The response rate to the online surveys was low (25 and 15 replies for senders and recipients, respectively), which does not allow for an accurate statistical analysis. Since the survey results have statistical uncertainty, numerical details are not prominent in this report, which uses them to discuss the larger trends identified in the secondary literature and translated into qualitative statements with the support of graphic visualisations.

KEY FINDINGS

- Remittances are crucial to Afghan households and the national economy, making up between 1.5 and 4% in 2022 and 2021 respectively.
- Remittances should be considered a complement, not a substitute for humanitarian assistance. Humanitarian assistance targets the most vulnerable people in society who do not figure prominently among remittance recipients.
- In 2020, 10% of Afghan households received remittances, which comprise on average 58.75% of recipient household budgets in this research.
- Recipients mostly spend remittances on basic needs, including food, shelter, health, rent and utilities, education, and medical bills.
- Remittances dropped by more than half immediately after the regime change of August 2021, arguably linked to the impact of the banking restrictions under international sanctions.
- Remittance transfers increased in 2022 by 17%, but it is unclear whether they reached pre-regime levels. The difficulty is linked to a relative increase in the importance of hawala transfers, which are more difficult to measure than banking, Western Union, and MoneyGram transfers.
- Remittances to Afghanistan are sent predominantly through hawala operators and multinational money transfer companies, including Western Union and MoneyGram.
- In 2022, the costs of remittance transfers, which affect the senders, varied from country to country, and changes were not homogenous. In some cases, such as in Germany, transfer costs decreased, whereas in others, as in Pakistan, they increased. Increasing transfer costs imply that less funds flow into the country and to people in need and more go to money transfer operators.
- A sustained loss of remittances leads to higher aid dependence and negative coping mechanisms.

REMITTANCES IN AFGHANISTAN: REVIEW OF SELECTED LITERATURE

Table 2. Important components of Afghanistan's GDP (estimates) in 2020/2021

YEAR	TOTAL GDP IN USD	CHANGE IN GDP (%) COMPARED TO THE PREVIOUS	ODA IN % OF GDP	REMITTANCES IN % OF GDP	OPIUM IN % OF GDP	LICIT TRADE IN % OF GDP	SOURCES
	14.79 billion	-26.59%	40%	1.5%	9–14%		Macrotrends (accessed 23/07/2023); CSIS (23/02/2022)
	20.14 billion	+6.55%	40%	4%		9%	Macrotrends (accessed 23/07/2023); Migration Data Portal (accessed 23/07/2022)

Source: ACAPS

Over the last decades, remittances have become increasingly important globally as more people move abroad for work and other reasons (HPG 03/2019). In 2022, remittances surpassed the amount of ODA and foreign direct investment to lower- and middle-income countries (WBG 11/2022 and 06/2023). Remittances transferred to fragile and conflict-affected states amounted to USD 70 billion, surpassing the amount of ODA that the same countries received (WBG 11/2022).

The situation in Afghanistan is different than elsewhere. Remittances are a non-negligible part of the national economy and recipients' household budgets and provide a cash income for individuals and families coping with a difficult economic and humanitarian situation in Afghanistan. However, in 2021 and previous years, the ODA made up a much larger share of the country's GDP than remittances (see table 2).

This section first details the importance of remittances on the micro- (household) and macroeconomic (country) levels before delving into the different modalities of remittance transfer (formal and informal transfer systems) based on a review of available literature.

Micro- and macroeconomic importance of remittances

Available literature suggests that remittances were already an important source of income before the regime change of August 2021. Most Afghan households relied on the labour (subsistence or wages) of several household members, with remittances, rent, and forms of zakat (religious charity) providing additional or primary income sources (CSO/ICON-Institute 2018). In general, when household income is not entirely spent on essential winter clothing, food, and shelter needs, remittances and other forms of financial services, including savings and credit, allow for improving their standards of living or making strategic education, business, and property investments (Migration Data Portal accessed 23/07/2023; CSO/ICON-Institute 2018). Remittances are also used to repay debt or support the community (VOA 22/08/2022). Receiving financial transfers possibly lowers the probability of households adopting negative coping strategies, such as child labour and the sale of productive household assets, including land, livestock, sewing machines, and tools.

