

The Use of Remittances in Natural or Political Crisis: The case of Pakistan

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The birth of Pakistan as a nation is profoundly linked to migration. In the past 63 years millions of people have migrated to and from Pakistan, creating a vast network of migrant connections around the world. High levels of emigration in recent decades have not only resulted in strengthening a visible Pakistani diaspora in Western countries – where immigrants can influence the policies of host countries towards Pakistan – but also in a steady flow of remittances to Pakistan.

The Government of Pakistan estimates that around 10 million people of Pakistani origin are living overseas today. Many of them are residing in much richer countries in the West and in the Gulf region; as a result Pakistan is one of the developing countries receiving the highest remittances. The United Arab Emirates, Saudi Arabia, and the United States are the favoured destinations for Pakistani migrants and the top three sources of workers' remittances to Pakistan.

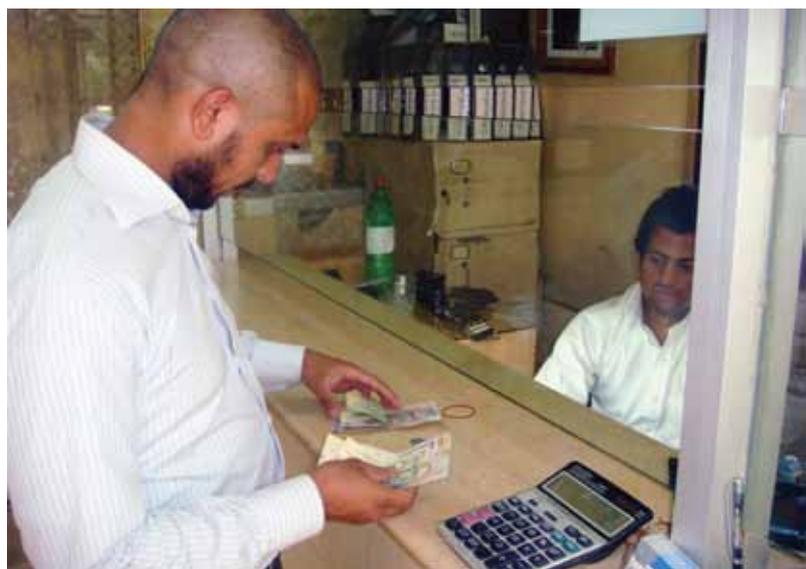
Worker's remittances have historically been a silent lifeline of the Pakistani economy. According to the State Bank of Pakistan (2011), the country received US\$ 11.2 billion in workers' remittances for the fiscal year 2010/11. This is a 26 per cent increase over the previous fiscal year. It exceeds the assistance that Pakistan is promised to receive from the United States Government through the Kerry Lugar Bill over the next five years (US\$ 7.5 billion) and is four times higher than the annual amount being lent by the IMF since 2008 through its bailout package. For many years, official remittances have far exceeded foreign direct investment or official development assistance to Pakistan. Since the 1980s, remittances have been linked to a rapid decline in poverty levels.

Most emigrants from Pakistan are economic emigrants (or second, third, and fourth generations of economic

emigrants) who had to leave the country either because of lack of effective social safety nets or in search of better livelihood options. These workers abroad not only send precious foreign exchange to Pakistan, but also try to compensate for visibly absent social safety nets in their homeland – thus in a way taking on some of the government's responsibilities. Indeed for many Pakistanis migration has become a coping strategy to secure their livelihoods during troubled times.

Characteristics of Pakistani emigrants

Pakistanis migrate to obtain better opportunities for livelihood; for higher studies; to join their family members abroad; to save their lives from natural or human-caused disaster; or out of fear of coercion. Since 11 September 2001, it has become very difficult for Pakistani citizens to secure foreign visas owing to the perceived role of some non-State actors in Pakistan in supporting militancy and extremism. Host countries have also tightened their visa policies because of the fiscal crisis which has caused the international job market to shrink. In addition, during the past decade, heightened security and more vigilant law enforcement at both sending and receiving airports have reduced the previously rather high number of illegal emigrants from Pakistan.





Most of the Pakistanis who emigrate to the European Union, North America, Australia, and the Middle East are educated and skilled and may be eligible for naturalisation in their host countries provided they meet the legal requirements. Most of these emigrants tend to settle abroad and gradually become eligible to sponsor their immediate family members. In general such emigrants are not a consistent source of remittances as they have to take care of their day-to-day family expenses in their host countries.

The other type of Pakistani emigrant is the illiterate or semi-literate worker in the Middle East and Gulf region. Owing to the tough naturalisation policies in the Middle East and the strict control of proprietary rights for foreigners in many Gulf countries, most Pakistani emigrants in these countries cannot sponsor their immediate families. They become a consistent source of remittances, regularly sending money for expenses to their family members in Pakistan.

