

Full Paper for the ECAS 4

Panel 99: Transnational relationships, development and local businesses

Remittance-reliant economy: its potentials and limitations for development - Case Study of Buduburam Refugee Settlement in Ghana -

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1. Introduction: research theme, background and data

With major advancement in transportation systems and communication technology, transnational interconnections have been reinforced in contemporary migration. As a concrete, material manifestation of trans-nationalism (Guarnizo 2003: 666), migrants' remittances have emerged as an important external financial flow into developing countries in recent years. Given this trend, there has been growing interest in the roles of overseas financial remittances in refugee studies. Drawing from my recent one-year fieldwork in Ghana and Liberia, this paper focuses on *importance as well as limitations of remittances with respect to the economic activities of the Liberian refugee community and of the Ghanaian host population in Buduburam village in Ghana.*

With dwindling assistance from the international donor community, pecuniary remittances from the Liberian diaspora in western countries had been the most significant resource for the economic livelihoods of Liberian refugees in the Buduburam refugee settlement. These remittances were mostly sent by resettled Liberians in industrialised countries, mainly the United States.¹ In addition to assisting the subsistence of this protracted refugee community, external pecuniary assistances had largely contributed to boosting the Ghanaian host economy owing to the spending of received money by Liberians in neighbouring local markets.

The remittance-based life style in Buduburam, nevertheless, had been destabilised by the deployment of a tighter refugee policy in Ghana. In 2008, the Office of United Nations High Commissioner for Refugees (UNHCR) and the Ghanaian government started promoting the repatriation of refugees to Liberia. This led to the mass departure of Liberian remittance recipients from Ghana and consequently slimmed down the influx of remittances into this area. The sharp reduction in remittances undermined not only the economic life of Liberian refugees but also the subsistence of local Ghanaian communities.

The paper is based on my doctoral fieldwork between August 2008 and July 2009. During my one-year field research, I conducted more than 300 interviews with Liberian refugees and local people residing in Buduburam village in Ghana. Whereas my research methods were mainly qualitative, such as one-to-one interviews and focus group discussions, I also assembled quantitative data such as the amount of remittances flowing into this area.

¹ As a means of refugee protection, UNHCR and some donor countries transfer certain groups of refugees who are unable to return to their country of origin to a third country such as the US, Canada, and Australia. These resettled Liberians in the West were remitting to their relatives and friends in the Buduburam refugee settlement.

2. Features of Liberian refugees in the Buduburam refugee settlement

The Buduburam refugee settlement lies in a semi-urban area roughly 35 kilometres west of Accra, roughly a one-hour drive from the Ghanaian capital. The area of the settlement is approximately 140 acres, although the boundary of the settlement is never defined clearly. The majority of refugees in this settlement are Liberians. Most of them had fled from the Liberian civil war that was launched in 1989. In order to receive the large influxes of these displaced Liberians, the Buduburam refugee settlement was established by the Ghanaian government in 1990. The internal war in Liberia ended in 2003 but many refugees chose to remain in Ghana. The Liberian refugee population in this settlement has been counted as one of thirty-eight protracted refugee situations by UNHCR (UNHCR 2004).

Liberian refugees in Ghana had been well-known for their reluctance to repatriate to Liberia. Many of them dreamed of resettlement in a third country as the most ideal scenario for their future. For a last few years, nonetheless, the number of refugees in the settlement has been on a downward trend. According to the UNHCR Statistical Yearbook, at the end of 2007, Ghana hosted the largest Liberian refugee population in West Africa with the number of approximately 27,000 refugees in the country (2008:78). Due to the recent repatriation programme, however, at the end of 2009, the residual number of Liberian refugees in Ghana was reduced to about 12,000 given the almost 10,000 repatriation cases between April 2008 and March 2009 (UNHCR 2010: 77).