Although remittances are an important social safety net, recipients are not necessarily the most vulnerable people in society (HPG 03/2019). For households where remittances were the main source of income in 2016–2017, poverty rates were at 43% – lower than the national average of 55% (CSO/ICON-Institute 2018). Whether households can avoid negative coping strategies through remittances does not hold equally across Afghan society.

Studies show that members of the Afghan diaspora, labour migrants, and refugees from almost 100 countries send remittances (InfoMigrants 28/03/2022). In 2023, at least 8.2 million Afghans lived in 103 countries, including the more than 1.6 million who fled since the regime change in August 2021 (UNHCR 18/07/2023). It is important to note that people in the asylum procedure prohibited from working may be unable to send remittances.

Table 3. Major countries hosting Afghans with UNHCR-recognised refugee status in June 2021

COUNTRY	NUMBER OF PEOPLE IN ASYLUM PROCEDURE OR WITH REFUGEE STATUS
Pakistan	1,400,000
Iran	780,000
Germany	183,000
Türkiye	130,000
Austria	47,000
France	47,000
Greece	40,000
Sweden	30,000
India	15,000
Switzerland	15,000
Italy	14,000
UK	13,000
Uzbekistan	13,000
Australia	12,000
Belgium	8,000
Indonesia	7,500
Tajikistan	6,000
Netherlands	5,400
Norway	3,700
Canada	2,800
US	2,700
Malaysia	2,600
Denmark	2,000
Ukraine	1,600
Hungary	1,500
Syria	1,200
Azerbaijan	1,000
Romania	1,000

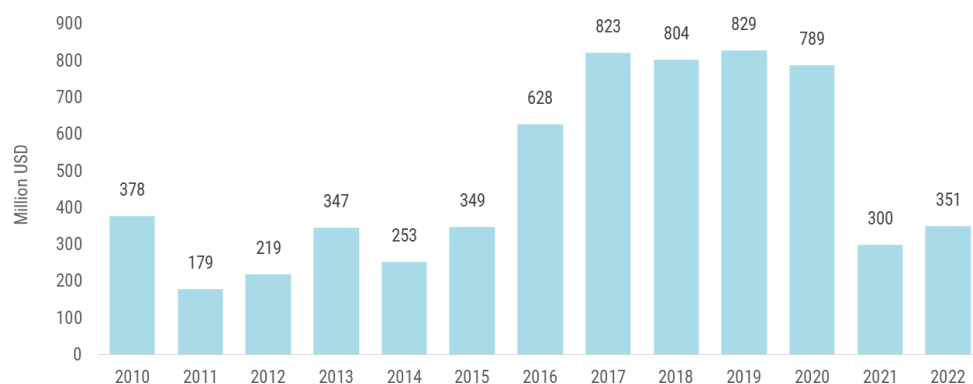
Source: InfoMigrants (28/03/2022)

Labour migration is an important remittance source for Afghan households. In 2015, about 2.25 million Afghans were labour migrants, mostly working as unskilled labourers in the informal economy in the neighbouring countries of Iran and Pakistan and in the Gulf Arab countries (WBG 05/02/2018). An estimated 617,110 Afghans lived and worked in countries such as Bahrain, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates, including labour migrants and permanent but foreign-born residents (UN 2020). Other Afghans live in Australia, Europe, and North America with residency permits, dual citizenship, or refugee status.

Remittances are also of macroeconomic significance. Financial transfers bring foreign currency into Afghanistan, cover Afghanistan's trade deficit, support aggregate demand, and provide investment capital for local businesses (Oxford Economics 27/01/2021). Remittances tend to be countercyclical and more resilient to economic or political shocks than the ODA or private capital flows. This resilience is particularly true for short-term humanitarian crises or events, when remittance sending remains stable or increases (HPG 03/2019). They are not independent of economic shocks or drastic shifts in the political priorities of the senders' countries. For example, remittances declined or sending behaviour changed during the 2008 global financial crisis, drastically affecting the economic situation in sending countries (Taylor and Clarida /08/2013). Policy changes towards Afghan labour migrants and refugees in some host countries substantially affect remittance flows. Such larger shocks create additional humanitarian needs, since remittance losses drive food insecurity (IPC 2021 and 21/06/2021).