Both types of Pakistani migrants abroad provide crucial support to the Pakistani economy.

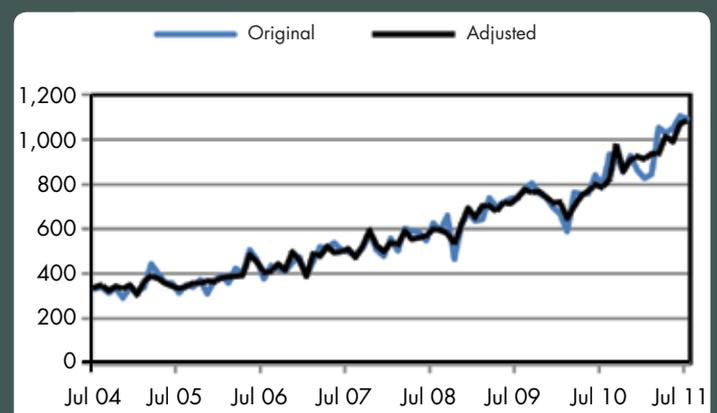
Magnitude of remittances

Estimating remittance flows is fraught with difficulties such as differences in their definition, recording, and reporting. People can move money or goods around the world in many ways, and thus a huge number of remittance mechanisms are in use. A common, but problematic, distinction in common use is the dichotomy between formal and informal mechanisms. Informal

remittances are estimated to be equivalent to 50 per cent of registered flows in Pakistan (Suleri and Savage 2006). Informal remittances are cost effective and quick, and they can be sent to those areas where people have no or little access to formal channels.

A significant increase in registered remittance flows since September 2001 has been explained in two ways: first, by remitters moving away from informal mechanisms; second, by their desire to repatriate savings held in the host country, as future policies towards such funds were not clear with increased suspicions regarding informal mechanisms and the funding of terrorism. Remittances also increased notably after the earthquake of 2005 (see Figure) (Suleri and Savage 2006). The State Bank of Pakistan's (2011) temporal analysis of worker's remittances supports the conclusion that remittances also increased after the earthquakes and floods of 2010.

Workers' remittances to Pakistan, 2004–2011



Source: State Bank of Pakistan (2011)

A lifeline in times of crisis

Research suggests that remittances are often spent on day-to-day household expenditures, rather than on investment and/or saving (Suleri and Savage 2006). Although the former use is often termed as 'non-productive', it is recognised that such direct inflow of cash at the household level may be extremely vital as a coping mechanism during times of emergency and crisis (Mohapatra et al. 2009). In other words, while other forms of income may be variable and unpredictable, remittance income is constant and allows the household to absorb unforeseen shocks. Thus migrant workers' remittances can be a form of insurance for use at times of urgent need.

After the 2005 earthquake in Pakistan, remittances were the major source of livelihood in the affected districts. People living near fault lines were forced to leave their houses and live in tents and camps irrespective of whether their houses were completely or partially destroyed (Suleri and Savage 2006). During that time even those who had stored food did not have access to it. Thus immediately after the earthquake both those who did and did not receive remittances were equally dependent on external food aid. However, after the first few months when the flow of remittances resumed, this external source of consistent income helped many receivers remain relatively unaffected by the earthquake.

It was also observed that remittances played an important part in facilitating access to relief goods, giving receivers the means to reach the major distribution points (using their own or hired transport). In Batagram District of Pakhtoonkhwa, for example, 51 per cent of respondents noted that remittances had enabled them to reach the nearest distribution points for humanitarian aid and collection of relief goods. Non-receivers complained that because of inaccessible terrain and lack of road links they were not able to get the relief assistance in a timely way and in sufficient quantity (Suleri and Savage 2006).

Although remittances were not the major source of livelihood for people affected by the floods of 2010 in Pakistan, remittance-receiving households were more resilient and recovered more quickly from flood impacts than non-receivers (Suleri and Ali, forthcoming).

Conclusion: building on remittances as a source of livelihood

The importance to Pakistan of migrants and the remittances they send, both during emergency or crisis and at normal times, cannot be denied. Governments and international development agencies need to acknowledge migration as one of the major sources of livelihood for countries where this is the case, and to give it more attention. To build an economically resilient society, governments in developing countries should formalise and strengthen this economic lifeline by exploring bilateral agreements to provide opportunities for skilled and unskilled labour in developed countries. Once those opportunities are identified, the government could facilitate securing of visas and travel to host countries, and sponsor labour counsellors in the host countries to take care of the welfare of its nationals working there. The sending government should institutionalise the mechanisms for looking after the dependent families of emigrants so that the latter may concentrate on their work without worrying about their family members. Last but not least, the sending government should devise a resettlement strategy for emigrants who return to their homelands so that they may transfer the knowledge and experience that they bring from their stay abroad to local society.

References

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