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Asian Development Bank



Asian Development Bank

**A Study on International Migrants' Remittances
in Central Asia and Southern Caucasus**

Country Report

on

International Migrants' Remittances and Poverty in the Kyrgyz Republic

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This report is subject to editing and change.

ABBREVIATIONS

ADB	–	Asian Development Bank
BOP	–	Balance of payments
NBKR	–	National Bank of the Kyrgyz Republic
NSC	–	National Statistical Committee
KR	–	Kyrgyz Republic
HH	–	Household
HHH	–	Head of the household
HHM	–	Household member
IERP	–	International expert on remittances and poverty
SDC	–	Socio-demographic characteristics
PPP	–	Purchasing power parity
PSU	–	Primary sample unit
x-tab	–	Cross-tabulation tables

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OVERVIEW

- Remittances are increasingly becoming one of the most important factors positively impacting the social welfare of the population. Not only direct income effect should be taken into account in this regard, but also the indirect one, i.e. their impact on the income of suppliers of goods and services consumed by remittance recipients. Money transfer has long been the subject of political speculations and discussions in the Kyrgyz Republic; however no serious research of this phenomenon has been undertaken so far. We may only refer to the estimates of the National Bank of the Kyrgyz Republic and expert assessments by the Ministry of Finance and few NGOs. During 2006-2007, the ADB initiated regional research studies on remittances and poverty in Kyrgyz Republic, Armenia, Tajikistan and Azerbaijan. In Kyrgyz Republic, this study has been undertaken by the team of independent experts led by Shamsia Ibragimova. 4200 households all over the republic have been surveyed within the framework of this research. The primary goal of the research study was to determine the impact of remittances on household welfare (poverty).
- 15.8% of the households received remittances from abroad: 15.5% of the households received remittances in cash and 2.7% received remittances in kind. A household received the average of US \$ 1 331.4, which comprised approximately half of the total household income. During the survey most households stated that in 2006 the sum of remittances remained at 2005 level (44.5%) or declined (43.8%). Nearly 11% of the households indicated that remittances had reduced. Approximately the same percentage of households (11.2%) stated that the share of remittances in their gross income declined as against 2005; and 22.0% replied that the share of remittances remained unchanged. Nearly 31.7% of the interviewed households confirmed that the share of remittances in their gross income had increased. The smallest percentage of households pointing to remittance reduction in 2006 as against 2005 was observed in the capital city Bishkek.
- Aggregate remittance inflows to the Kyrgyz Republic in 2006 amounted to \$ 253.2 million, of which \$ 248.1 million were cash remittances. The rural areas accounted for the largest share of remittances totaling \$ 154.2 million of which \$ 151.0 million were cash remittances. An aggregate cash remittance inflow, estimated during the survey, is almost three times less than the estimates by the KR National Bank (\$ 730.6 million). This is explained by the fact that National Bank has taken into account a broader range of remittances such as transfers comprising the working capital of some business (sewing, 'shuttle' commerce, etc.) whereas our research, for various reasons, cannot cover those remittances.
- The results of the survey showed that significant part of migrants uses banks and official systems of money transfer. Almost 78% of the households preferred this channel to remit money. 77.8% of all cash remittances were transferred via this channel. Traditional mechanisms of money transfer, including delivery by a migrant himself or transfer through relatives, friends and trusted agents, remain popular. 34.1% of the households used this way, receiving 21.9% of all money transferred.
- Analysis of the sender's type revealed that most of the households received remittances from their family member migrants (12.6%), and only 3.6% of the households received remittances from external migrants. In terms of the regional pattern remittances from migrant

members of the family were received primarily by the households living in rural areas (14.4%) and in urban localities (13.2%), whereas in the capital city this indicator was determined at 5.9%.

- The survey showed that 14.9% of the households had at least one member working abroad. We can highlight significant differences among the households having at least one migrant in the family. Proportion of the households having only one migrant member and living in urban localities (other than the capital) or rural areas exceeds by almost 2.5 times the number of the similar households living in the capital city. More than 20% of the households all over the country have migrant members: more than 72% of these households have one migrant; nearly 20% have 2 migrants, and so forth. Remittances were transferred by 79% of migrants. Male migrants (73.3%) outnumber substantially female migrants (26.7%). Likewise, male migrants outnumber female migrants in both categories of remitters and non-remitters. This allows for sketching a migrant's portrait. In most cases, he is a young man from a village or from a town other than the capital city, under age 34, having secondary education. Not all of them send remittances back home to their families.
- 27.3% of the migrants working abroad were women. More than half of female migrants found job in wholesale and retail trade, 14.4% worked in other sectors of economy, 8.1% - in processing industry, and 7.6% - in construction. Most male migrants succeeded in finding jobs in the construction sector (59.5%) and in wholesale and retail trade (20.2%). Hence, we can clearly see a gender-based employment pattern: most of female migrants work in wholesale and retail trade, most of male migrants work in the construction sector. Most of migrants have to change their profession apparently due to the specific nature of workforce demand in the recipient countries, which explains why the university degree has little impact on employment. In most cases, secondary education is enough to get a job.
- Most migrants move to Russia (82.7%). Kazakhstan is the second most preferred country where our migrants can find employment (11.9%). Less than 2% of migrants live and work in Turkey; in rare cases the households answered that they had relatives working in the United States (0.5%) and Germany (0.1%).
- 20% of senders were not household members (external migrants). In general, external migrants are more mature and have a higher educational level as compared to the household migrant members. As a rule, external migrants are brothers/sisters of the household head (or of his/her spouse) and married daughters and sons-in-laws. 72% of external migrants live in Russia, 8% - in Kazakhstan, and 7% - in Germany.
- As for the length of staying abroad, 54.9% of remitters spend there from 1 to 4 years. Next category of remitters comprises migrants working abroad for less than a year (31.0%). In general, migrant members of the households seem to stay abroad for shorter periods. On the contrary, external migrants tend to live abroad longer: 43.2% spend from 1 to 4 years abroad and approximately half of all external migrants live there for longer than 5 years.
- Analysis of the time interval during which migrant members were sending remittances showed that all of them were remitting money back to their families during 1-4 years (100%). Apparently during their one-year stay abroad migrants were not able to send remittances because they were looking for a job or maybe they failed to make savings as they had to

spend on registration and issuance of documents permitting to stay and work in a receiving country, or for some other reasons. More than half of external migrants were sending remittances during 1-4 years and one-third of them were making transfers for a longer period of time (5 years and longer). 71.4% of remitters were sending one or 2-3 remittances a year. 32.1% of migrant members of the households remitted money only once and 37.0% of them sent up to 3 remittances, whereas for external migrants these figures were determined at 49.7 and 27.8%, respectively.

- As we expected, remittances were sent mainly from Russia and Kazakhstan (95.7% of remitters) with the general frequency of 1 and 2-3 remittances (making 68.3 and 78.3% of remitters, respectively). Quite a noticeable share falls on the frequency of 4 and 5 remittances a year (18.6 and 14.5% of remitters, respectively). More than 5 remittances during a year were sent only from Russia, Kazakhstan and “other countries” (accounting for 2.8% of migrants).
- In 2006, cash remittance per sender averaged \$ 1 410.7, whereas the mean value of an in-kind remittance was determined at \$ 298.2. The breakdown by remittance sending country found that Turkey accounts for the largest average sum of remittance per sender - \$ 3 233.3, the largest average for other countries was \$ 2 165.9. The average of remittances from Russia and Kazakhstan - countries accounting for the largest share of the total remittance inflow - was determined at \$ 1 710.1 and \$ 1 460.7, respectively.
- The households in a sample (72.1%) including remittance-receiving households (70.1%) and non-remittance households (72.5%) are headed predominantly by men, while one-third of the households are led by women. In 68.6% of the households women handled the family budget while the household heads were abroad. At the same time the share of remittance-receiving households in which women handled the family budget remained at virtually the same level (69.2%). Therefore, in the absence of the householder only one-third of the male family members could dispose the family budget. It should be noted that during the householder’s stay in the country, the family budget in remittance-receiving households was handled by 55.9% of males and 44.1% of females.
- The number of remittance-receiving households increases from the poorest to the wealthiest level. It means that while in the 1st quintile proportion of remittance-receiving households was only 4.9%, in the 5th quintile their number grew to 27.9%, or by 6 times. Should we exclude remittances from the household income and break them down in quintiles, the pattern received will be reverse, i.e. the number of remittance-receiving households will increase back from the wealthiest (8.6%) to the poorest (29.0%). Based on these data we can presume that receipt of remittances by the households could trigger their transfer to a wealthier group, which explains an existing tendency and a significant difference in the number of remittance-receiving households in the wealthiest and the poorest quintiles.
- The study results showed that the largest share of remittances received (78.4%) was used to cover the basic household expenditures. The households of the 1st to 4th quintiles used remittances mainly for their basic needs, and only in the top income group of households these expenditures were recorded at 64.7%, which is still quite high. The share of remittances used for purchase of luxury items, contingencies and other things was

determined at 5.9, 5.4 and 5.0% respectively. Investments to business/entrepreneurial activities made up 3.1%, which was affordable by the relatively “wealthy” households of the 3, 4 and 5th quintiles.

- The share of household expenses on various ritual ceremonies depends directly on the welfare of the household itself and its close relatives. The survey identified close bonds of kinship and readiness to help their relatives in emergency cases which characterizes the household spending for ritual ceremonies. On an average the share of expenditures on ritual ceremonies in the household total income for the republic was 1.9%, for other town settlements – 2.8, for rural areas – 2.1%. Remittance-receiving households spent relatively higher share of their expenditures on ritual ceremonies. Remittance-receiving households living in urban localities (other than the capital) spent more on ritual ceremonies (5.4%) than non-remittance households (2.3%). In rural areas, expenditures on ritual ceremonies are higher among remittance-receiving households as compared to non-receivers - the difference is 1.3 percentage points.
- By the place of residence and living standard, the share of expenditures on preventive medical services was homogenous and ranged within 0.6% - 1.3%. This pattern was common for both remittance-receiving households and non-remittance households. No tendency was observed proving that remittances impact expenses on health service and education depending on the household welfare level.
- The results of the survey showed that only 41.3% of the households had savings. Remittances impact strongly the households' propensity to save: 60.2% of remittance-receiving households had savings, whereas 39.8% of them spent all available funds. As for non-remittance households, 62.2% of them spent all their earnings and 37.8% had savings.
- The main purpose for saving money is their use in future. Most respondents (72.8%) stated that they would use their savings in emergency cases. The proportion of those who spend savings in emergency cases among non-remittance households is by 3.9 percentage points higher than in the opposite category (see Table 6.7). The number of remittance-receiving households using savings for improving their housing conditions and for special events such as birthday celebration, wedding party, religious arrangements is higher by more than 6 percentage points. Given this, we can presume that remittances may possibly reduce the risk of going broke after emergency cases and other expenses. Also, remittance-receiving households may help the households to increase their savings.
- The survey results showed that investments into securities were the least popular form of money investment; since only one case of such investment was indicated in this survey, this type of investments may not be examined. The share of investments into business and entrepreneurial activity made up 2.2% of total household expenditure. The share of business investments in remittance-receiving households was determined at 2.4% as against 2.2% of the households in the opposite category.
- Poverty indicators in the country are high and cash remittances from abroad are one of important factors of the welfare growth in many families and households in Kyrgyz Republic. The study confirmed that the highest poverty level is observed in rural areas, where majority lives below the poverty line. The lowest poverty level is registered in the capital city – about

one-fifth of all citizens. Remittances play an important role in the household welfare. Should remittances be excluded from household income, the poverty indicators will immediately go up for all population groups at the place of residence. Remittances are particularly important for the households living in rural areas and in urban centers (other than the capital).