Figure 1 below represents World Bank staff estimates based on IMF balance of payments data, including personal transfers and employee compensation. This data shows the evolution of remittances before and after the regime change of August 2021 (WBG accessed 21/07/2023).

Figure 1. World Bank estimates of remittance flows to Afghanistan



Source: ACAPS using WBG (accessed 22/07/2023)

The substantive increase in the volume of remittances (see Figure 1) after 2015 coincides with the end of the NATO/International Security Assistance Force mission at the end of 2014. Foreign financial aid and US military contracts were major economic pillars until 2014, when most international military forces withdrew. As a result, Afghanistan's GDP growth rate dropped from a 6.9% average between 2007–2012 to 1.3% in 2014. In response to the deteriorating economic situation and political instability, many Afghans left the country (The Diplomat 26/08/2016).

In 2020, Afghans received an estimated USD 788.9 million in remittances, representing 4.1% of the national GDP (WBG 11/2022). This proportion dropped by over half in 2021 to 2% of the GDP (USD 300 million). The absolute volume rose again in 2022 to USD 350 million; it is not expressed as a percentage here because of the lack of reliable figures on the 2022 GDP. The drop in 2021 was probably related to the disruption of Afghanistan's financial system after the August 2021 regime change and the effects of international sanctions against members of the Interim Taliban Authority. As a result, some transfer channels suspended operations (IAMTN 10/05/2022). On 19 August 2021, Western Union and MoneyGram suspended all services to Afghanistan and only resumed operations on 2 September 2021 (Reuters 19/08/2021 and 02/09/2021). Other financial operations also resumed after the US Treasury Department clarified its position on personal remittances to Afghanistan in December 2021, and there was a noticeable increase in remittance volumes (Crescent Shift 26/12/2021; IAMTN 10/05/2022). Despite these resummptions, remittances still did not reach pre-August 2021 levels. Correspondingly, the share of households receiving private remittances dropped from 10% to 5% in early 2022 (WBG 30/11/2022).

The complexity of the sanctions and de-risking strategies by international financial institutions meant that most Afghan banks could not carry out international transactions. Consequently, internationally operating banks stopped transferring funds to Afghan commercial banks to avoid becoming the target of US legal action (CSIS 09/02/2022). The US Department of Treasury later issued exemptions, such as general licenses from the Office of Foreign Assets Control, which allowed formal financial transfer companies to restart their operations. With sanctions still in place, banks considered doing business in Afghanistan too risky, and remittances and other money transfers through the formal banking system came nowhere close to the figures before August 2021.

After the substantial drop in 2021, remittances grew in 2022 by 17%. The rise in 2022 did not reach pre-2021 levels, even though many well-educated, middle-class Afghans who could send in more remittances left the country in 2021 (WBG 06/2023). This lower level could have resulted from several issues related to the measurement of remittances (WBG accessed 22/07/2023). The World Bank and the IMF have acknowledged the difficulty of measuring remittances, which comprise many small, individual transactions through many channels including informal transfer systems (e.g. hawala), which are not always well covered in the

balance of payments data. Arguably, the 2021 regime change also led to a substantial shift in transfers from formal to informal systems, which, as indicated, are not well accounted for in the estimates above.

Modalities and costs of remittance transfers: formal and informal transfer systems

As indicated above, remittances are transferred to Afghanistan through many channels. These channels can include formal channels, such as commercial banks and institutions like Western Union and MoneyGram. It also includes informal fund transfer systems or money transfer operators, such as the hawala system. Between 2001–2021, the Afghan financial system evolved a lot, with numerous commercial banks operating in the country alongside informal fund transfer systems. In 2021, about 15% of Afghans, often in urban areas, had bank accounts (WB 2021). Informal transfers and financial services were much more common, and an estimated 90% of Afghanistan's financial transactions were conducted through hawala (IAMTN 10/05/2022).

