



ევროკავშირი
საქართველოსთვის

The European Union For Georgia



International Organization for Migration (IOM)
The UN Migration Agency



ICMPD
International Centre for
Migration Policy Development



PUBLIC SERVICE
DEVELOPMENT AGENCY

2016

STATE COMMISSION ON
MIGRATION ISSUES

BRIEF MIGRATION PROFILE REMITTANCES

Tbilisi, Georgia

Acknowledgments

The State Commission on Migration Issues extends its gratitude to the European Union (EU) program “More for More” implemented by the International Centre for Migration Policy Development (ICMPD) and International Organization for Migration (IOM) in development and publishing of present Brief Migration Profile. SCMI acknowledges input of the National Bank of Georgia which provided most of the data for the BMP.

© State Commission on Migration Issues

Disclaimer

This publication was commissioned by the State Commission on Migration Issues of Georgia (SCMI) and prepared by the scholars acting within the European Union (EU) funded ENIGMMA project run by the International Centre for Migration Policy Development. This publication has been produced with the assistance of the European Union. Its contents can in no way be taken to reflect the views of the European Union, the International Organization for Migration, ICMPD and does not necessarily reflect the views of SCMI.



ევროკავშირი
საქართველოსთვის
The European Union For Georgia

The European Union is made up of 28 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

The European Commission is its executive body.

Introduction

In December 2015 the State Commission on Migration Issues (SCMI) adopted a Medium Migration Profile (MMP)¹. MMP was elaborated with active participation of all its member state agencies and the support of the EU-funded project on “Enhancing Migration Management in Georgia (ENIGMMA), implemented by International Centre for Migration Policy Development (ICMPD). The goal of MMP is to foster evidence-based policy-making in the country and it covers all major aspects of migratory processes as well as its impact on Georgia’s demography, economy and social cohesion. Since then, MMP proved to serve as a valuable source of migration related data and analysis both for local and international institutions and researchers.

To further improve migration policy development and management in the country, in May 2016 SCMI elaborated guidelines for the development of Medium and Brief Migration Profiles² that provide advice on how to structure the working process as well as data sources, structure and content of the migration profiles.

Brief Migration Profile (BMP) is a logical extension of MMP, but unlike MMP, is devoted to exploration of only one migration-related aspect using data visualizations and info-graphics. Present BMP is devoted to the analysis of incoming remittances volume during the last 6 years (2010-2015) - how they are utilized by remittance receiving households and provides a set of recommendations aimed at both: improving remittance-related research and maximization of remittance impact on local and national levels.

¹ 2015 Migration Profile of Georgia, 2015. State Commission on Migration Issues. Accessed: November, 14, 2016.
http://migration.commission.ge/files/migration_profile_2015_30.11.15.pdf

² Development Guidelines: Medium Migration Profile and Brief Migration Profile, 2016. State Commission on Migration Issues. Accessed: November, 14, 2016.
http://migration.commission.ge/files/mp_guidelines_01_06_16.pdf