- Examining poverty and extreme poverty indicators with regard to the remittance-receiving households only, we can track down the similar trends in distribution of the poor and very poor households. The highest poverty and extreme poverty is observed in other than the capital urban localities (28.0 % and 7.8% respectively).
- Exclusion of remittances from the household income shall have a significant impact on their welfare. For instance, should we exclude remittances from the income of the households living in the capital city, the number of poor families will increase drastically (by 28.5 times or from 1.0% to 28.5%). In other urban localities and rural areas proportion of poor households will increase by 2.4 and 2.6 times correspondingly. It is apparent that remittances play an important role in formation of the income in extremely poor families: should we exclude remittances from their income the number of extremely poor families will increase by almost 6 times irrespective of their place of residence.
- The analysis of poverty and extreme poverty indices, poverty depth index and Gini index allows for making conclusion that remittances have a noticeable effect on people's welfare and are an important factor of poverty reduction for the residents all over the country. On the other hand remittances increase income inequality. And while on the republican scale this increase is insignificant, within the group of remittance-receiving households this inequality grows quite noticeably.
- Making assessment of their own poverty, the households tend to underestimate their welfare level. However, it was noticed that the households receiving remittances were more optimistic in their own welfare evaluation as compared to non-receivers.
- Among the households surveyed, more than 12.4% of their family members were engaged in business or entrepreneurial activities. The proportion of household members engaged in business activity does not depend much on whether these households receive remittances (11.8%) or not (12.5%).
- Analysis of remittance impact on community development showed that remittances received by the households improve their consumption, although apparently do not increase business development opportunities or let them provide charitable aid to others.
- Remittances have no impact on community welfare and its development. At the same time, they impact significantly the welfare of remittance-receiving households and may have a favorable effect on overall macroeconomic situation (thus positively impacting the welfare of other households). Community welfare and its development depend to a greater extent on some other factors rather than on proportion of the households receiving remittances.

INTRODUCTION

1. Remittances are becoming one of the most important factors positively impacting the social welfare of the nation. Not only direct effect we should take into account, but an indirect one as well, particularly, impact on the income of suppliers of goods and services that are consumed by remittance recipients.

2. Although labor migrants' remittances and money transfers to Kyrgyzstan have not been yet measured, we have the expert and indirect assessments. The estimates show that annual remittance flows to Kyrgyzstan reach \$ 700 million. According to unofficial expert assessments, in recent years remittance flows to the republic were exceeding annual amounts of international aid allocated for country development and foreign investments. For example, estimates of remittances flowing to the Kyrgyz Republic range from \$ 120 to 500 million which makes up to 25% of the country GDP¹.

3. In fact, the real size of migrants' remittance flow is unknown. This possibly includes bank transfers, uncleared money, including business transfers, contract payments, etc. To put it differently, it is quite possible that these remittances do not comprise solely labor migrants' remittances.

4. Based on the KR balance of payments data², the amount of remittances has increased by more than 15 times for the past 4 years (2002 - 2006) (See Table 1).

Table 1. Inflow of remittances to the Kyrgyz Republic from migrants working abroad, 2003-2006
*in \$ million*³

	2002	2003	2004	2005	2006
Remittances	48.6	112.7	285.4	481.5	730.6

Source: NBKR

5. The BOP data show that migrants' remittances have been steadily increasing. However, no large-scale research on remittances and labor migrants has been undertaken in the country so far. Therefore, the effects of remittances on national economy have never been assessed.

6. The country is lacking reliable sources of information on the number of labor migrants working abroad, although there are some labor migration assessments. This includes a one-time research study at the border posts by the National Statistical Committee in collaboration with

¹ Center for Migration Research, Moscow, 2002. E. Sadovskaya «Kazakhstan and Central Asia: new migration trends of 2000-s».

² KR National Bank (NBKR) collects and makes analysis of the balance of payments.

³ These data are the product of officially recorded cash remittances and coefficients of additional estimation. NBKR determines migrants' remittances evaluating them based on National Statistical Committee's data on migrants' number and calculating the mean value of assets imported/exported by migrants (from NBKR publication « KR Balance of Payments. 2006» p.79-80).

many other government agencies in the summer of 2003. Although, the results of the study were not open to the public. The second research study on labor migrants was undertaken by International Organization for Migration (IOM). That study paper which provides a descriptive, qualitative and quantitative analysis of various aspects of both internal and external migration is the only source making evaluation of labor migrants proportion and which is based on expert opinions. According to the IOM estimates, 300 thousand migrants work in Russia and 50 thousand migrants work in Kazakhstan.⁴

7. Another source indicates that the number of registered Kyrgyz residents working overseas is 6.4 thousand (2002), whereas unregulated labor migration was determined by official agencies at 350,000 people while some experts concluded that their number was up to 1 million. According to Kyrgyz Embassy data, the number of Kyrgyz labor migrants in Kazakhstan in 2003 ranged from 80 to 120 thousand in the "peak" seasonal periods and in 2004 their number ranged from 40 000 to 100 000⁵.

8. Politicians and economists in the country give different views on proportion of labor migrants working abroad and, consequently, on amounts of remittances flowing to the country. In our opinion, the KR State Committee for Migration and Employment (State Committee) and KR Ministry of Finance provide the most realistic estimates.

9. According to the State Committee data, labor migrants numbered between 350 000 and 450 000 in 2006 sent \$ 535 million⁶.

10. The Ministry of Finance used two different approaches for evaluation of remittance inflows to the country⁷: 1) the first and the simplest method is based on assessment of the total of labor migrants and size of annual remittance to the country. Using this method, the Ministry of Finance estimated the total of remittances flown to the country in 2004 at \$526 million and at \$750 million – money remitted to the country in 2005. 2) The second method is based on assessment of the balance between the cost of domestic commodity circulation and of chargeable services and the population's money income. The deficit not covered by internal income, the scope of purchases of goods and services in the local market, shall be covered by income flowing from outside, i.e. by private remittances transferred by labor migrants from abroad. The size of this deficit is tentatively estimated at \$ 360–850 million which roughly confirms remittance amount received in 2004-2005 as was determined through the first method. The source of the data for the 2nd method is National Statistical Committee.

⁴ Institute of Economic Policy «Bishkek Consensus». Study paper «Evaluation of remittances sent by labor migrants working abroad ». May, 2005.

⁵ Center for Migration Research, Moscow, E. Sadovskaya «Kazakhstan and Central Asia: new migration trends of 2000-s».

⁶ <http://www.tazar.kg/news.php?i=3102>.

⁷ <http://www.minfin.kg/modules/news/article.php?storyid=134>.

11. Another source of information is “Bishkek Consensus” Economic Policy Institute which held a research study on remittances. In 2005, the Institute polled 1,177 respondents who were labor migrants or their family members. Remittance assessment was based on indirect methods, although the survey did not cover an adequate number of respondents. According to the study results, 67% of respondents migrated to Russia and 19% of them moved to Kazakhstan. In general, 61% of migrants delivered their earnings in hand, and only 34% remitted them via banking system. Nearly half of this money was spent on current consumption, 10% was invested, and the remaining portion of remittance was spent on health service, education and purchase of consumer durables. The survey found that on an average a migrant accounts for \$ 1,419.

12. In the year 2006, in order to close the existing informational gap, the ADB initiated a regional survey on remittances in the countries of Central Asia and Southern Caucasus. The study encompasses Armenia, Azerbaijan, Kazakhstan, the Kyrgyz Republic, and Tajikistan. Armenia, Azerbaijan, Kyrgyz Republic and Tajikistan were viewed as remittance receiving countries while Kazakhstan was researched as a remittance sending country. This study is composed of two components: the first component studies the impact of remittances on poverty in Armenia, Azerbaijan, Kyrgyz Republic and Tajikistan. The second component is supposed to study the relation between remittances and financial sector development in these countries. The research study is carried out by local experts and scientific research institutes in Central Asia and Southern Caucasus. Household survey on remittances and poverty was launched in early 2007 in Armenia, Azerbaijan, Kyrgyz Republic and Tajikistan.

13. The aim of this report is to present the preliminary results on evaluation of remittance effects on poverty in the Kyrgyz Republic to the stakeholders and solicit their comments. This country report – along with the draft report on remittances and financial system in the Kyrgyz Republic – was discussed at the seminar in Bishkek in November 2007 and afterwards was revised incorporating the comments voiced at the seminar. The report will be included into the ADB regional report on remittances in Central Asia and Southern Caucasus which is expected to be completed and published in early 2008.

14. The structure of the country report:

Introduction

I. Methodology of Household Survey and its Stages

The chapter describes all stages of the household survey: questionnaire development, sampling, training and the survey process. The questionnaire format is briefly described

II. Household Survey on Remittances and Poverty

The chapter provides general information on household survey, sampling process, characteristics of the households, etc.

III. Households Receiving Remittances

The chapter focuses on remittance-receiving households. It examines the mechanisms of money transfer, provides some characteristics of the

households, their propensity to use banking services (other than transfer services), etc.

IV. Remitters

The chapter presents data on remitters: migrants' occupational profile, employment patterns, social and demographic characteristics of the migrants, etc.

V. Remittance Channels

The chapter provides an in-depth analysis of the channels used for remitting money. It also examines dependence of the choice of remittance channel on household characteristics. It also presents pros and cons of remittance channels from respondents' perspective.