The Gomoa district in which the Buduburam refugee settlement is located has been known as one of the poorest districts in Ghana (Porter *et al.* 2008: 235). My interviews with the local host community reconfirmed that the area used to be a tiny village in virtually bush country with very little economic activity beyond small-scale subsistence farming. Despite the development induced by the influxes of the Liberian refugee population, the economic standards of the local inhabitants remained quite weak. Without any significant local industries, most locals were petty traders. According to my interviews with about ten Ghanaian retailers living around the settlement area, their daily sales were between 2-15 Ghana cedes (hereafter GHC, 1-12 USD) with the most frequent response of 4-5 GHC (3-4 USD). A Ghanaian bishop who had been living in the area since 1993 told me: “only a handful [of local] people can spend more than 1 USD per day [on food]. I think the majority eat only once a day”. When I asked twenty locals “who is better off, Ghanaians or Liberian refugees?”, all except one answered that Liberians were better off because they had access to remittances while very few locals had any relatives abroad to help them.

3. Significance of remittances for Buduburam economy

As commonly observed worldwide, as the length of refugees’ exile became more prolonged, the international donor society lost interest in assisting this Liberian refugee community. In the face of decreasing help from the refugee-assisting regime, especially after the final ceasefire in Liberia in 2003, monetary remittances significantly contributed to sustaining the economic life of Liberian refugees.

However, the amount and frequency of remittances differentiated the usage of received money. If a refugee was privileged to have access to a consistent and reliable flow of remittances over a long period of time, he/she could entirely depend on the financial assistance without being involved in other livelihoods. For instance, Josh, a male refugee in his early 60s, had been in Ghana since 1990. His main source of income was financial remittances from his wife and children who had moved to western countries.

“I receive financial assistance from my family members abroad. My wife (59 years old), my daughter (40), my son (38) are living in the US, North Carolina. My youngest son (36) is in Canada. They assist me.”

“My youngest son used to be in Buduburam. He fortunately got scholarship and went to Canada in 1999. Now he is working in Canada. He has his wife and son living in the [Buduburam] camp. He sends money to me sometimes. He also remits to his wife regularly and she cooks for me every day ... Thank God, [because of the assistance] I don't have many problems here. Whatever I receive from my family, I can spend all for myself. My life is OK.”

Though he never revealed the amount of the remittances to me, with these multiple remitters in the US and Canada, evidently, he did not have any major welfare challenges.

Some refugee recipients in the Buduburam settlement capitalised on remittances to invest in independent livelihoods by establishing their own enterprises. For example, John, the refugee owner of a successful internet café in the settlement, mobilised 2,500 USD from his siblings and friends in the United States and Canada to purchase thirteen personal computers and install other necessary internet infrastructures to launch this business. Alice, who was engaged in the cell-phone trade between Ghana and Nigeria, embarked on this trans-border initiative in 2006 with the support of 500 USD from her relatives resettled in western countries. These refugee businesses were making relatively good profits as a few refugee entrepreneurs monopolised a large communication demand of refugees and even locals in the area. In these cases, remittances certainly gave recipients “a greater level of power and choice” (Horst 2006: 35).

Nonetheless, these ‘glorious’ examples were considered exceptions by most refugees in Buduburam as such livelihoods necessitate substantial sums of overseas remittances as a start-up capital.² In the realities, the majority of refugee beneficiaries of remittances were only able to access a much smaller amount of sporadic remittances. With limited financial resources, most of these refugees were engaged in less profitable small-scale businesses, such as retail dealers of groceries and sellers of prepaid cell phone-cards, which are often begun on a much smaller initial capital.

There were a good number of refugees without access to overseas remittances but there was an internal redistribution of remittances in this refugee community. Refugees in the settlement formed an umbrella over a person who was getting overseas financial support and received secondary benefits of remittances from this direct recipient. This informal association had become an important economic coping means for individuals and households without remittance access. Refugees with constant remittance access almost always supported some non-recipients. According to a female refugee in the settlement who was financially assisted by her husband in the US, “I provide assistance for my three or four friends and prepare big meals for nine or ten people on every Sunday. These people often come to me for help when necessary”.