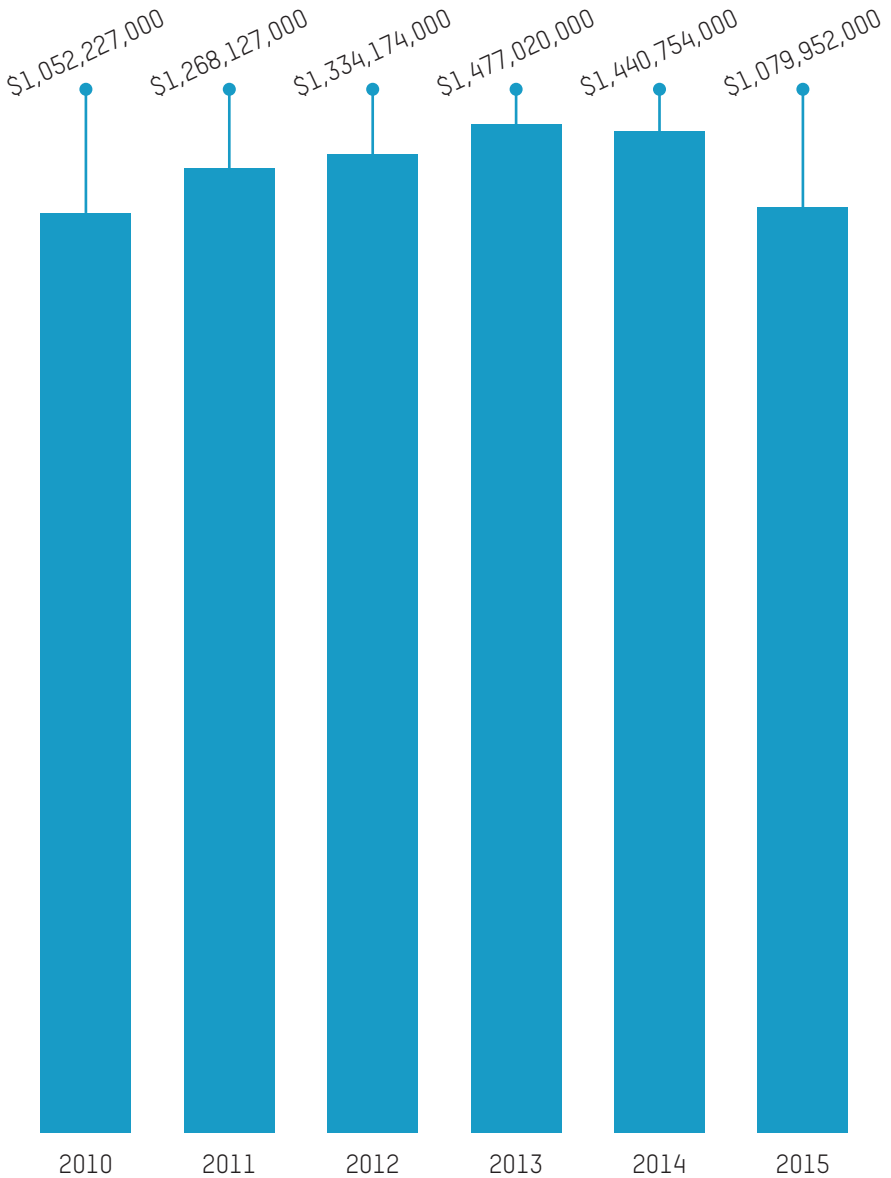
Remittance³ statistics

When discussing impact of international migration on the societies and economies, it is often remittances that scholars refer to. For many remittances receiving countries, they constitute a rather stable source of foreign exchange, sometimes being more reliable than Foreign Direct Investments⁴. Although there is no definite answer to the question as to what extent remittances contribute to economic growth, on a household level for many remittance receiving households they could be crucial in improving their access to capital, education or healthcare.

Since the early 1990s when more Georgians started to migrate abroad, volume of remittances started to increase as well. Despite the fact that Georgia cannot be considered as over-dependent on them, remittances continue to play an important role in poverty reduction and ensuring economic stability of remittance receiving households. Even during the economic crisis they proved to have the ability to rebound quickly, although 2014-2015 economic crisis in Russia seems to be having more profound impact on remittance dynamics. In 2015 volume of remittances decreased by almost a quarter from 1.440.754.000 USD (in 2014) to 1.079.952.000 USD, practically reaching 2010 volume (1.052.227.000 USD) (Illustration 1).

³ Present BMP discusses only monetary remittances as defined by National Bank of Georgia as: Funds transferred through the fast money transfer systems in addition to transactions between residents and non-resident include transactions between residents and residents and non-residents and non-residents, however does not include transactions between physical persons through bank accounts and also cash transactions.

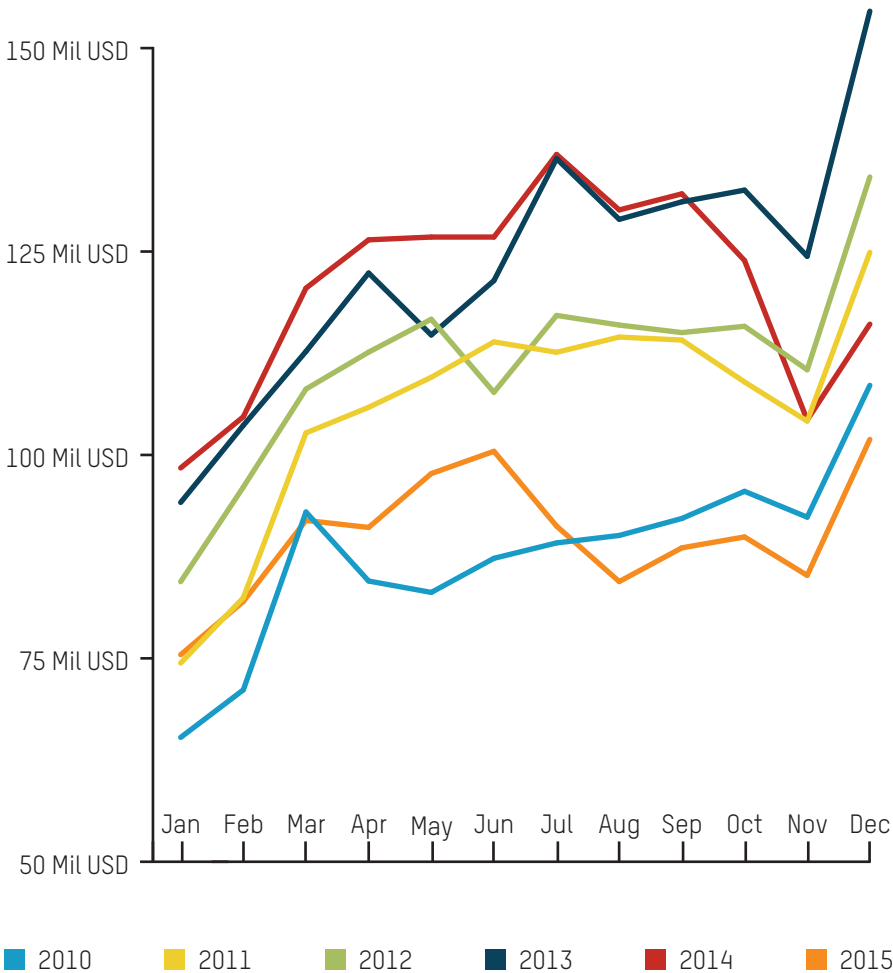
⁴ Zurabishvili, T. and Zurabishvili, T. 2013. Remittances in Provincial Georgia: The Case of Daba Tianeti. Migrant Marginality: A Transnational Perspective. Edited by: Philip Kretsedemas, Jorge Capetillo-Ponce and Glenn Jacobs. Routledge: 148-164.