VI. Impact of Remittances on Household Consumption, Savings and Investments

The chapter presents the use of remittances received by households from migrants.

VII. Impact of Remittances on Poverty and Income Inequality

The chapter presents characteristics of the sample welfare and examines the impact of remittances on poverty.

VIII. Impact of Remittances on Community Development

The chapter examines the level of involvement of the members of remittance-receiving households in the public life and business.

IX. Conclusions for decision-making

The chapter provides recommendations for intensifying the positive impact of remittances on economic development and poverty reduction in the country.

I. METHODOLOGY OF HOUSEHOLD SURVEY AND IT'S STAGES

15. This chapter describes all stages of the household survey: questionnaire development, sampling, training and the survey process. The questionnaire format is briefly described.

16. **The questionnaire form** had 207 questions divided into 19 sections. Sections I - IV had questions about migrant members of the households as well as about external migrants, including questions about their social and demographic characteristics and remittances sent by them in the year 2006. Sections V and VI examined cash remittances at the level of households and asked questions about the total of remittances received by the households in 2006 via different channels, the pros and cons of the indicated channels, and the use of various money-remitting agencies. Sections VII-IX contained questions about household income generated in the year 2006, including wages and salaries, actual and presumed income from agricultural activity and cattle breeding, and government financial aid. Sections X-XV studied household expenditures, savings, housing conditions, assets owned, business activity, borrowings, and credits. Section XVI-XVII contained questions about the use of medical service, school attendance by household members, and household expenditures on these services. Sections XIII and XIX were supposed to collect data for identifying instrumental variables to be used in econometric analysis of remittance effects on poverty.

17. The questionnaire contained questions on household income as well as its expenditures in order to evaluate remittance effects on poverty. Despite that it is relatively easy to determine the household income, respondents often refused to reply truthfully about their earnings. But the task was lightened by respondents' honest replies to the questions about their expenditure whose estimation is quite complicated due to its dependence on seasonal fluctuations. In order to reflect seasonal fluctuations, expenditure surveys are usually conducted during the whole year. This objective was not achieved within the framework of the ADB study because of the temporary restrictions.

18. For the purposes of this report and ADB research, a **household** means a group represented by two categories of people: (i) people who shared one budget during 2006 including those living and/or working abroad during 2006, and (ii) people staying abroad in 2006 and not sharing the family budget with the household members living in Kyrgyzstan, although they used to dispose the same budget prior to migration and would have used it should they be in Kyrgyzstan. **Household members** mean the people who form the household. **A migrant** member of the household is a household member who lived and/or worked abroad in 2006. **External migrant** is a person who lived/worked abroad or who carried or sent remittances to a certain household in 2006, not being the member of that household. **Remittances** mean money or goods remitted or carried by a migrant member or by an external migrant to a certain household. The difference is established between cash remittances and in-kind remittances. **Cash remittances** mean money remittances sent or delivered to a household by its migrant member or by external migrant. **Remittances in kind** mean the goods sent or hand delivered by migrant members of the household or by external migrant.

19. **Household sampling.** A two-stage stratified random sampling was applied to select households for the survey. This procedure was composed of seven steps:

- 1) As a sample frame we used the 1999 Census data published by the KR National Statistical Committee in the book "Results of the first National Census of 1999 in the KR". Population was divided into three categories: households living in the capital city; b) households living in other towns, and c) households in rural areas.
- 2) Households of each category were then split into Primary Sampling Units (PSU), each comprising over 30 households living on the territory of one or several neighboring administrative units.
- 3) A targeted sample of 4 200 households (3 995 households were actually surveyed) was divided into three strata - the capital city, other urban localities and rural areas – in proportion to their quantity in census data.
- 4) As deemed necessary, the received target samples were changed so that their number was divisible by 30.
- 5) The number of PSUs surveyed in each stratum was obtained by dividing the target sample for a stratum by 30.
- 6) The required number of PSUs was selected for each stratum with the probability that a specific PSU would correspond to the proportion of these PSUs in the total of households in a stratum.

- 7) 30 households were randomly selected from every earlier sampled PSU ensuring equal sampling probability for each household in a PSU.

20. This procedure was used in order to: (i) draw the sample that would be representative overall for the country and individually for the capital city, other cities/towns and rural areas; and (ii) ensure sample coverage of a larger number of households living on the territory of one or several neighboring administrative units, which would allow for estimating and analyzing community indicators (such as proportion of remittance-receiving households and proportion of poor households).

21. A random-sampling method was applied in all 3 strata, including towns and rural areas, with the probability proportionate to the number of households in each PSU. 140 PSUs were selected all over the country. Data on target sample distribution by 3 strata are given in Table 1.1.

Table 1.1. Target Sample

Oblast	All over the republic		Number of PSUs			Number of households		
	Number of PSUs	Number of households	Capital city	Other towns	Rural area	Capital city	Other towns	Rural area
Bishkek city	26	780	26			780		
Osh town	7	210		7			210	
Issyk-Kul oblast	11	330		3	8		90	240
Jalal-Abad oblast	25	750		6	19		180	570
Naryn oblast	7	210		1	6		30	180
Batken oblast	11	330		3	8		90	240
Osh oblast	27	810		2	25		60	750
Talas oblast	6	180		1	5		30	150
Chui oblast	20	600		4	16		120	480
Total	140	4200	26	27	87	780	810	2610

22. **Training for interviewers and supervisors.** Prior to the field survey on remittances and poverty, training was conducted btw 2-6 October 2006 in Bishkek for supervisors and interviewers of the northern regions (i.e. Bishkek city, Chui oblast, Talas oblast, Naryn oblast and Issyk-Kul oblast). For the southern regions (Osh, Batken and Jalal-Abad oblasts) trainings were conducted in Osh town btw 8 - 13 October 2006. A total of 110 interviewers and 36 supervisors were trained.

23. The training program included one-day pilot household surveys. This helped participants to better understand the goals of the survey, test the questionnaire, and make suggestions to improve its contents and format.

24. The pilot survey covered the households in Bishkek and Osh towns as well as rural residents of the Chui and Osh oblasts – a total of 102 households.

25. **Fieldwork on data collection** commenced 3.5 months later after the training and was conducted from 21 January to 20 February 2006. As the questionnaire content had been changed substantially, supervisors were invited once again to Bishkek to a one-day training session. The supervisors were recommended to conduct one-day trainings for the interviewers prior to commencement of field work activities.

26. Four-member teams were created (comprising 3 interviewers and 1 supervisor) to conduct random surveys of the households; drivers with their own cars were hired so that the teams could easily travel through inhabited areas.

27. Data collection was carried out in strict accordance with the schedule established with the fair coverage of working days and off-days. Field works for data collection were commenced on 21 January and were concluded by 20 February 2007. According to the Survey Plan, the information was supposed to be collected during 18 working days. But the interviewers could survey the households in the evening time as well, when respondents were at home. Also, the interviewers had to visit the households with additional household lists as at some places houses were reconstructed (1.7%) into trade outlets, private hotels or cafes (See Table 2.2.). In some cases, houses were demolished.

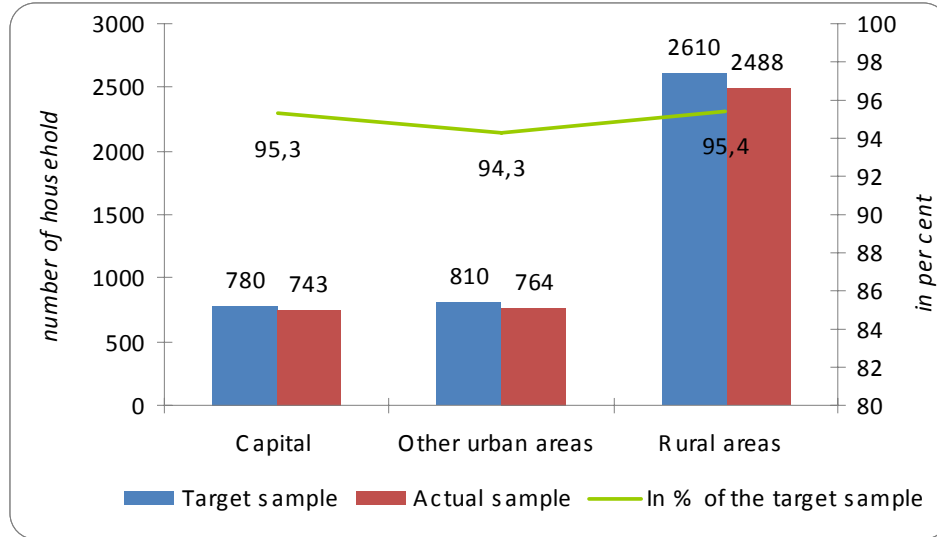
28. One percent of respondents refused to participate in the survey (see Table 1.2.). Political situation in the country was the main reason cited for refusal. Some individuals began expressing displeasure and dislike for international organizations which influenced respondents' attitude towards our interviewers.

Table 1.2. Interview Status

Interview Status	N	%
1 Interview completed	3995	95.1
3 Empty house, no one lived in	45	1.1
4 Respondents were not at home	10	0.2
5 Reconstructed into a commercial entity	71	1.7
6 Refused to respond	40	1.0
7 Address not found	39	0.9

29. When making lists of household addresses for the survey, an additional address list was prepared, which helped the survey team to cover more than 95% of the target sample (see Fig. 1.1).

Figure 1.1. Level of respondents' participation in the survey by 3 strata



30. The results of this survey showed that the interviews took a longer time in rural areas (1 hour and 40 minutes). The reason was that in rural areas the interviewers spent more time filling out the sections on plant cultivation and livestock breeding.

31. **Survey data processing.** For the purpose of timely implementation of the Action Plan, it was suggested that the oblast supervisors should send questionnaire forms upon their completion by mail. Data input was commenced on 28 January 2007 and went along with the field work activities. The operators engaged in the survey performed logic and quality checks of the questionnaires before entering data. The data have been entered within 4 weeks, and then the final database was presented to the specialists responsible for data processing and clearing. During March – May 2007, the analysts were clearing data and preparing data files. Simultaneously, the work was carried out on data processing; analytical charts were developed to make analysis of the survey results.