In addition to assisting refugee livelihoods, overseas remittances contributed considerably to boosting the Ghanaian host economy. As I described above, in the Buduburam settlement

² According to a series of interviews with Liberian refugees in the settlement, those who were able to mobilise the large amount of financial support from abroad were estimated to be less than 10% of the entire refugee population.

area, it was difficult to draw a clear boundary between ‘locals’ and ‘refugees’. Some shops inside the settlement were owned by Ghanaians who hired Liberian refugees as their shop keepers. The predominant economic means of locals in Buduburam village was the petty trading of food items and other daily necessities. Right next to the settlement entrance, there was a Ghanaian market where many Liberians would purchase their necessities from Ghanaian traders. According to local merchants, the most important customers for Ghanaian retail sellers in the area were undoubtedly Liberian refugees residing in the settlement. A Ghanaian drugstore owner in the settlement area said to me:

“Normally, I receive twenty customers per day. Ten out of the twenty are Liberians. A Liberian normally spends more money than a Ghanaian customer ... Before [repatriation started], I received many more Liberian customers. At its peak, I received almost fifty [Liberian customers] in one day ... In this area, all Ghanaian shop-owners are benefiting from Liberians’ money.”

Testimonies presented hitherto highlight the large dependence of both this refugee population and the local host community on financial assistance to Liberian remittance recipients. As some refugees portrayed, indeed, overseas financial remittances were a ‘lifeline’ for this refugee community left in a poor village without any leading industries.

4. Refugee policy change in Ghana: promotion of refugee repatriation

In 2008, however, the situation regarding refugees and hosting communities in Buduburam village changed drastically. As I explained above, the host government and UNHCR started a large-scale repatriation programme for remaining Liberians in April 2008. This drastic situation change was triggered by the refugees’ demonstrations against UNHCR between February and April 2008. According to various different sources, some one hundred Liberian women refugees started protesting against UNHCR in February 2008 in the football ground which was located immediately next to the settlement entrance. The main messages of the demonstrations were the rejection of the local integration plan for residual Liberians in Ghana and the demand for either third-country resettlement or repatriation to Liberia with 1,000 USD for each individual. Despite some dialogues between the UN Refugee Agency and the demonstration leaders, the protests continued. The series of demonstrations provoked the Ghanaian government into describing the demonstration as “a threat to the security of the state” (Government of Ghana 2008) and resulted in around 630 arrests and sixteen cases of deportation to Liberia.

The consequences of these protests did not end with arrests and deportations but led the host government to employ a more stringent policy towards the Liberian refugees in the country. The furious Ghanaian Minister of the Interior, Kwamena Bartels, made an official statement on 1 April 2008 that all Liberian refugees should go back to Liberia as the internal war there was over and peace was already restored in Liberia. The Ghanaian administration subsequently expressed its intention to reduce the residual number of Liberians in the country as well as to break up the inhabitants of the Buduburam settlement into manageable smaller groups and to disperse them to other parts of Ghana.

In the meantime, in response to the protests, a tripartite committee comprising the Ghanaian government, the Liberian government and UNHCR was formed in April 2008. In agreement with the committee members, the UN refugee organisation then launched a voluntary repatriation programme of refugees to Liberia in the same month. UNHCR’s thrust for ‘voluntary’ return continued beyond the original deadline of repatriation in August 2008. At

one point, it turned out to be rather an ‘assisted’ return and it became almost threatening to residual Liberians in the settlement to accept the repatriation option. In November 2008, UNHCR placed an official notice in the settlement announcing: 1) that organized voluntary repatriation would continue until 31 March 2009; 2) that those who opted to remain in Ghana would be dispersed to other parts of Ghana after 31 March; and 3) that a verification exercise would be carried out in early 2009.