Hawala is a traditional system of transferring money in Arab countries and South Asia. It involves paying the money to an agent, who then instructs an associate in the relevant country or area to pay the final recipient (Investopedia 20/07/2023).

The regularity of sending remittances varies, but many Afghan households receive remittances monthly or bimonthly, ranging from USD 160 to USD 580 per transfer (IOM accessed 21/07/2023). The costs of sending remittances to Afghanistan through formal channels such as MoneyGram changed after the regime change of August 2021, although it did not change homogeneously across the different countries or periods considered. Table 4 below shows the changes for three countries.

Table 4. Cost changes for remittance sending for selected countries

COUNTRY	PERIOD	COST CHANGE (%)	PREVIOUS COST	CURRENT COST	REMITTANCE AMOUNT	COST CHANGE
U n i t e d Kingdom	Q2 2021 to Q2 2022	72%	4%	7.75%	USD 200	USD 6.45
Germany	Q2 2021 to Q2 2022	-16%	5.90%	4.90%	USD 200	-USD 1.92

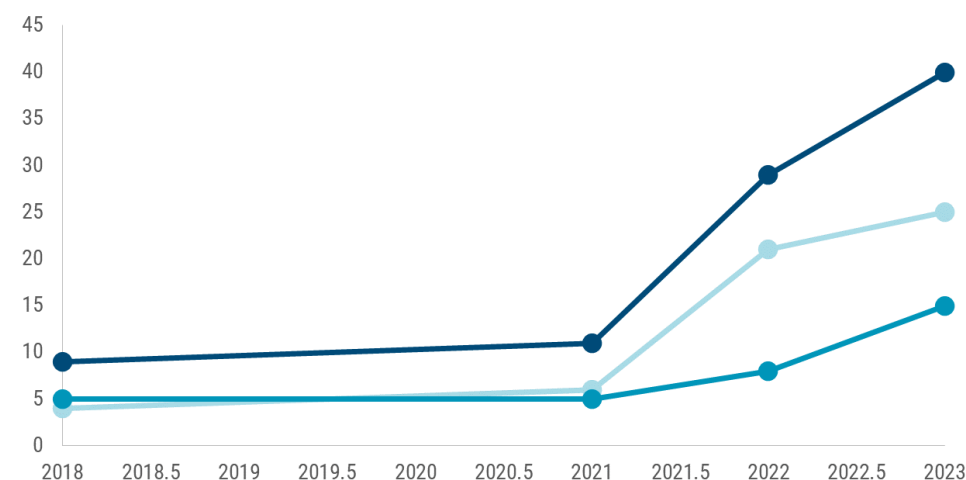
For example, costs to transfer from the UK to Afghanistan increased by 72%, from 4% to 7.75%, between the second quarters of 2021 and 2022. This increase would result in a difference of USD 9.00 to USD 15.45 for every USD 200 sent (WBG 11/2022). In the same period, the costs of transferring remittances from Germany to Afghanistan declined by 16% from 5.9% to 4.9%, which would result in a difference of USD 11.8 to USD 9.88 per USD 200 (WBG 11/2022). The cost of remitting USD 200 from Pakistan to Afghanistan jumped by 9.2% (WBG 06/2023). The reasons for the changes were not provided in the reports.

SENDING AND RECEIVING REMITTANCES: RESULTS FROM PRIMARY DATA

This section discusses the evolution of remittances sent over the last five years, through which channels they are transferred, what part of the household budget they make up, and what they are used for. The discussion is based on the results of two online surveys filled out by remittance recipients (n=15) and senders (n=25) and eight in-depth key information interviews (KII). Considering the limited sample size, it was not possible to do an accurate statistical analysis. To avoid misleading assessments, the presentation of survey results does not provide many numerical details but are translated into qualitative statements supported by graphic visualisations.

Resilient remittances: the evolution of private financial transfers since 2018

Figure 2. Number of respondents sending and receiving remittances since 2018



Source: ACAPS

Remittances have been a significant part of Afghan household incomes and GDP for decades. World Bank estimates based on IMF data (see Figure 1 above) show that remittances to Afghanistan played an important role before the regime change of August 2021. Remittances are also crucial in addressing the current humanitarian crisis and economic situation in the country, and available literature suggests that remittance sending increases immediately following large-scale crises. These increases are confirmed by the data from the surveys and KIIs used in this study, which show an increase in the number of people sending and receiving remittances after 2021 (see Figure 2).