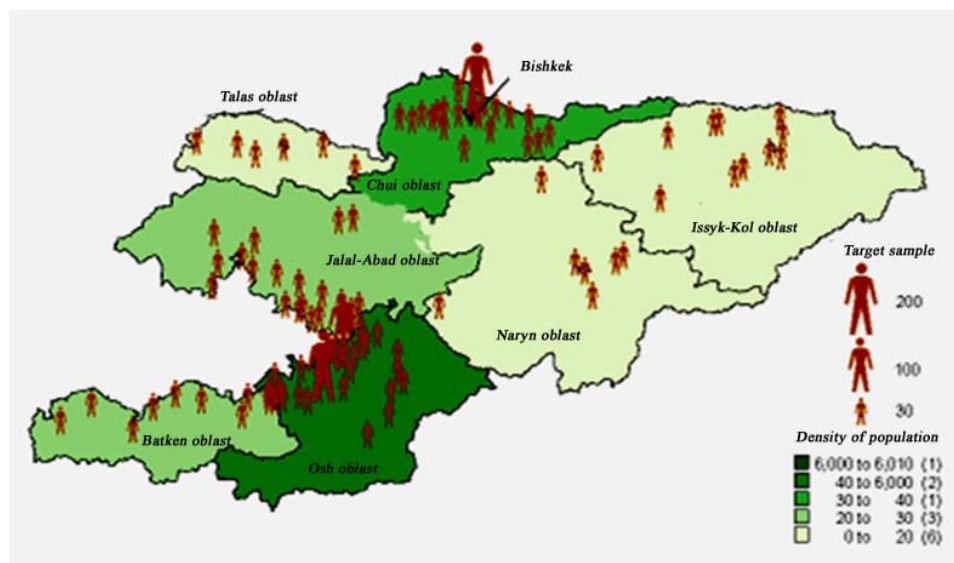
32. **Target sample** covered 4200 households. Sample distribution by three administrative units looked as follows: 18.6% of the sample households were surveyed in the capital, 19.3%– in other urban localities and more than 62% - in rural areas. (see Table 1.3).

Table 1.3. Sample Distribution: Households

	Number of PSUs	Number of Communities in a Sample	Sample Size (Households)	Proportion in a Sample
	N	N	N	%
Republic	140	100	4200	100.0
Capital	26	4	780	18.6
Other urban localities	27	19	810	19.3
Rural areas	87	77	2610	62.1

33. In fact, the survey covered 4 districts in Bishkek city, 19 towns and town settlements (including Osh town), and 36 rayons (comprising 77 inhabited areas), which can be seen on Picture 1.1. According to NSC demographic statistics, the average population density in the country is 26 people per one square kilometer. Population density ranges from 78 people per square kilometer in Chui valley and 45 people - in Osh oblast to 6 people per square kilometer in Naryn oblast⁸, i.e. the sample was divided based on the method of proportional selection and took into account population density distribution all over the country.

Picture 1.1. PSU Distribution on the Territory of the Country



⁸ Annual publication «Demographic Year-Book of the Kyrgyz Republic, 2001-2005», Bishkek 2006, KR National Statistical Committee

II. HOUSEHOLD SURVEY ON REMITTANCES AND POVERTY

34. This chapter provides an in-depth study of sample characteristics from the perspective of remittances and poverty.

35. **Household income.** For the purposes of this survey, the household income and income per capita is an aggregate income estimated by including earnings from various sources. The main sources of income to be included in the aggregate income are the following: 1) all sources of money income received by households other than incomes generated from agricultural activity, 2) estimated income from agricultural activity (plant cultivation and cattle breeding, other types of agricultural activity), 3) non-cash transfers.

36. Household money income means combined money income of all household members including wages, pensions, income from business activity in the country, social security benefits, compensatory and other types of extra payments, interests, dividends, rent and other income generated from the rights of ownership, and finally, the total sum of all money remittances from abroad.

37. Income from agricultural activity includes three types of income: income from plant cultivation, income from livestock breeding, and income from other agricultural activities. Income from plant cultivation is calculated as the difference between the market value of the crops (by types of crops) and the cost of their cultivation. Income from livestock breeding is calculated as the difference between the livestock value and the cost of its breeding. Livestock products are measured based on annual changes of the livestock and poultry market values, market value of the livestock sold and slaughtered, taking into account income from secondary livestock products (diary products, eggs, honey, wool, etc.) and excluding investments into livestock breeding during 2006. Income from agricultural activity is measured as the net estimated income from hunting, fishery, picking mushrooms and berries, etc.

38. Other incomes received by households in kind, i.e. goods and assets including food products received from relatives and friends living in the country or abroad, were grouped into non-cash transfers and were evaluated at market prices.

39. The results of estimated income earned by households showed that some of them had the negative income in 2006 due to excess of livestock breeding costs over the income.

40. The average of income per household in the country amounted to 67.7 thousand soms per year or 5.6 thousand soms per month. Households living in the capital city had the highest income (81.0 thousand soms per year). The average income of the households in other towns and in rural areas slightly differed from the republican level. Analysis of the household income distribution showed a wide dispersion: minimum value of income had the negative of 66.1 thousand soms, whereas its maximum reached 1 088.0 thousand soms per year in the capital city (see Table 2.1). A widest range of household income was observed in the capital city.

Average income of the households in the capital city exceeded by almost 25-30% the average of household income in other urban localities and rural areas.

41. Apparently the size of average household income is impacted substantially by extreme values, which is confirmed by the median income value for rural areas almost twice exceeding the similar indicators for urban localities.

Table 2.1. Annual income of sample households
in soms

	Number of h/s	Average Income	Median Value	Standard Deviation	Minimum Value	Maximum Value	Range
Republic	3,995	6,7684	1,154,097	63,704	-66,140	1,087,957	1,154,097
Capital city	743	81,019	1,087,957	86,810	0.00	1,087,957	1,087,957
Other urban localities	764	61,877	513,475	52,117	-18,500	49,497	513,475
Rural areas	2,488	65,484	1,019,593	58,028	-66,140	953,453	1,019,593

42. Income per capita was calculated given the family size adjusted by an equivalent coefficient of adults and factual evaluation of population. This approach allowed for determining the number of equivalent adults in each household⁹. This method is preferred because children's needs and their consumption of income may be much lower than adults' needs. Presence of different number of children in the households of a similar welfare level will presumably lead to different sizes of income per one equivalent adult in the household. Also, when we compare the welfare of the households, we have to take into account all household members (present and absent) as this survey takes no account of consumption and spending by household members living abroad. Therefore, in order to obtain comparable data the number of household members was adjusted for the actual number of months during which the given members were living in the household, which allowed for estimating the actual number of the members of households surveyed in 2006.

43. Using the above-described methodology, we estimated the household income per equivalent adult which totaled 20572 soms per year (see Table 2.5.). The highest income was registered in the capital city, amounting to almost 33.0 thousand soms per year per one equivalent adult in a household. Furthermore, the household income in the capital turned out to be much higher than the income of rural residents (twice higher) and that of the citizens of other towns (by 1.7 times). As expected, the data on annual household income revealed a substantial dispersion of income (per one equivalent adult) in the capital city, where the income range indicator was exceeding the mean value of income by more than 18 times. Correlation of these indicators for the residents of other towns and rural areas showed that this gap was declining to

⁹ Every household member aged 1 to 16 is considered to be equivalent to 0.67 of an adult.

13-14 times level. Hence, we can see again that significant differences in welfare level are observed among residents of capital city, other urban localities and rural areas.

44. Sample households were sorted into quintiles based on their per capita income including (excluding) remittances (see Table 2.2.). The income range between the first and fifth quintiles is very wide (8.9 times) as compared to three middle quintiles. This income gap further grows if we exclude remittances - the mean of household income per person in fifth quintile will exceed by 9.5 times the income of residents placed in the 1st quintile. The differences among quintiles by other indices (such as the median, income range, minimum and maximum values) have a similar tendency no matter if remittances are included or excluded. Hence, the survey results confirm the presumption of high inequality in the society.

Table 2.2. Per capita income in households by quintile
soms per year

	Number of h/s	Average	Median	Standard deviation	Minimum	Maximum	Range
REPUBLIC	3,995	20,572	14,797	22,441	-13,202	601,267	614,468
Capital city	743	32,919	24,000	35,722	0	601,267	601,267
Other towns	764	19,761	14,833	18,624	-3,961	258,251	262,212
Rural areas	2,488	17,134	13,000	16,250	-13,202	222,605	235,807
Quintile groups/ including remittances							
Quintile 1	799	5,669	6,000	2,047	-13,202	8,245	21,447
2	800	10,344	10,329	1,221	8,250	12,500	4,250
3	799	14,910	14,800	1,491	12,508	17,763	5,254
4	798	21,807	21,557	2,725	17,774	27,319	9,546
5	799	50,144	40,000	35,620	27,325	601,267	573,942
Quintile groups / excluding remittances							
Quintile 1	799	4,458	4,902	2,148	-13,202	7,241	20,442
2	799	9,102	9,019	1,101	7,246	11,048	3,802
3	801	13,219	13,164	1,342	11,050	15,600	4,550
4	815	19,387	19,110	2,460	15,607	24,000	8,393
5	781	42,442	35,327	23,642	24,025	298,002	273,978

45. The survey found that 14.9% of households had at least one migrant member (Table 2.3). We can point to significant differences among the households having at least one migrant. The number of such households in towns and rural areas exceed the figures for the capital city (by 2.4 times). Households having one migrant outnumbered all other households groups having two and more migrants. In towns and rural areas the number of households with only one migrant exceeds by 2.5 times the number of such households in the capital city. A similar tendency is observed with the households having two and more migrants. Based on results of the household distribution by a number of migrants in a household, we can presume that the

villagers and citizens of urban localities are more inclined to migrate as opposed to the citizens of the capital city.

46. Distribution of the households by level of their welfare and number of migrants revealed that the overwhelming number of the households with one and more migrants working overseas is concentrated in wealthier groups (22.7%). The similar tendencies are observed in other household groups that have one migrant (12.6%) working overseas, two migrants (6.5%) or two and more migrants (3.5%).