Illustration 1. Remittances per year (USD)

Source: National Bank of Georgia

As a rule, the volume of remittances transferred in January is the lowest in size – while the highest amount is sent in December – presumably in anticipation of the New Year and Christmas holidays. Only in December 2014, the monthly volume of remittances was relatively lower, which could be explained by the already started downward trend that resulted in the decrease in the volume of remittances in 2015 (Illustration 2).

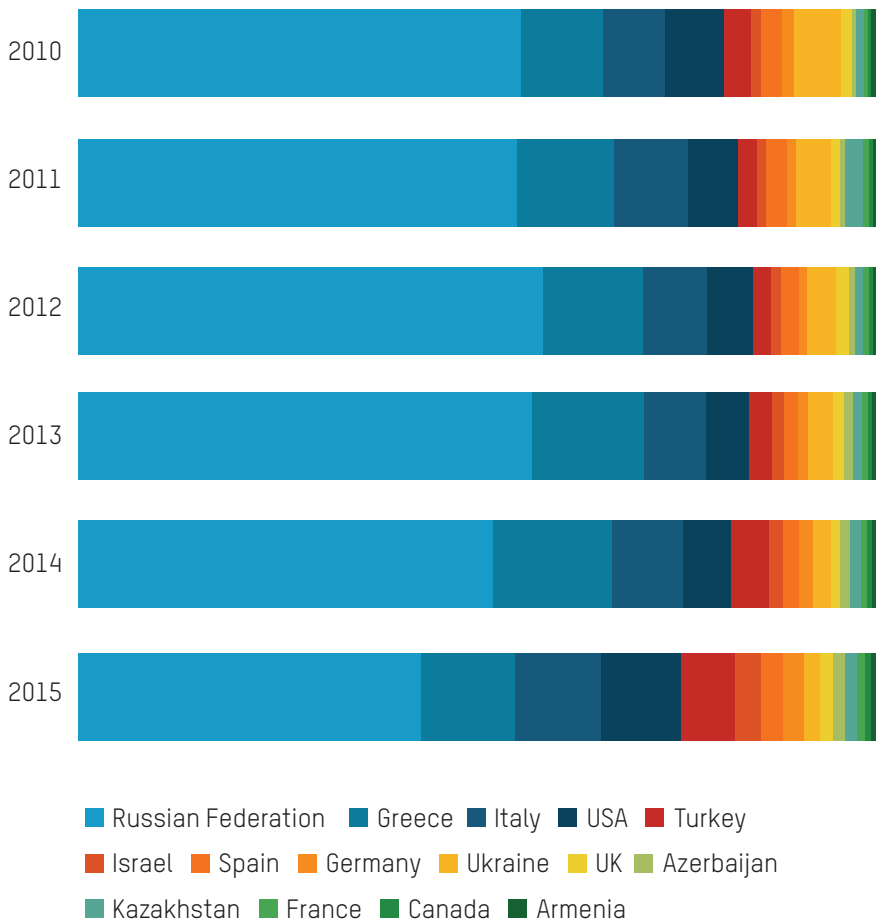
Illustration 2. Remittances per month/year (USD)



Source: National Bank of Georgia

Among the major remittance sending countries, the biggest decrease is attributed to remittances sent from Russia and Greece. While the downward trend in Russia started already in 2014 – 709.238.000 USD compared to 801.428.400 USD in 2013, Greece demonstrated a moderate increase from 197.970.400 USD in 2013 to 204.781.900 in 2014 to fall to 117,750,700 USD in 2015. In both cases the major drops occurred in 2015, when remittances from Russia and Greece decreased by slightly more than 40% each compared to 2014. (Illustration 3, Table 1).