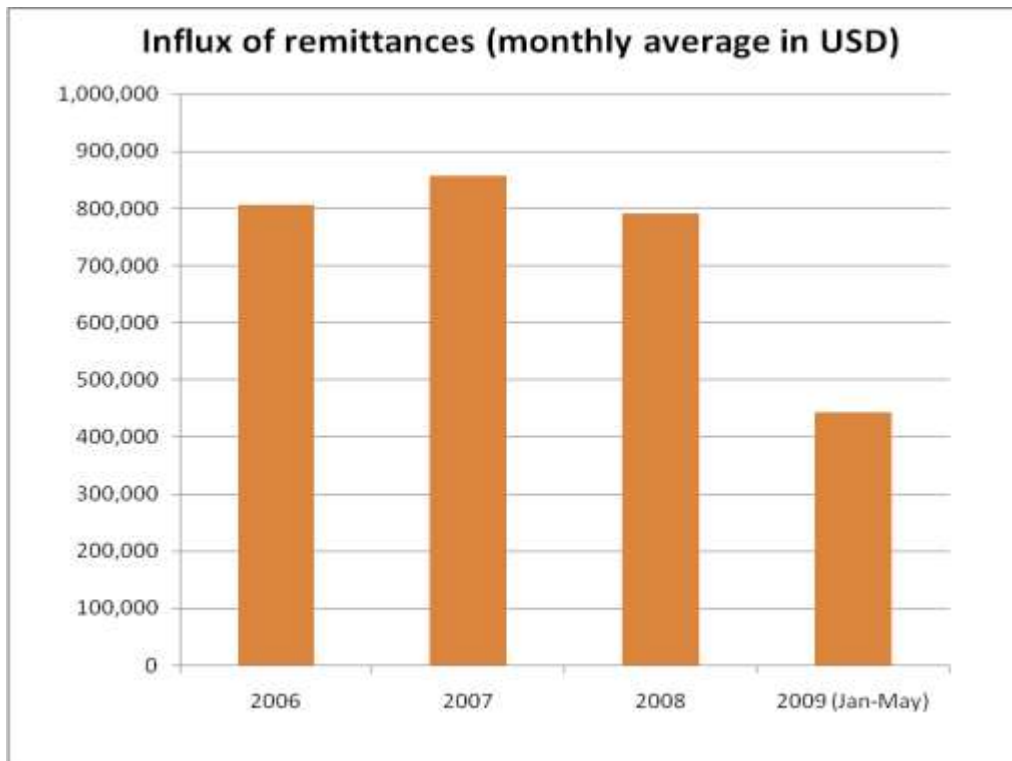
Liberian refugees in Ghana had been unwilling to return to Liberia despite UNHCR’s previous efforts at promoting repatriation programmes. This time, nonetheless, the reaction of the Liberian exiles was different under this strong repatriation pressure coupled with the dearth of information about the future of the Buduburam settlement. According to UNHCR statistics, about 10,000 Liberians, more than 40 % of the entire refugee population in the settlement, returned to Liberia between April 2008 and March 2009 under this UNHCR ‘voluntary’ repatriation package (UNHCR 2009).

5. Collapsing Buduburam economy

This drastic refugee policy change and subsequent repatriation eroded the remittance-reliant economy in the Buduburam village area. In refugee studies, it is often said that those who are wealthier or more resourceful tend to repatriate or leave earlier from a camp, especially in the face of any insecurity or trouble. Crisp writes (2003: 8) that “the strongest members of a refugee population are usually the first to repatriate, leaving the weaker members behind”. Presumably, under the strong repatriation pressure from the host government and the UN Refugee Agency, many of the well-to-do refugees, namely recipients of large remittances, departed from Ghana. Further, to make the matter worse, due to the global financial crisis in late 2008, a good number of refugees in the Buduburam settlement lost remittances because their remitters in western countries became unemployed.