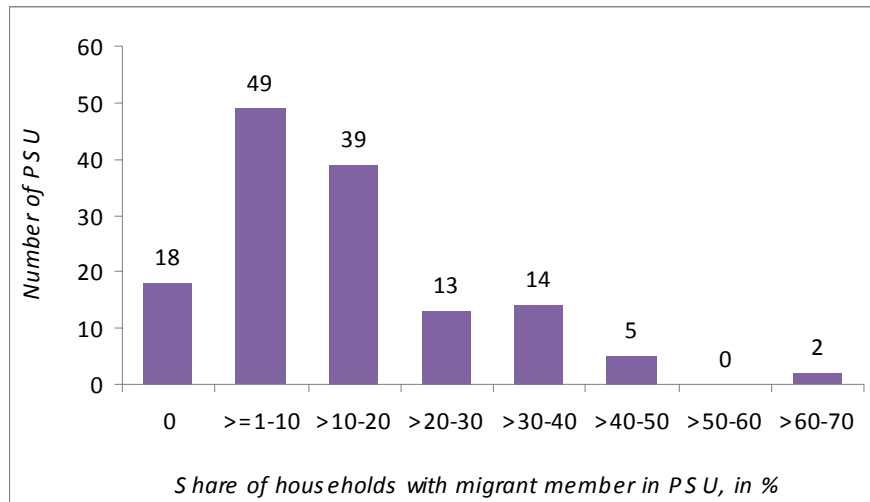
47. Quintile distribution excluding remittances showed that the number of households having migrants increases in the poorest quintile (from 8.1% to 29.2%, or by 3.6 times) and, on the contrary, decreases in the richest quintile (from 22.7% to 6.8% or by 3.3 times). A similar tendency is common for all households having migrants regardless of their number. Hence, we can be certain that there is strong relation between labor migration and improvement of the household welfare.

Table 2.3. Households Having Migrant Members
% of all sample households in the country/locality/quintile

	Households with One Migrant	Households with Two Migrants	Households with More than 2 Migrants	Households with at Least One Migrant
REPUBLIC	10.8%	3.0%	1.1%	14.9%
Capital	5.1%	1.3%	0.5%	7.0%
Other towns	12.4%	2.6%	1.6%	16.6%
Rural areas	12.0%	3.5%	1.2%	16.7%
Quintile groups, income with remittances				
Quintile 1	6.6%	0.9%	0.6%	8.1%
2	9.6%	1.8%	0.1%	11.5%
3	10.0%	2.9%	0.5%	13.4%
4	15.2%	2.8%	0.9%	18.8%
5	12.6%	6.5%	3.5%	22.7%
Quintile groups, income without remittances				
Quintile 1	20.7%	6.1%	2.4%	29.2%
2	12.0%	2.8%	1.5%	16.3%
3	8.9%	2.7%	0.4%	12.0%
4	7.6%	2.0%	0.6%	10.2%
5	4.9%	1.2%	0.8%	6.8%

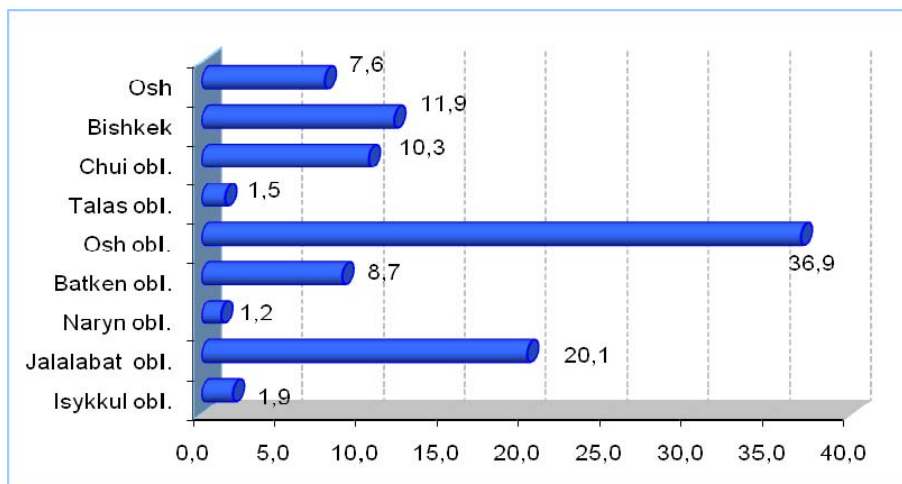
48. Virtually all surveyed PSUs (except for 17 PSUs) regardless of the region surveyed had households having at least one migrant (Fig. 2.1). Of course, all PSUs differ by the number of migrants in the households. This situation can illustrate that migration processes take place all over the country. At the same time, proportion of migrants in the total population of the republic is not significant.

Figure 2.1: Proportion of Households Having at Least One Migrant in the PSU



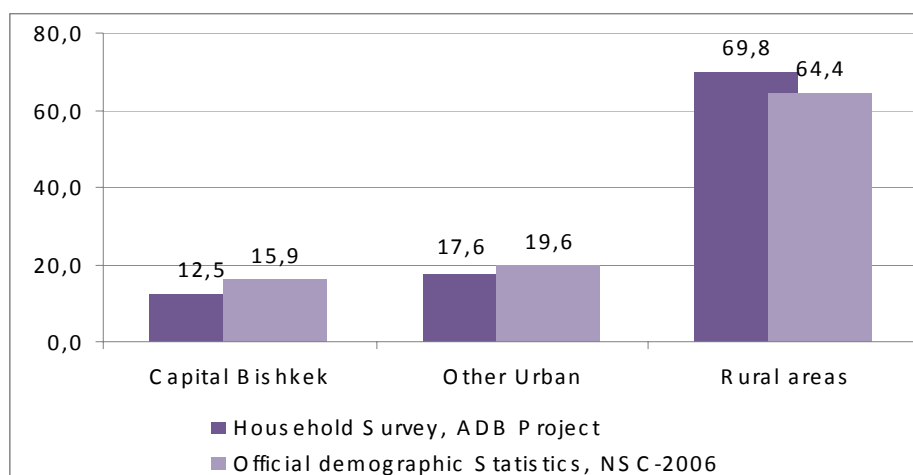
49. The largest outflow of labor migrants was observed from Osh (36.9%) and Jalal-Abad (20.1%) oblasts (see Fig. 2.2.). People are forced to leave the country in search of work because of job shortage at their place of residence. We can also presume that the population of these regions is more mobile as compared to the residents of other regions.

Figure 2.2. Migrant Distribution by Regions of the Republic
in % to the total of migrants in a sample



50. Of the total population (17334) in the households surveyed, nearly 70% lives in rural areas, 17.6% - in urban localities, and 12.5% - in the capital city. Distribution of the population surveyed by their place of residence almost coincides with official demographic statistics (see Fig. 2.3)

**Figure 2.3. Population Distribution by Place of Residence/
Sample Data are Consistent with Official Statistics**
in %



51. Sample distribution by the household welfare level shows that the poorer the household is, the more people live there. Thus, population density corresponding to the poorest 1st quintile is determined at 24%, whereas 15.6% of the population is concentrated in the richest 5th quintile (Table 2.4). The results show that the families with many children usually belong to poor groups.

Table 2.4. Survey Sample: Household Members

	Sample Size		Proportion in the Overall Sample
	N		%
Quintile 1	4154		24.0
2	3846		22.2
3	3474		20.0
4	3149		18.2
5	2711		15.6

52. Social and demographic characteristics of the households surveyed include information on the household distribution by gender, age, educational attainment, etc. (Table 2.5)

Table 2.5. Social and Demographic Characteristics of the Sample Households

Indicator	Sample Size	Proportion in the Overall Sample
	Quantity	%
Men	8573	49.5
Women	8761	50.5
Under age of 6	1741	10.0
6 – 15 years	3660	21.1
16 – 24 years	3312	19.1
25 – 34 years	2554	14.7
35 – 44 years	2269	13.1
45 – 54 years	1872	10.8
55 – 64 years	807	4.7
65 and above	1119	6.5
Individuals without education ¹	344	2.2
Primary education (less than high school graduates)	1818	11.7
Secondary education (high school graduates)	9342	59.9
Higher education (university graduates)	4075	26.1
Post-graduates, etc.	14	0.1
Unmarried	7232	58.5
Married ²	5132	41.5
Self-employed ¹	2515	16.8
Businessmen having hired workers	54	0.4
Work in the public sector	1478	9.9
Work in the private sector	1393	9.3
Unpaid home work	2283	15.3
Unemployed (in search of work)	636	4.3
Unemployed (not seeking job)	294	2.0
School children/ students	4667	31.2
Not working pensioners	1606	10.7
Others	24	0.2
Lived/worked abroad in 2006	819	4.7
Lived/worked in the home country in 2006	14774	85.2

1. Education and employment indicators take no account of kids under age of 6

2. Family status figures take no account of kids under age 15.

53. Female members outnumber a little bit the male members in the households surveyed: 50.5% - women and 49.5% - men.

54. Children under age of 16 make one-third of the population in the households surveyed. More than 11% of the household members are over the capable of work age (55 years and

above). About 58% of the family members are aged 16 to 54 and belong to the capable of work group.

55. More than half (59%) of the population surveyed have the secondary education, and one-fourth have the university degree. 2.2% of the sample population aged 6 and above have no educational background, this data correlates with the NSC data on population's literacy.

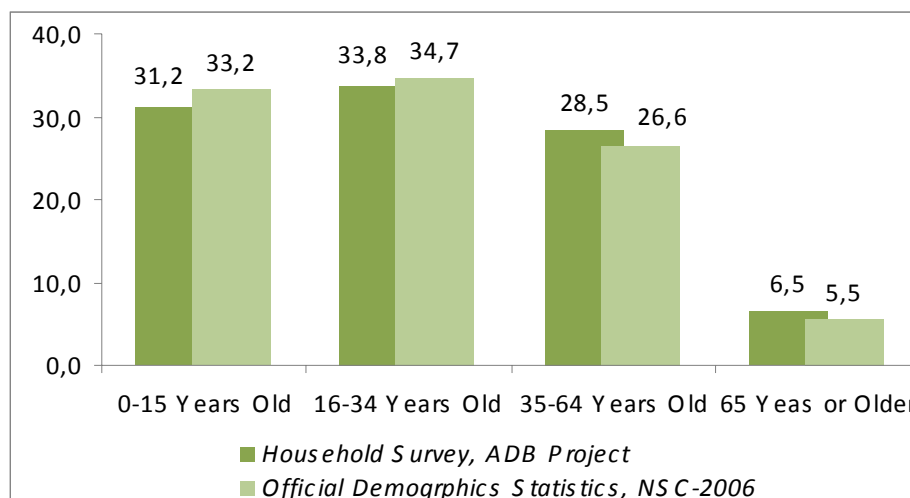
56. One-third of the population over the age of 15 in the households surveyed is married.

57. It should be noted that the survey results are compatible with the social and demographic data on population distribution of the 1st National Census as of 1999.