The data would likely show more remittance senders and recipients before 2021 if the sample had considered more households in rural areas of the country, which are underrepresented here. In some rural districts of Afghanistan, labour migration to Gulf Arab countries has traditionally been very high even before 2021.

Both the remittance senders who participated in the KIIs had sent money before August 2021 and increased the sum sent to support family and friends in Afghanistan even when they found themselves in economically difficult situations in the countries they lived in – for instance, because of recession or inflation. This result also held for survey participants, of whom only 9% indicated that they were forced to reduce remittances in response to the difficult economic conditions in their countries of residence, indicating that remittances are resilient to the economic situation in the countries where the senders live.

The main justification for sending money was that family or relatives in Afghanistan were experiencing a much more difficult situation, as many had lost their jobs and incomes.

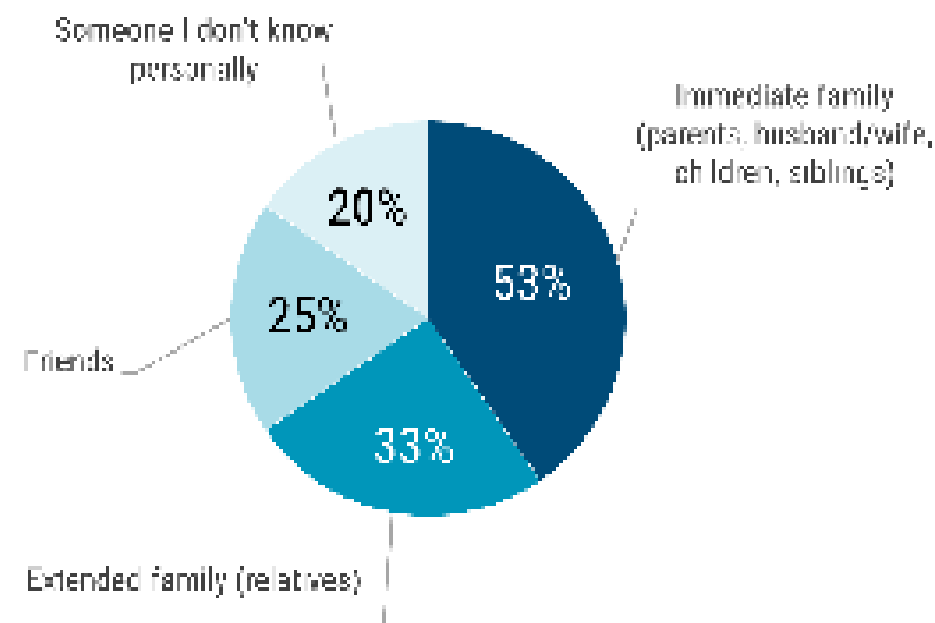
“The cost of living increases every day, and it has become challenging for me to send more money, but having lived in Afghanistan myself, I can understand what they are going through and how they struggle to even meet their basic needs. So, despite the challenges I am currently facing in Germany, I try to make sure that my family has enough to survive and is not obliged to seek assistance from others or ask others to extend their hands to them.”

(Female remittance sender living in Europe)

Sources of remittance transfers: families, friends, and anonymous donors

Most remittances came from immediate family (53% of the sample), extended family (33%), friends (25%), or anonymous donors (20%) (see Figure 3 below). Most remittance recipients indicated that they only received transfers from one source. Most remittance senders (68%) transferred money to more than one family, including immediate and extended family, and friends.