Illustration 3. Remittances by major sending countries (2010-2015, USD)



Source: National Bank of Georgia

Table 1. Remittances by major sending countries (2010-2015, USD)

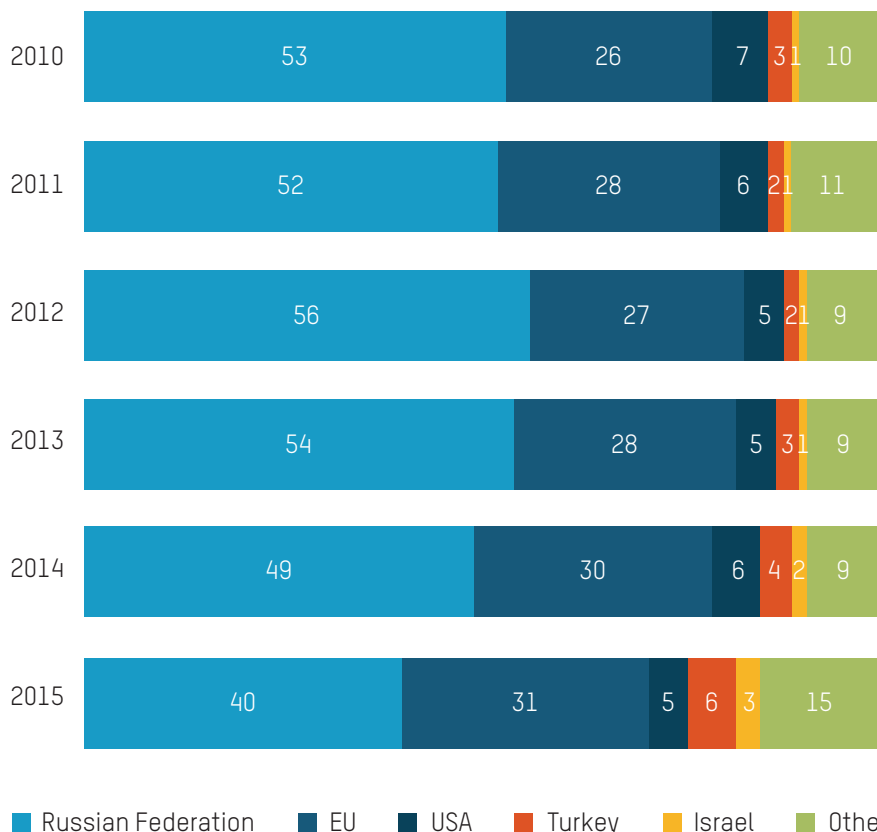
Country	2010	2011	
Russian Federation	555,567,100	655,216,800	
Greece	103,800,800	144,643,900	
Italy	76,724,900	109,187,800	
USA	75,303,700	75,348,500	
Turkey	33,628,400	27,642,700	
Israel	12,093,600	14,415,300	
Spain	27,309,600	30,957,000	
Germany	14,740,500	12,962,100	
Ukraine	58,982,500	52,413,700	
UK	13,460,300	14,852,100	
Azerbaijan	5,117,400	6,973,800	
Kazakhstan	9,868,500	26,194,400	
France	5,018,000	9,660,600	
Canada	4,247,500	5,499,300	
Armenia	6,053,300	4,455,500	
Total	1,052,227,000	1,268,127,000	

	2012	2013	2014	2015
	747,449,100	801,428,400	709,238,000	432,687,900
	159,617,300	197,970,400	204,781,900	117,750,700
	102,871,900	110,184,200	121,469,600	109,077,700
	74,038,500	74,855,400	82,062,900	100,037,100
	29,979,700	41,736,100	64,336,900	68,945,500
	15,968,100	19,732,900	23,626,700	32,878,700
	27,813,700	25,372,500	28,048,500	26,771,900
	13,215,000	17,800,800	24,217,700	26,661,900
	47,420,900	45,573,200	30,800,600	20,850,200
	19,715,100	18,635,600	15,059,700	15,964,800
	10,351,800	14,964,200	17,789,800	15,507,000
	12,622,100	16,076,500	17,581,100	14,656,300
	9,823,800	11,587,500	11,638,000	10,856,200
	5,731,600	6,650,500	6,906,300	7,204,000
	5,571,600	7,285,300	7,813,600	6,487,800
	1,334,174,000	1,477,020,000	1,440,754,000	1,079,952,000

Among the major remittance sending countries, amount of remittances in 2015 slightly increased from the USA, Turkey, and Israel – countries, which either already recovered from the economic crisis, or were not hit hard by it.

While Russia continues to be the biggest remittance-sending country, its share has been gradually decreasing reaching its lowest in 2015 – 40% of all remittances sent to Georgia. On the other hand, despite the decrease in the absolute terms – mostly due to decrease from Greece - share of remittances sent from the EU (cumulative of 28 EU member states) has been slightly increasing in 2010-2015 (Illustration 4).