58. As for the occupational profile of the sample, 16.8% of the population is self-employed. 15.3% are involved in unpaid home work, most of them are women. 9.9% are employed in the public sector and 9.3% work in the private sector. Also, 4.3% of the capable of work population are unemployed; of them, 2% voiced no concern regarding their unemployment. Only 54 individuals (or 0.4%) are engaged in business activities and have hired workers which is the evidence of a weak business development in the country. Less than 5% of the population surveyed live and work abroad.

59. Overall, distribution of the population surveyed by age groups differs a little bit from official demographic statistics (Fig. 2.4).

Figure 2.4. Sample Distribution by Age Groups vs. Official Demographic Statistics
in % to the population within each group



60. **Outcomes.** Most households live in rural areas; nonetheless, the average income of the households living in the capital city is higher than the household income in other regions of the country.

61. On average, the income per household in 2006 was 5.6 thousand soms per month. The households in the capital had the highest income. Income of the households had a wide spread from (-)66.1 thousand soms per annum to 1 088.0 thousand soms per annum. The largest dispersion of the household income is observed in the capital. The average income of the households in the capital exceeds by 25-30% the mean of income in other urban localities and in rural areas.

62. Household income per one equivalent adult was 20 572.0 soms per annum. The highest level of income was registered in the capital – 33.0 thousand soms per one equivalent member of the household. Also, the income of the households in the capital turned out to be double higher than the income of rural residents and exceeded by 1.7 times the income of the citizens of other towns. Hence, we can infer that there are significant differences in welfare levels among the citizens of the capital, citizens of other urban localities and the rural areas.

63. Examining distribution of the households by the level of their welfare and number of migrants, we can conclude that the overwhelming number of households with at least one and more migrants abroad is concentrated in wealthier households (22.7%). The similar trends are observed in other groups of households having one migrant (12.6%), two migrants (6.5%) or two and more migrants (3.5%) working abroad.

64. The survey found that 14.9% of the households had at least one migrant. At the same time, there are significant differences among the households having at least one migrant. The number of such households in towns and rural areas exceeds the figures for the capital city (by 2.4 times). Households with one migrant dominate all other household groups. A similar tendency is observed with the households having two and more migrants. Based on results of household distribution by a number of migrants in the household, we can presume that villagers and citizens of towns in regions are more inclined to migrate as opposed to the citizens of the capital city.

65. Low level of welfare explains a relatively high migration propensity among residents of other regions. Nonetheless, the households that have at least one migrant (their proportion exceeding 14.9%) in most cases belong to wealthier quintiles. This apparently happens because the money earned and remitted by migrants improves households' welfare (Chapter III of this report provides a more detailed description on the subject); this trend is clearly seen in the comparative income data analysis including (excluding) remittances. If we exclude remittances from the household income, proportion of the households having migrants will reduce in richer quintiles and increase in poorer quintiles.

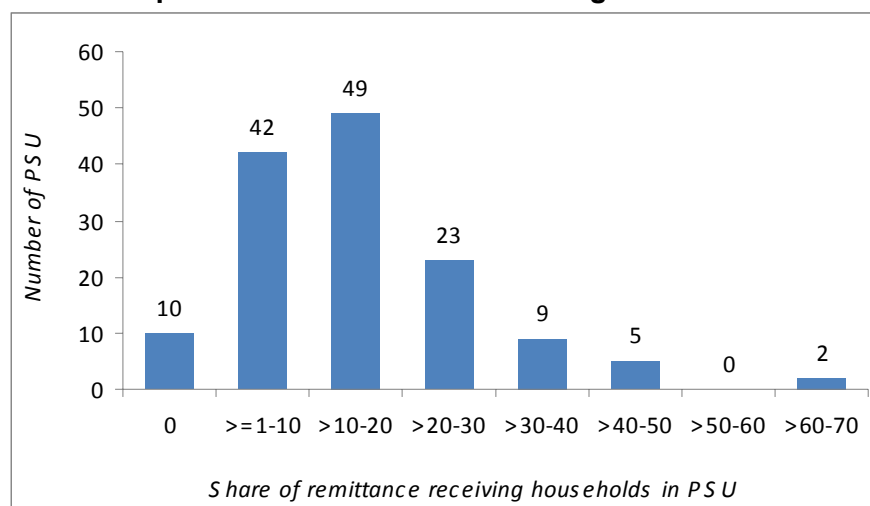
III. REMITTANCE-RECEIVING HOUSEHOLDS

66. This chapter focuses on the households that were receiving remittances in the year 2006. The chapter reveals characteristics of remittance-receiving households by their territorial

location, age group, sex and composition of the household. The households are also distributed by quintile reflecting their welfare.

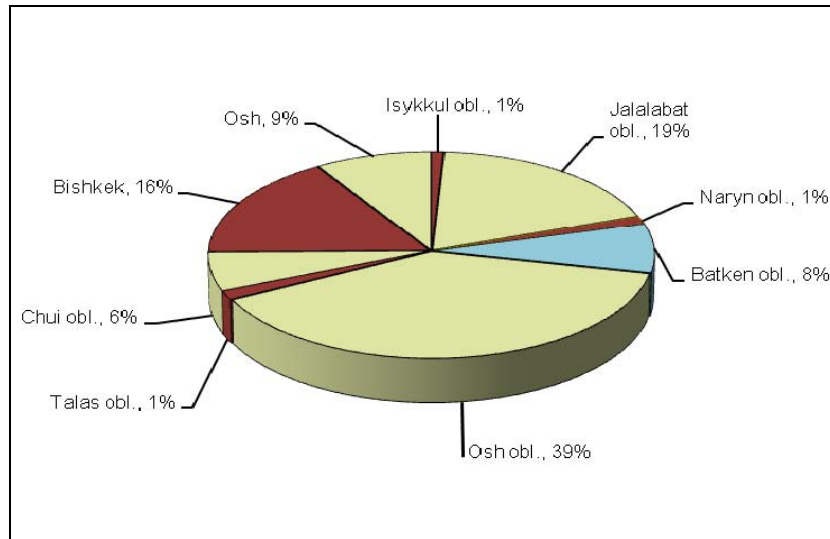
67. Distribution of remittance-receiving households in PSU is virtually similar to the situation with the proportion of the households having at least one migrant. The study found that more than 12% of the PSU surveyed had no households having migrants, although it turned out that proportion of non-remittance households was only 7% of the PSU. Apparently in some PSUs there are households having no migrants but nonetheless receiving remittances.

Figure 3.1. Proportion of Remittance-Receiving Households in the PSU



68. Distribution of remittance-receiving households in the republic is as follows (Fig. 3.2): one-fifth of remittance recipients are concentrated in Osh oblast, one-fifth – in Osh town, one-sixth – in Batken oblast, and the smallest proportions of recipients were identified in Talas oblast (5%), Issyk-Kul oblast (4%) and Naryn oblast (2%). This kind of distribution is apparently explained by the fact that the population density in the southern regions is higher and the capable of work population there experiences job shortage. We can also presume that the population living in these regions is more mobile.

Figure 3.2. Proportion of Remittance-Receiving Households, by Regions
in % to the total of remittance- receiving households



69. It should be noted that most of remittances were cash transfers, i.e. 15.5% of the households received cash remittances, whereas only 2.7% of the households received remittances in kind. The trends of distribution of both cash and in-kind remittances by region are compatible with the structure of general remittance distribution, which means that urban localities and rural areas surpass the capital city.

70. Quintile distribution shows that the number of remittance-receiving households increases from the poorest households to the richest ones, i.e. only 4.9% of the households in the first quintile received remittances, whereas their number in the fifth quintile increased to 27.9%, or by 6 times. A similar pattern is observed for remittance distribution by types of remittances. In this case, the number of remittance-receiving households increases from 4.8% and 0.3% respectively in the 1st quintile up to 27.2% and 6.4% in the 5th quintile.

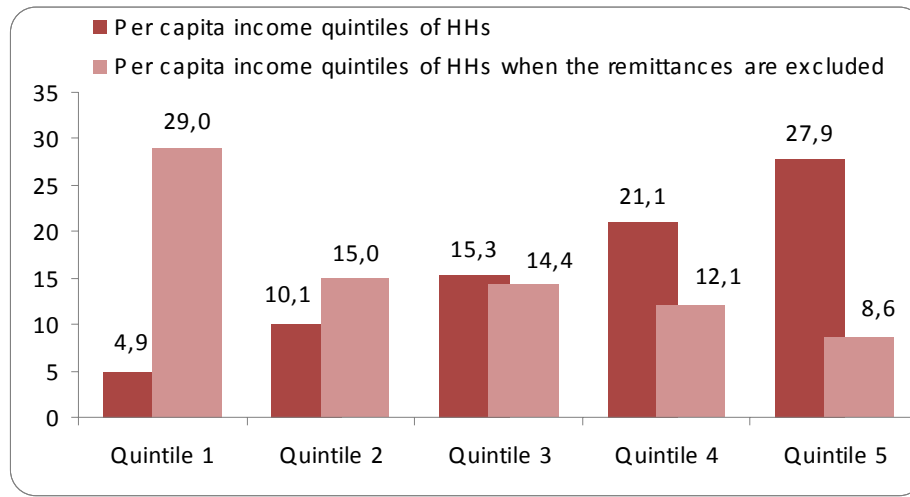
71. If we exclude remittances from the household income and sort them into quintile groups, we shall observe a reverse pattern, i.e. the number of remittance-receiving households will start increasing from the richest households to the poorest ones (by 3.3 times). This pattern is common for the households receiving cash remittances as well as for those receiving remittances in-kind.