Figure 3. Sources of remittances



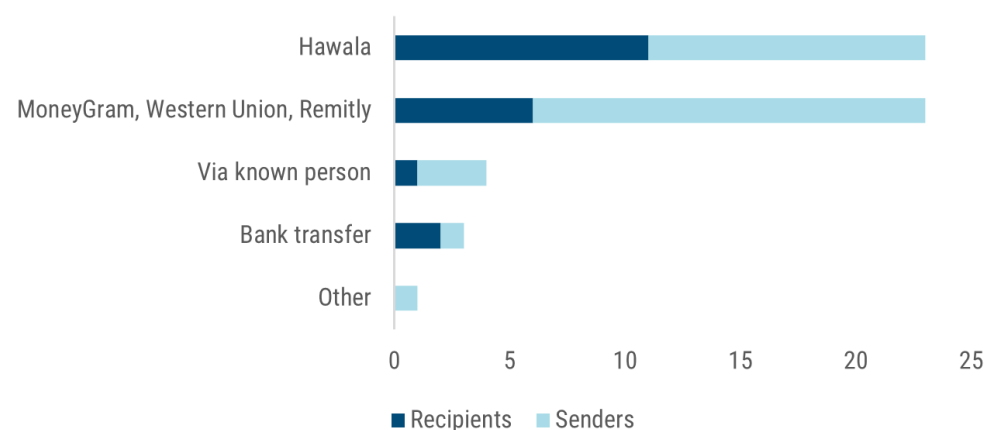
Source: ACAPS

All KII respondents reported that more than one immediate or extended family member lived abroad, but only one person sent remittances. This response confirms the findings of the recipients' survey, which showed that when a household had two or more family members or relatives outside Afghanistan, they still received remittances from only one source.

Channels, frequency, and volume of remittance transfers

Most remittance transfers were done monthly or quarterly, with some made ad hoc or around specific occasions (e.g. Ramadan, Eid). Senders used services such as MoneyGram, Western Union, Remitly, or hawala much more frequently than bank transfers, which were only mentioned once. The online surveys with senders showed that four main channels for transferring financial remittances were used (see Figure 4 below). Western Union, MoneyGram, and Remitly ranked first (71%), followed by the informal hawala transfer system (50%), personal relations (12%), and bank transfers (4%). Recipients reported hawala as the main method of receiving remittances (73%), followed by Western Union, MoneyGram, and Remitly (40%), bank transfers (13%), and personal relations (7%). Again, recipients mentioned more than one channel for receiving financial remittances. KII respondents (recipients and senders) exclusively reported using hawala because it was cheaper than other channels. In all cases, senders paid the charges.

Figure 4. Remittance transfer channels



Source: ACAPS

The amount sent and received varied between USD 103 and more than USD 5,158 (for two respondents). The median for senders was USD 350, and recipient amounts were similar. The KII participants generally reported higher remittance transfers, where remittances represented half of the sender's monthly salary (USD 1,268) in one case. In two cases, the amount sent was variable and included regular smaller amounts (USD 136 to USD 204) and larger ad hoc transfers. In one case, these ad hoc transfers included larger money transfers (USD 3,229) for specific expenditures (see Table 5 below).

Table 5. Remittance sending based on KIIs

	TOTAL MONTHLY SALARY	REMITTANCE PART IN % OF MONTHLY INCOME (ABSOLUTE)	RHYTHM AND CHANNEL	START DATE OF SENDING	CHANGE IN SENT REMITTANCES SINCE AUGUST 2021
Sender 1	GBP 2,000 (or USD 2,571)	50% (GBP 1,000 or USD 1,287)	Monthly/ MoneyGram	October 2022	N/A
Sender 2	AUD 4,000 (or USD 2,751)	Variable (AUD 300 to AUD 5,000 or USD 204 to USD 3,402)	Every 1–3 months, hawala	1993 (30 years)	N/A
Sender 3	EUR 1,800 (or USD 1,990)	Unknown	Monthly, ad hoc, hawala	2020	Ad hoc transfers, if possible

Source: ACAPS

Crowdfunding for Afghans in need post-August 2021: a new trend?