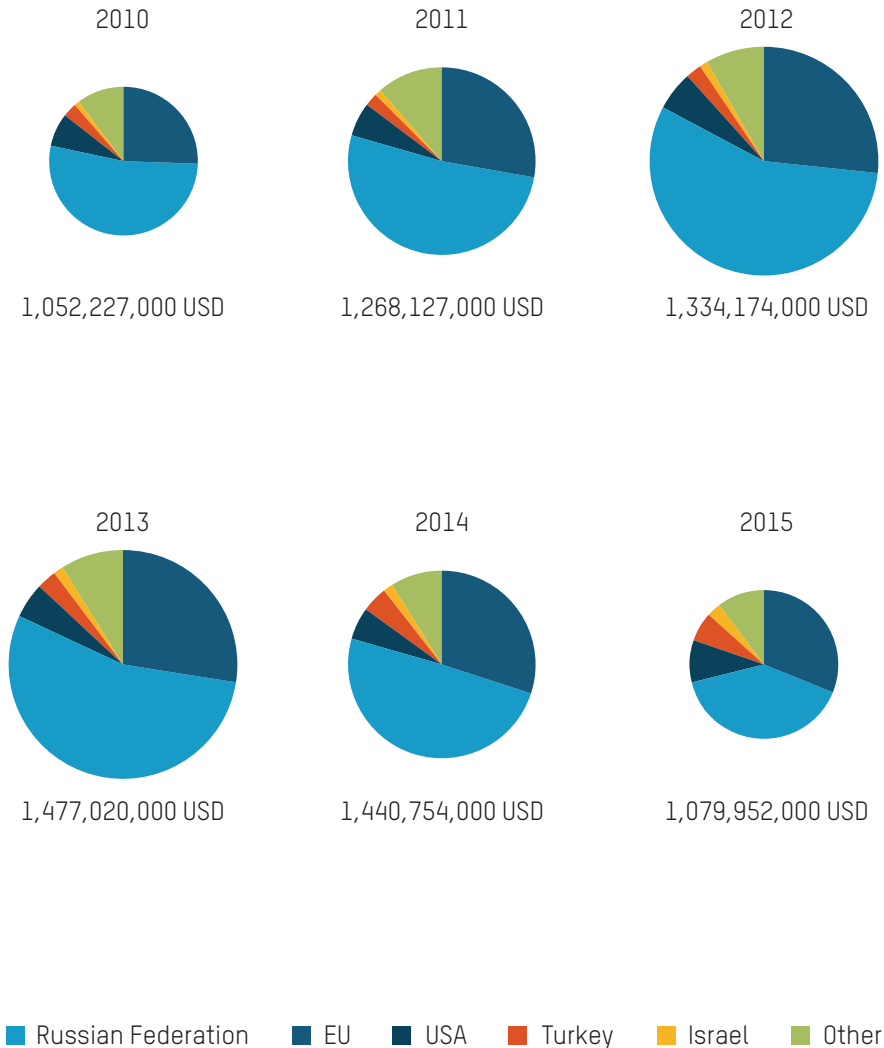
Illustration 4. Share of remittances sent from major remitter countries/regions (%)



Source: National Bank of Georgia

Decrease of the volume of remittances from Russia is rather striking also in absolute terms (Illustration 5).

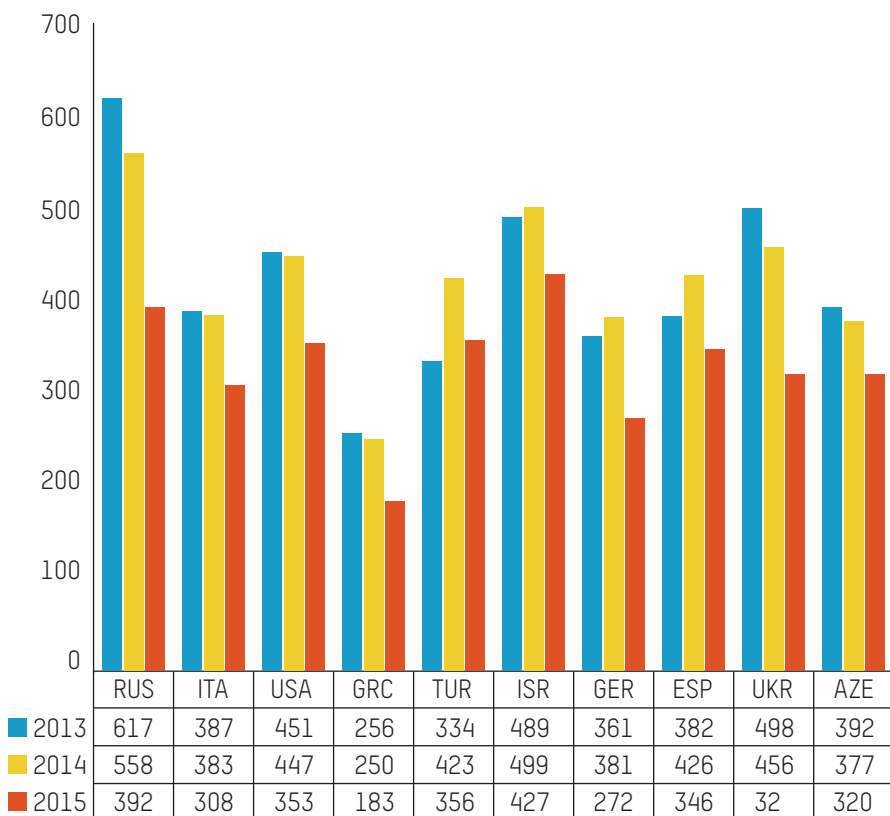
Illustration 5. Volume of remittances sent from major remittance-sending countries and regions (USD)