Table 3.1. Households Receiving Remittances, by Types of Remittances
% of all sample households for the country/region/quintile

	All Remittance-Receiving Households (N=635)	Households Receiving Cash Remittances (N=625)	Households Receiving In-kind Remittances (N=106)
REPUBLIC	15.8	15.5	2.7
Capital city	10.9	10.4	2.3
Other urban localities	17.8	17.3	3.4
Rural areas	16.7	16.5	2.5
Quintile groups, including remittances			
Quintile 1	4.9	4.8	0.3
2	10.1	10.1	0.6
3	15.3	14.8	2.6
4	21.1	20.8	3.4
5	27.9	27.2	6.4
Quintile groups, excluding remittances			
Quintile 1	29.0	29.0	4.8
2	15.0	14.8	2.1
3	14.4	13.9	2.0
4	12.1	11.9	2.1
5	8.6	7.9	2.3

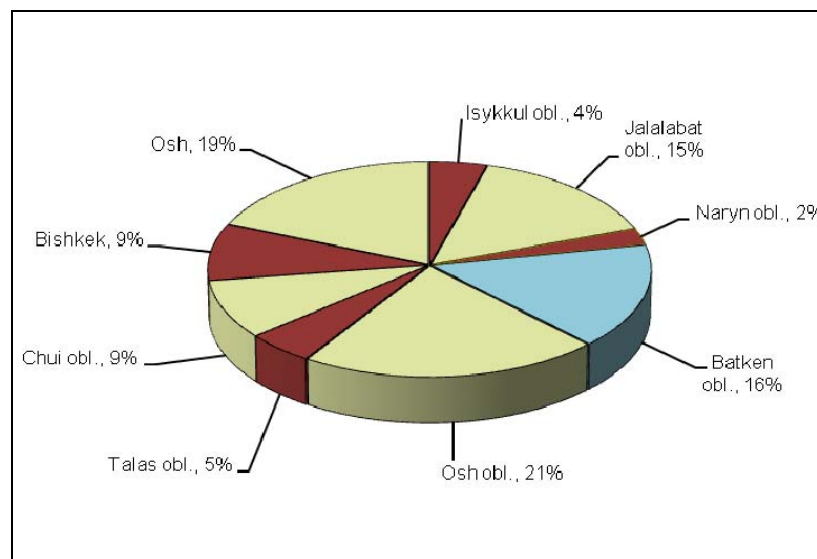
72. Based on these data, we can presume that receipt of remittances could be the reason for households' transfer to a richer group, which explains the existing trend and significant difference in the number of remittance-receiving households in the richest quintile and in the poorest one. Quintile distribution excluding remittances confirms this presumption. In this case we can see that the number of households in the poorest quintile begins increasing along with their simultaneous reduction in the richest group (see Figure 3.3.).

Figure 3.3. Remittance-Receiving Households, by Quintile Groups Including and Excluding Remittances
%



73. The bulk of remittance is received by the households living in Osh oblast (39%) and in Jalal-Abad oblast (19%) which in general correlates with the migrant density in these regions.

Figure 3.4. Distribution of Remittances Received by Households, by Region
% to the total of remittances in a sample



74. Data obtained on the type of remitters showed that in most cases households were receiving remittances from migrant members -12.6% (see Table 3.2, whereas only 3.6% received remittances from external migrants. The breakdown by region found that remittances from household members were received predominantly by the households living in rural areas (14.4%) and in urban localities (13.2%), whereas for the capital city this indicator was determined at 5.9%. This may confirm the presumption that the need for migration among the households living in the capital city is less strong than in other regions. Also, the data prove that

households living in urban locality may rely to a greater extent on their relatives and friends living abroad as opposed to the households living in rural areas which have to rely mainly on their migrant members.

75. Quintile distribution shows that percentage of the households receiving remittances both from migrant members and from external migrants' increases from the poorest groups (4.3% and 0.8%, respectively) to the richer groups (21.0% and 7.9%, respectively). This may serve as another confirmation that remittances are one of the factors improving the household welfare. We'll have another sound confirmation if we examine quintiles excluding remittances from the household income: the number of households goes down substantially in the 5th quintile (by 4 times) as opposed to the situation in the 5th quintile when remittances have been included. If we compare the changes in the 1st quintile after exclusion of remittances from the total income, we can observe a substantial growth of remittance-dependent households (by 6.2 times).

Table 3.2. Remittance-Receiving Households, by Type of Remitters
% of the sample for the country/region/quintile

	All Households Receiving Remittances (625)	Households Receiving Remittances from Migrant Member of the Household (511)	Households Receiving Remittances from External Migrant (138)
REPUBLIC	15.8	12.6	3.6
Capital city	10.9	5.9	5.4
Other urban localities	17.8	13.2	5.2
Rural areas	16.7	14.4	2.5
Quintile groups, including remittances			
Quintile 1	4.9	4.3	0.8
2	10.1	8.9	1.6
3	15.3	11.9	3.5
4	21.1	17.0	4.1
5	27.9	21.0	7.9
Quintile groups, excluding remittances			
Quintile 1	29.0	26.5	3.0
2	15.0	12.6	2.5
3	14.4	10.7	4.1
4	12.1	8.0	4.7
5	8.6	5.1	3.6

76. The remittance amount per household averaged \$ 1,331.4 in 2006, which comprised almost half of the household income (see Table 3.3.). The share of remittances in total income of the households living in Bishkek made up 45%, exceeding, in total and in the breakdown by types of remittances, the similar indicators for other regions where remittances comprised more than half of the household income.

77. Quintile distribution of an average remittance shows its increase from the poorest household group to the richest one (from \$ 487.7 to \$ 2,378.4). It should be noted that the share of remittances in the gross household income exceeds 51% in the 1st quintile, whereas in other three quintiles the share of remittances was less than 48%. We should specifically highlight the situation among the households of the 5th quintile, in which the share of remittances in the total gross income exceeds the similar indicator for other quintiles and makes up 63.0%. This index may serve as another proof of the hypothesis that remittances received by households move them from a poorer group to a richer one.

78. If we exclude remittances from the income of receiving households, the share of remittances in the gross income of the households of 1st quintile increases up to 81%, whereas in the 5th quintile it goes down to 31%.

Table 3.3. Average Remittance Amount per Receiving Household and Their Share in the Total Income of Households

	Cash Remittances	In Kind Remittances	Total Remittances	Total Gross Income of the Households	Share of Remittances in the Total Gross Income of Remittance-Receiving Households
	USD	USD	USD	%	%
REPUBLIC	1,331.4	324.9	1,358.5	2,419.76	56.1
Capital city	1,690.9	487.0	1,709.6	3,093.41	55.3
Other urban localities	1,372.5	330.1	1,395.3	2,340.81	59.6
Rural areas	1,250.9	279.0	1,278.1	2,314.41	55.2
Quintile groups, including remittances					
Quintile 1	487.7	86.1	479.6	935.92	51.3
2	557.0	229.6	571.1	1,206.03	47.4
3	740.2	198.8	750.1	1,591.64	47.1
4	954.1	154.2	967.5	2,049.25	47.2
5	2,378.4	485.9	2,425.5	3,852.31	63.0
Quintile groups, excluding remittances					
Quintile 1	1,543.36	326.14	1,596.78	1,971.42	81.0
2	1,145.95	376.46	1,180.18	2,119.55	55.7
3	1,308.91	304.42	1,305.73	2,503.62	52.2
4	1,145.04	243.40	1,163.70	2,700.00	43.1
5	1,223.12	368.70	1,230.90	3,951.88	31.1

79. Estimation of a 95% confidence interval for the share of remittance-receiving households revealed that 14.8% is the lower bound and 18.3% is the upper bound for the whole republic (see Table 3.4). The upper error limit is observed for urban localities at 5.5 percentage points,

whereas the lower error limit for rural areas was at 2.9 percentage points. Estimation of a 95% confidence interval for the average remittance amount showed that the lower bound for this index is \$ 1,222.2, whereas the upper bound is \$ 1,498.3 for the whole republic. The largest divergence between the upper and lower limits for this index is observed in the capital city which is \$ 1,413.0, and the smallest difference is observed for rural areas (\$ 264.0).

Table 3.4. Estimated Proportion of Remittance-Receiving Households and Average Remittance Amount in the Kyrgyz Republic in 2006

	Proportion of Remittance-Receiving Households			Average of All Remittances per Remittance-Receiving Household, in \$		
	Point Estimate, %	95% Confidence Interval, %		Point Estimate, in \$	95% confidence interval	
		Lower Bound	Upper Bound		Lower Bound	Upper Bound
REPUBLIC	15.8	14.8%	17.1%	1,358.5	1,222.2	1,498.3
Capital city	10.9	8.7%	13.1%	1,709.6	1,021.6	2,434.6
Other urban localities	17.8	15.2%	20.7%	1,395.3	1,105.6	1,679.1
Rural areas	16.7	15.4%	18.3%	1,278.1	1,142.9	1,406.8

80. The aggregate remittance inflow was estimated based on the mean of remittances received per household during the survey and on the total number of households in the republic. It was taken into account that not all households were remittance receivers. This formula-based estimation revealed that the aggregate remittance inflow to Kyrgyzstan in 2006 amounted to \$ 253.2 million of which \$ 248.1 million were cash remittances. Rural areas received the largest share of remittances – \$ 154.2 million of which \$ 151.0 million were cash remittances. The smallest share of remittances was recorded for the capital city– \$ 45.9 million and \$ 45.4 million respectively (see Table 3.5.).

Table 3.5. Estimated Aggregate Inflow of Remittances to Kyrgyz Republic in 2006, by Region
in \$ million

	Remittances – Total	Including Cash Remittances
REPUBLIC	253.2	248.1
Capital city	45.9	45.4
Other urban localities	52.3	51.5
Rural areas	154.2	151.0

81. Estimation of a 95% confidence interval for the aggregate remittance inflow to the republic gave the following results: bottom line index amounted to \$ 223.7 million upper line index was \$ 287.1 million The similar indices for cash remittances were \$ 214.1 million and \$ 276.3 million The upper error limit is observed in estimation of aggregate remittance for the capital city and rural areas (Table 3.6).

Table 3.6. 95% Confidence Interval for Aggregate Remittance Inflow to Kyrgyz Republic in 2006, by Region
in \$ million

	Remittances in Total		Including Cash Remittances	
	Lower Bound	Upper Bound	Lower Bound	Upper Bound
REPUBLIC	223.7	287.1	214.1	276.3
Capital city	25.5	67.3	23.0	64.3
Other urban localities	39.2	66.0	37.2	63.2
Rural areas	135.2	177.3	130.5	171.8

82. According to the BOP data, remittances sent by migrants from abroad totaled \$ 730.6 million in 2006. This sum is triple higher than the upper line of the confidence interval calculated for the aggregate remittance inflow to Kyrgyzstan. This distortion is explained by the fact that the banking sector accounts all private transfers such as wage payments, funds for procurement of goods and services (by merchants) and other transfers. Our survey examines only remittances transferred or carried by migrants and payments made by migrants or households using remittances from abroad.

83. Data on remittances received from different sources differ. In general, we can presume that the survey data may not completely cover those households that receive remittances in larger amounts (for example, when the households refuse to participate in the survey). It is possible that alternative estimation of remittance inflows to the republic will help to obtain the results more compatible with the National Bank estimates. According to the National Bank data, remittances transferred from abroad via banks or financial institutions in 2006 totaled \$ 469.5 million whereas according to our estimates this amount was \$ 193.3 million (See Table 3.7). Also, it was determined during the survey that 76.3% of all remittances were sent to the republic via banks or money transfer operators, and over 33.5% of remittances were carried by migrants or transferred through relatives and friends. This remittance channel does not fall into the category of remittances registered by the National Bank. (The in-depth analysis of remittance channels is given in Chapter 5 of this report.) Given the earlier presumptions and using the structure of remittance sources identified during the survey, we can presume that the aggregate remittance inflow to the republic may exceed \$ 615 million which is by \$ 115.5 million less than the National Bank estimates.