As a consequence, the influx of overseas remittances into this area considerably slimmed down. In front of the Buduburam refugee settlement, there were two Western Union branch offices. According to settlement residents, the majority of refugee remittance beneficiaries received their overseas financial assistance through one of these branches. I negotiated with the managers of the two Western Union branches and succeeded in obtaining remittance data from them. The graph below illustrates a sharp drop in the monthly average value of remittances that were received in these two branches. Between 2006 and 2008, approximately 800,000 USD on average per month was flowing into the settlement area but in 2009 the average amount decreased to about 400,000 USD, almost half of the previous three-year average.³

³ I completed my fieldwork in July 2009 so May 2009 was the latest data available at that point.



(Source: Western Union branches in the Buduburam village area)

Given its heavy reliance on financial assistance from abroad, the sharp reduction in remittances largely undermined the economic life of refugees. First, almost all of the settlement businesses run by refugees faced a significant decline in their sales as they lost their most crucial customers. In the Buduburam settlement, those with remittances had been spending money received from abroad and many enterprises were almost solely reliant on their purchasing power. For example, a male refugee owner of tailor shop inside the settlement used to make constant sales from some principal customers who were receiving overseas remittances. But, as all of his key customers repatriated to Liberia in 2008, he was no longer able to run his shop. As a result of sales decline due to the mass departure of remittance recipients, many refugee enterprises shut down.

Second, as I mentioned above, these remittances were shared with non-remittance recipients in the settlement. Thus, the repatriation of direct remittance recipients from Ghana also meant the loss of important internal sponsors for many refugees without remittance access. In fact, this sharing culture of remittances was a crucial safety net for poor refugees in the settlement but this mutual assistance network was completely destroyed.

In addition, the diminution in remittances damaged the subsistence of local Ghanaian business people. As Phillip notes (2003:14), in the case of entrenched refugee settlements, departure of refugees often generates a downturn in the local host economy. I interviewed about thirty Ghanaian business owners in this settlement area and, similar to refugee business people, almost all of them lamented a sharp decline in their sales due to the loss of their refugee customers. Because Buduburam village was located in a very poor district, local Ghanaians did not have the same purchasing power as Liberian remittance recipients. These local people were really furious about and extremely frustrated with the government's

refugee-policy change. Nevertheless, neither the host government nor UNHCR was aware of these negative impacts generated by their drastic refugee policy shift on the local host economy.

6. Thoughts from this case study: nexus between remittances and development

Nowadays, overseas remittances attract immense attention from international donor communities. According to the *Migration and Remittances Factbook 2011* published by the World Bank, remittances from migrants to developing countries continued ballooning in size to an estimated total USD 326 billion worldwide in 2010, more than quadrupling from USD 81 billion in 2000 (2011: 19). Arguably, the surge in remittances has given rise to ‘a kind of euphoria’, with the financial assistance from migrants being proclaimed as the newest “development mantra” (Kapur 2004) amongst the World Bank, donor governments and western development NGOs. In refugee studies, there are also a flourishing number of studies on overseas monetary remittances.

However, it requires scrutiny to what extent remittances can serve as a main engine of promoting development. There is no universally agreed definition of ‘development’. But a central focus of development aid is broadly understood by donors to promote a long-term improvement of the general economic, political and social conditions in recipient communities/countries. Whilst remittances had certainly been an important livelihood resource for Liberian refugees and the host population in Buduburam village, I also have to point to some caveats of remittances as an instrument for development as following.

1. Instability and volatility due to external environment

Arguably, migrants’ remittances are considered less volatile and thus a more reliable income source than official development assistance and foreign direct investment (de Haas 2005:9). As this case study shows, nonetheless, remittance-based livelihoods, especially in refugee contexts, are very unstable and vulnerable to changes in external environments: for instance, 1) the refugee policy change by the host government and UNHCR and 2) economic climates.