Source: National Bank of Georgia

National Bank of Georgia data allows to calculate average volume of a transfer per transaction for 2013-2015⁵. While the average volume decreases in case of all major countries, the decrease again is more pronounced in case of Russia and Ukraine (Illustration 6).

Illustration 6. Amount of an average transfer per transaction by countries in 2013-2015 (USD)



Source: National Bank of Georgia

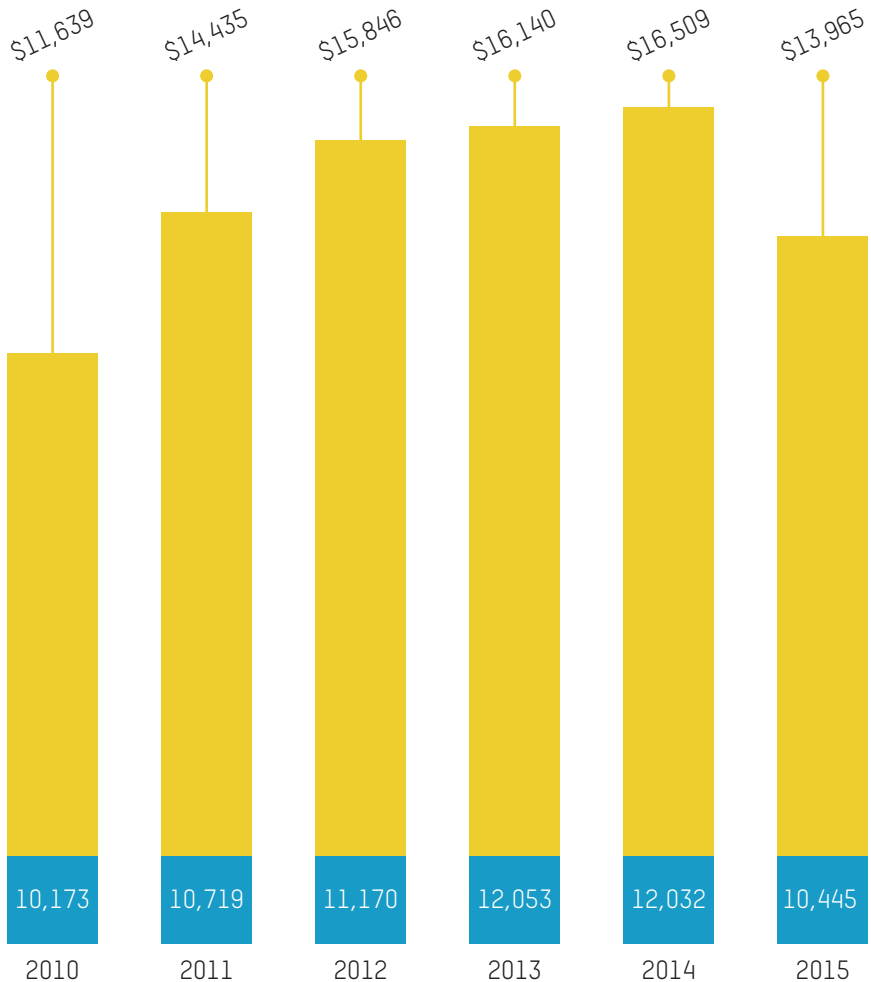
⁵ For 2013-2015 NBG provides data on the total number of transactions and total volume of remittances disaggregated by country that allow calculation of a mean volume of remittances per transaction.

The decrease of share of remittances in GDP is further confirmed by the World Bank analysis, which shows that in 2015 remittances constitute 10% of Georgia's GDP, down from 12% in 2013 and 2014 years.

Illustration 7. Remittances as share of GDP and GDP volume

■ Remittances (% of GDP)

■ GDP (Billion US\$)



Source: World Bank



Credit: IOM photo library

IMPACT OF REMITTANCES: HOUSEHOLD LEVEL

The most recent nationwide public opinion poll on migration issues (2016) conducted by ACT-Georgia for the SCMI provides data on the utilization of remittances by remittance-receiving households. Among 324 households with at least one returned or current migrant family member, most (239) households reported receiving remittances.