Technological innovation is facilitating a new trend in crowdfunding through websites like Gofundme, Indiegogo, and Crowdfunder. These allow global fundraising to support Afghans. These transfers may not correspond to the understanding of remittances as private money transfers considered in this report, but they represent an anonymous but purposeful fundraising mechanism. We mention them here because of the apparent momentum in their use after the regime change of August 2021. In this period, many calls to support Afghans in need have been placed on crowdfunding websites, enabled by social media promotion among Afghan diaspora and others globally. The scale and impact of this type of support is hard to measure, and little information is available on how and where the funds are spent. Crowdfunding enables people to donate directly and removes intermediary organisations, potentially bringing funding closer to affected people but also raising challenges in ensuring the effective distribution of funds to the most vulnerable, as well as in ensuring trust in the distribution system. Questions on the sustainability of such efforts remain.

Remittance as part of household income

For all KII participants, financial remittances were a major source of income, making up an average of 58.75% of the available household budget. Recipients had one or several other incomes ranging between USD 60 to USD 237, with most additional incomes in the bracket of less than USD 115. Importantly, most of them had one member over five who needed support with daily activities.

Table 6. Household income in USD (calculated 31 May 2023) based on KII

	TOTAL MONTHLY HOUSEHOLD BUDGET	REMITTANCE PART IN % (ABSOLUTE)	OTHER DOMESTIC INCOME PART IN % (ABSOLUTE)	CHANGE IN RECEIVED REMITTANCES SINCE AUGUST 2021
Household 1	USD 631	75% (USD 473)	25% (USD 158)	No change
Household 2	USD 300	80% (USD 240)	20% (USD 60)	+USD 120
Household 3	USD 437	45% (USD 200)	55% (USD 56/USD 68/ USD 113)	No change
Household 4	USD 290	35% (USD 100)	65% (USD 135/USD 56)	+USD 100

Source: ACAPS

Use of remittances

The amount of money received through remittances, availability of other incomes, number of people supported, and number of small children in a household directly affect whether the remittance is spent on basic needs or other activities such as better housing, health, and education.

Survey data indicates that remittances are mostly spent on food and medical support. KII respondents who received remittances indicated that they used the money to cover all recurrent (monthly) living expenses, including rent, gas, electricity, transportation, education, food, clothing, and medical treatments. In one case, much of the money was spent on four children under six for milk, diapers, soap, shampoo, clothing, kindergarten fees, and

medical appointments. In most cases, the household budget was insufficient to invest in business or property. One KII suggested that remittances could be used for attempting to get another family member to move overseas, confirming findings from a recent study on coping mechanisms (ACAPS 16/06/2023). Several participants had saved small amounts from remittances.

All KII respondents felt that losing remittances would have drastic consequences, forcing them to adopt positive and negative coping mechanisms. In one case, the respondent indicated that if remittances were to stop, the remaining available income would go into paying for rent and electricity, while the little available savings would be used for food and other expenses. The longer-term fallout of remittance loss would lead to more drastic changes, such as moving to a cheaper house to manage expenses. Another respondent indicated that losing remittances would mean taking the children out of education, not buying clothes, buying cheaper and unhealthier food for both adults and children, and eventually asking for a loan from other family members. One indicated that another family member living and working in Kabul would be asked to compensate for the income gap. All KIIs indicated that a loss of remittance income would push them towards seeking humanitarian assistance, increasing the number of people in Afghanistan seeking access to aid. These statements confirm findings from other studies made on coping mechanisms in the Afghan context (ACAPS 16/06/2023).

CONSIDERATIONS

Remittances are an important source of income for recipient households as they respond to difficult humanitarian and economic situations. Private financial transfers provide much-needed liquidity for Afghanistan's financial system and allow families to cover basic needs, ranging from food, shelter, and health to education costs and medical bills.

Crucially, remittances should be seen as complementary to humanitarian assistance, which focuses on the most vulnerable parts of society who do not necessarily have access to remittances. Remittances should not be seen as a substitute for humanitarian aid. Understanding the level and role of remittances is important for humanitarian response planning, as remittance changes can be considered a driver of food insecurity (IPC 2021 and 21/06/2021).

The role of new technological trends is worth further exploration. While questions on the sustainability of such efforts remain, financial transfers, including private, person-to-person remittances and anonymous but traceable donations through crowdfunding platforms, could provide additional support and mitigate some of the challenges mentioned above if transfer costs are lower than through other money transfer operators.