The remittance-reliant economy in Buduburam was crippled in less than one year by the mass departure of remittance recipients due to the large-scale repatriation promotion by the Ghanaian government and UNHCR. Refugees’ sojourn is highly dependent on the host government refugee policy. Even after decades of exile in a country of asylum, in many prolonged refugee situations, refugees have not been granted permanent residential status or citizenship. As Liberian refugees discovered, a host government policy shift can suddenly put their exile into an unstable state and can even pressurise them to leave the country. Since remittances are attached to a specific recipient, not a location, once a recipient leaves the place, remittances will be lost accordingly.

Moreover, the influx of remittances can be capricious due to the economic climate. Diaz-Briquets and Perez-Lopez (1997: 414-5) state that a recession in a migrant receiving country can result in a sudden and significant decline in the volume of remittances. As I briefly mentioned, in 2008, some regular remittance recipients in the Buduburam settlement had lost their financial support from abroad since their remitters became jobless under the global financial crisis.

2. Selectivity in accessing substantial sums of remittances

Extant research underlines that remittances can strengthen the economic capabilities of recipient households by being directly invested into businesses and other income-generating

activities of households (Durand *et al.* 1996; Orozco 2003). However, there was a distinctive inequality in accessing remittances in the Liberian refugee population in Buduburam. In particular, as mentioned above, the number of refugees who could make substantial investments into their lucrative enterprises such as internet cafés and sub-regional trade was very limited because only a handful of refugees were able to mobilise the large amount of remittance resources.

Alternatively, a smaller amount of irregular remittances was predominantly used either to start less profitable petty businesses or to supplement daily expenses of recipient households such as food, water, clothing and health care rather than productive investment.⁴ For instance, inside the Buduburam refugee settlement, there were so many retail sellers of daily necessities such as water, fruits and prepared food. In the over-saturated markets, nevertheless, their businesses were unable to make any meaningful profits.⁵ Especially, with the decreased number of settlement population due to the large-scale repatriation programme, these ‘low-margin high-turnover’ businesses in the settlement collapsed completely.

3. Inauspicious future for remittances

The Buduburam refugee settlement lost many remittance recipients mainly because of the large-scale repatriation promotion. Nevertheless, if this refugee community could create new remittance recipients by resettling others in developed countries, they may be able to create new remittance pipelines and revive the village economy in the future. But this optimistic scenario seems unlikely to occur in the current situation surrounding Liberian refugees.

In the first place, UNHCR in Ghana asserted that there was only a very slim chance of resettlement for residual Liberians. Additionally, it seems unpromising that new resettlement doors for Liberians would open in the near future. Resettling refugees has been perceived as an unwanted burden on the welfare states of traditional UNHCR resettlement countries (Hyndman 2007: 251). Given the reluctance of the closed North, as Koser suggests (2007: 251), in general, resettlement quotas for refugees in industrialised countries would remain very limited or would further decrease, especially for prolonged refugees.

In the current development arena, overseas financial remittances are often portrayed as a lifeline for the poor. I fully admit the importance of remittances for the subsistence of recipients as well as of indirect beneficiaries. Nevertheless, at the same time, I also have to highlight some weaknesses inherent in these financial support mechanisms. Given the presented case study, we need to be cautious not to over-highlight remittances as if they are cure-all medicine.

⁴ I am aware that there are arguments about what are considered to be ‘productive’ investments. For example, Orozco (2006: 28) says that spending on health, education and housing puts recipients in better life conditions and consequently promotes them to pursue opportunities for advancement. Similarly, Stalker (2000:81) writes that many forms of consumption such as food, education, and health care are in a sense a good form of investment that will lead to higher productivity.

⁵ For example, retail sellers of drinking water purchase one sack (containing 30 bags of drinking water) of water at 60 pesewa [42 cents] and they sell it at 70 pesewa [49 cents]. After selling 30 bags (of water), their profit is just 10 pesewa [7 cents]. Even if they sell ten sacks [300 small bags] per day, their profit is 1 GHC [70 cents].

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