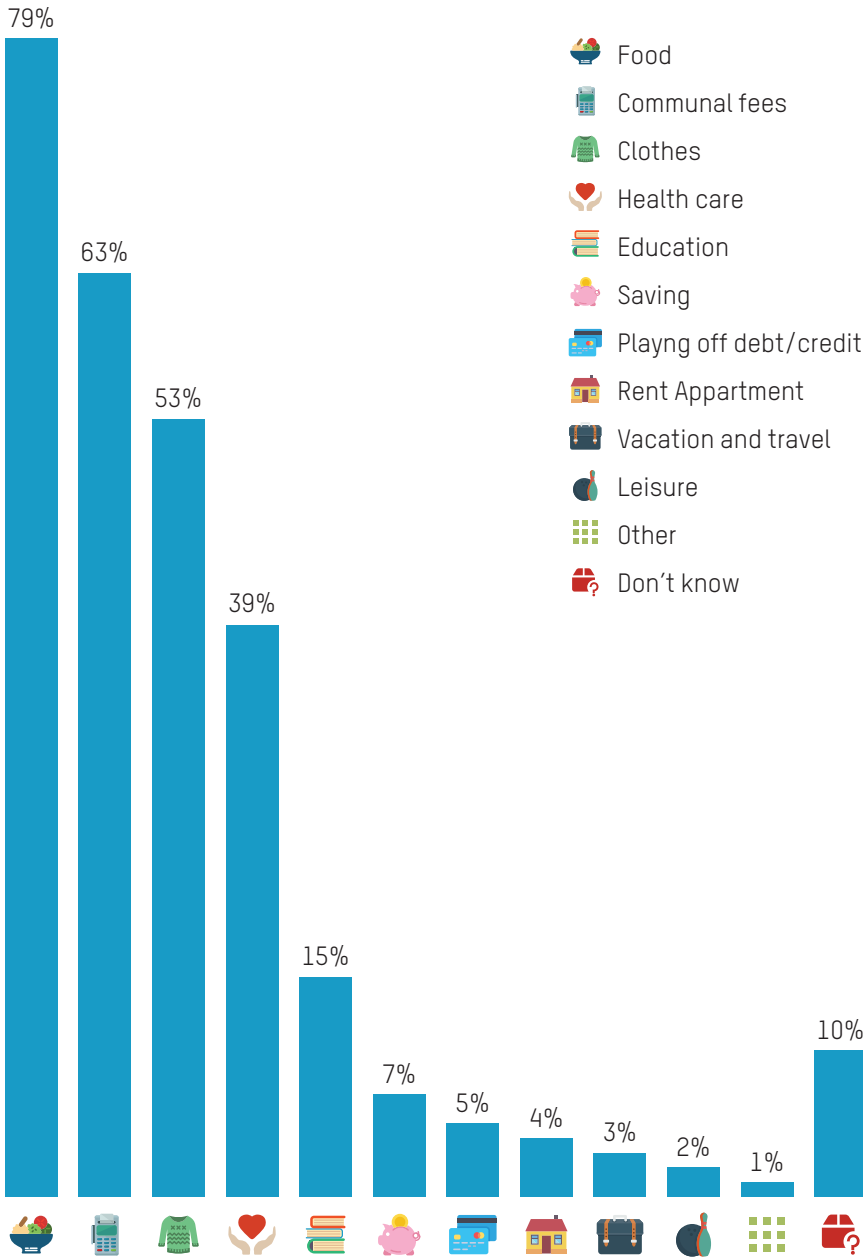
According to ACT survey, out of 215 emigrants who lived and worked abroad during the fieldwork, 71% sent remittances to their families. Importantly, remittances sent by every second emigrant constitute half or $\frac{1}{2}$ of the family budget and in case of 15% of emigrants remittances sent home constituted the only source of income for their families.

When comparing remittance receiving and non-receiving households in terms of their perceived economic wellbeing, share of households reporting not having enough money for food was considerably higher (55%) in households not receiving remittances than in remittance-receiving households (26%). These findings confirm findings of earlier studies⁶, indicating that remittances continue to contribute to decreasing poverty in Georgia.

The survey data also showed that Georgia is not an exception to the global trend of remittance utilization and as in many remittance-receiving countries, in Georgia too, more remittances are spent on consumables rather than investment in businesses. Georgian remittance-receiving households reported spending remittances on basic necessities such as food, communal fees and clothes, followed by health and education expenditures. Only 7% reported saving remittances for purchasing an apartment, car or starting a business.

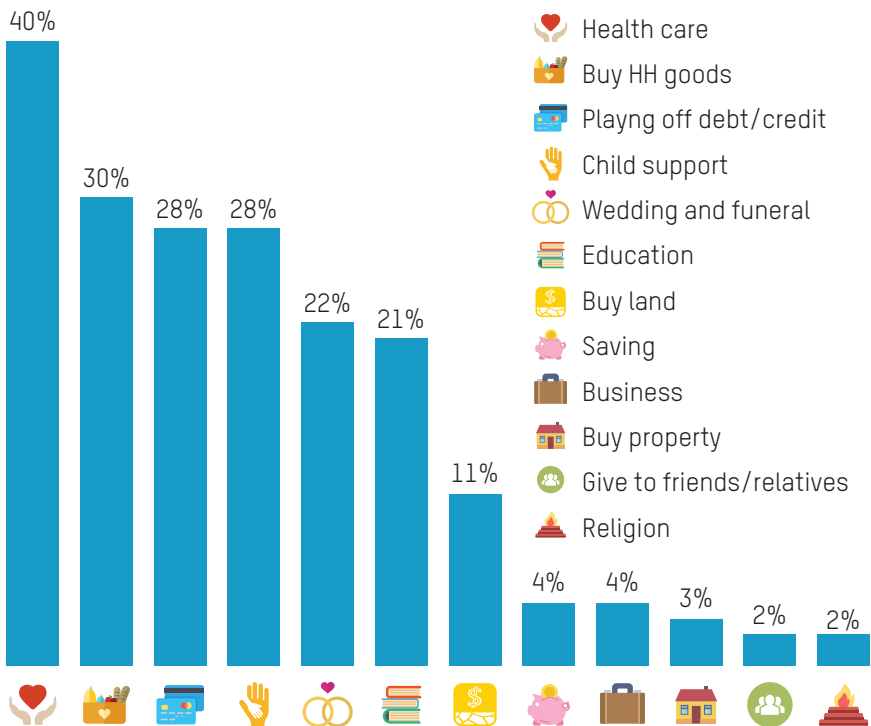
⁶ Tianeti Household Census 2008 & Tianeti Emigrants to Greece 2008 - March-October, 2009. IOM. Accessed: November, 14, 2016.
<http://iom.ge/1/tianeti-household-census-2008-tianeti-emigrants-greece-2008-march-october-2009>

Illustration 8. Spending of remittances of remittance-receiving households (% of HH)



Data collected by “Development on the Move” study (2008)⁷ provides a more in-depth understanding of in which ways remittances are spent differently than other income received by households. Out of 141 remittance-receiving households who reported spending remittances differently than other household income, the bigger share—40% - reported to spend remittances on healthcare, yet another third of the households - on buying household goods, paying off debts and child support. At the same time, using remittances for special occasions such as funerals and weddings and education seems to be a common practice as well.

Illustration 9. Share of households that spend remittances differently than other household income (Development on the Move, 2008)



Note: This question was asked only to 141 respondents, who reported that they spend remittances differently than other household income

⁷ Development on the Move: Measuring and Optimising Migration’s Economic and Social Impacts in Georgia. 2009. Accessed: November, 14, 2016.
http://www.ippr.org/files/uploadedFiles/_research_teams_2009/Projects/Global_Change/Georgia%20FINAL%20%28April%202010%29.pdf?noredirect=1

When combining findings of both studies, the results show that after covering everyday expenses remittances are primarily used as an investment in human capital (healthcare and education), while fewer remittance receiving households manage to make savings or utilize them for starting businesses.

It should be noted that none of these studies are representative for remittance-receiving households in Georgia and these results cannot be generalized on the whole population of remittance-receiving households. However, these findings provide a snapshot of how remittances are utilized and the role that remittances play in improving economic well-being⁸ of remittance receiving households, who tend to have less debts and higher income than households not receiving remittances.

Existing evidence suggests that in most cases remittances are used for consumption rather than investment in businesses, although health and education expenditures could be considered as investments in human capital. Importantly, financial potential of remittances is underutilized, since rather few remittance-receiving households report making savings. Thus, improving financial literacy of remittance-receiving household members as well as migrants themselves on how to better utilize existing financial instruments and banking services could strengthen positive impact of remittances both on household and national levels.

Still, more data is needed to better understand the impact of remittances on Georgian economy on a macro level in order to better utilize its potential to foster economic development. Targeted studies of migrant households, remittance-receiving households, households with return migrants (qualitative, quantitative and mixed methods) on the utilization of remittances, their impact on improving social and economic well-being of households, as well as analysis of the impact of remittances on various socio-economic areas of the country (for instance, links between the remittances and development of agriculture, construction business, education, or healthcare) is needed.

⁸ Gerber, T. and Torosyan, K. 2013. Remittances in the Republic of Georgia: correlates, economic impact, and social capital for mation. *Demography*; 50(4):1279-301. doi: 10.1007/s13524-013-0195-3. Accessed: November, 14, 2016. <https://www.ncbi.nlm.nih.gov/pubmed/23404646>