Table 3.7. Alternative Estimate of the Gross Inflow of Remittances to Kyrgyz Republic
in \$ million

NBKR data	
Remittances via banks / money transfer operators	469.5
<i>For reference: total of remittances</i>	730.6
Household survey data	
Remittances via banks / money transfer operators	193.3
Other cash remittances	54.8
Total of cash remittances	248.1
Remittances in kind	5.1
<i>Total of remittances</i>	253.2
Estimates	
Total of cash remittances	602.7
<i>Total of remittances</i>	615.1

84. During the survey most households stated that the amount of remittances in 2006 remained at the 2005 level (44.5%) or reduced (44%) (see Table 3.8). Nearly 11% of the households stated that the amount of remittances fell down. Almost the same number of households (11.2%) indicated that the share of remittances in their gross income reduced in 2006 as against the year 2005, but 22.0% answered that the share remained unchanged. Nearly 31.7% of the households surveyed confirmed increase of the share of remittances in their gross income. The smallest proportion of households indicating reduction in remittances in 2006 as against the year 2005 was observed in Bishkek.

85. Quintile distribution shows that most of the households with the reduced amount of remittances in 2006 as against 2005 belong to the two poorer quintiles. The richer 5th quintile has the smallest number of households pointing to reduced remittances (6.8%).

86. Hence, remittance distribution by geographic location and by quintile reveals that the welfare of these households becomes more dependent on receipts from abroad; cessation of this source of income is likely to move the households from rich quintile to a poorer one.

Table 3.8. Remittances in 2006 vs. Remittances in 2005
%

	Sum of Remittances			Share of Remittances in the Total Household Income		
	less	same	more	less	same	more
REPUBLIC	10.8	44.5	44.0	11.2	22.0	31.7
Capital city	7.9	73.0	19.0	5.7	32.5	19.5
Other urban localities	12.4	41.2	45.4	11.4	22.4	32.9
Rural areas	10.9	38.9	49.4	12.0	20.3	33.2
Quintile 1	23.8	33.3	42.9	15.4	25.3	11.5
2	18.8	50.0	31.3	12.8	27.1	19.7
3	12.7	50.7	35.2	9.1	20.6	32.1
4	10.7	45.5	42.9	11.9	17.8	39.4
5	6.4	41.0	52.0	6.8	19.9	54.2

87. The average size of the sample households is 4.3 persons (see Table 3.9). Although, the average number of the members in remittance-receiving households to some extent is higher than the number of members in non-remittance households. The average age of the household head is 49-50 years, predominantly with the secondary education, for both categories of remittance-receiving households and non-remittance households. A slight trend is observed showing that people with university degrees have more opportunities to earn in the home country.

88. More than 80% of remittance-receiving households have at least one member living and working abroad. The non-remittance households have only 2.5% of migrants.

89. More than 71% of remittance-receiving households have at least one family member who is the holder of the foreign passport or has a visa page in the passport permitting to move abroad (their passports are valid abroad). To a certain extent, this may be the evidence of their propensity to migrate as opposed to non-remittance households. Only one-third of non-remittance households have members holding foreign passports.

90. There is quite a noticeable difference between the households receiving remittances and non-remittance households in terms of the number of relatives/friends living or working abroad. The circle of such acquaintances in these households comprises roughly 6 and 3 persons, respectively. Also, these two types of households differ substantially by the number of acquaintances living and/or working abroad and able to help in finding job abroad – on an average 2 and 1 person, respectively. These figures show that despite the available formal documents and acquaintances not all households tend to migrate, which can be explained, to a greater extent, by the lack of necessity to seek jobs outside the country and, to a smaller extent, a rare opportunity to find job abroad.

Table 3.9. Specific Characteristics of the Sample Households

	Unit of Measure	All Sample Households	Remittance-Receiving Households	Non-remittance Households
Size of the household (on average)	Person	4.3	5.1	4.2
Age of the head of the households (average)	Person	49.4	50.1	49.3
Educational attainment of a householder	%	100.0	100.0	100.0
<i>including:</i>				
no formal education	%	1.1	0.6	1.1
Primary	%	2.3	2.7	2.2
Secondary	%	54.8	58.1	54.2
Higher	%	41.7	38.4	42.3
Post-graduate academy and higher institutions	%	0.2	0.2	0.2
Share of the households having at least one migrant	%	14.9	80.6	2.5
Share of the households in which at least one member has a foreign passport	%	38.5	71.7	32.2
Number of acquaintances living and/or working abroad (on average)	Person	3.8	5.7	3.4
Number of acquaintances living and/or working abroad and able to help to find job abroad (on average)	Person	0.8	1.6	0.7

91. Cross-referencing data (Table 3.10) show that 510 remittance-receiving households have at least one migrant member. At the same time, 123 households of the same category had no migrants in the family. It is obvious that these households receive remittances from external migrants. There are households that receive no remittances although they have migrant members in the family. Apparently those migrant members moved abroad for the purposes other than support of the family staying back in Kyrgyzstan.

Table 3.10. X- tab on Sample Households

	Households with at Least One Migrant Member	Non-migrant Households	All Households
<i>Number of households</i>			
Remittance-receiving households	510	123	633
Non-remittance households	85	3277	3362
All households	595	3400	3995
<i>in % to the total sample</i>			
Remittance-receiving households	12.8	3.1	15.8
Non-remittance households	2.1	82.0	84.2
All households	14.9	85.1	100.0

92. Males predominate as the household heads in the overall sample (72.1%), in remittance-receiving households (70.1%) and in non-remittance households (72.5%), and only one-third of the households is headed by females (see Table 3.11.).

93. Proportion of the households in which women handle the family budget during the householder's absence makes up 68.6%; at the same time, proportion of all remittance-receiving households in which women handle the budget is virtually at the same level (69.2%). Hence, in the householder's absence, only one-third of the male members of the household could handle the family budget.

94. It should be noted that during the householder's stay in the country 55.9% of males and 44.1% of females handled the family budget.

Table 3.11. Gender Profile of the Sample
%

	All sample households (N=3995)	Remittance-receiving households (N=633)	Non-remittance households (N=3362)
Sex of householder [basis: all households in the category]			
Male	72.1	70.1	72.5
Female	27.9	29.9	27.5
Sex of a household member who handled the household budget in 2006 while the householder lived abroad			
Male	31.4	30.8	40.0
Female	68.6	69.2	60.0
Sex of a household member who handled the household budget in 2006 while the householder was in the home country			
Male	60.9	55.9	61.8
Female	39.1	44.1	38.2

95. Analysis of financial services shows that non-remittance households have been predominant users of these services. We can presume that these are the households with the originally high level of welfare. Use of cash machine is the only exception, where both types of households have quite similar proportions. However, this financial service was used by only 0.2% of all households in the overall sample.

96. Data in Table 3.12 show that receipt of remittances makes little impact on the households' propensity to borrow from relatives or friends. In the category of remittance-receiving households, proportion of such households is by 0.2 percentage points less than in the opposite category. A similar narrow dispersion is observed by other sources of borrowing. Hence, we can state that financial sector so far has not succeeded in attracting resources of remittance-receiving households. One of the possible reasons is that the households devote large share of remittances to personal consumption. Another reason is lack of confidence in the banking sector.

Table 3.12. Use of Financial Services by Sample Households
% of the total number of households in the category

	All Sample Households		Remittance Receiving Households		Non-remittance Households	
	N	%	N	%	N	%
At least one member of the household has a bank account	29	0.7	7	1.1	22	0.7
At least one household member uses credit/debit card	20	0.5	4	0.6	16	0.5
At least one household member uses cash machine	9	0.2	3	0.5	6	0.2
Money borrowed in 2006						
From relatives or friends	279	7.0	43	6.8	236	7.0
From banks	86	2.2	13	2.1	73	2.2
From credit unions	42	1.1	4	0.6	38	1.1
From micro-financing organizations	71	1.8	6	0.9	65	1.9
From employers	8	0.2	0	0.0	8	0.2
From private creditors	27	0.7	5	0.8	22	0.7
As a purchase on credit	8	0.2	3	0.5	5	0.1
From other sources	0	0	0	0	0	0

97. **Outcomes.** The research data confirm that remittance is the factor improving the household welfare. It is also likely that members of relatively prosperous households have more opportunities to move abroad. On the other hand household welfare becomes more dependent on receipts from abroad and in case of cessation of remittances the household is likely to move to a less prosperous category.

98. Some migrants have no foreign passports: they either stay abroad not long or are illegal migrants. Despite that most of migrants have formal documents and useful relationships (acquaintances, relatives), not all households tend to migrate, which may be explained, to a greater extent, by the lack of necessity to seek jobs outside the country and, to a smaller extent, by little likelihood to find job abroad. Besides, there is a category of migrants who move overseas with the purpose other than support of the family staying back home in Kyrgyz Republic.

99. As this research study does not examine the whole spectrum of private transfers such as for example transfer for procurement of goods and services for commercial purposes, the total of remittances obtained during this survey is three times less than the BOP data.

100. Also, there is some divergence in the data on remittances received from different sources. Based on the NBKR-based expert assessments and this research study, we can presume that the gross inflow of remittances to Kyrgyz Republic may exceed \$ 615 million which is less than the National Bank estimates by \$ 115.5 million per year.

101. Unfortunately, so far, financial sector failed to attract resources of remittance- receiving households. This can be explained by objective reasons, for example, it is possible that the households spend most of remittances received. Although, lack of confidence in the banking system must also be taken into account.

IV. REMITTERS

102. This chapter is devoted to the results of research study on migrants sending remittances. The remitters were examined in the breakdown by place of residence (village, town, capital city), sex, educational attainment, country of stay and duration of stay in these countries, by age, and by type and sector of employment (both in the country of destination and in the home country). The report presents the mean of remittances per sender.

103. Most of migrants are from rural areas – 70.0%, whereas in the capital city their proportion was determined at 8.8% only. The remaining 21.1% are from other urban centers. A substantial proportion of remitters is from rural areas (72.1%). Migrants from rural areas also dominate among non-remitters – 62.0%.

104. Male migrants (73.3%) outnumber substantially females (26.7%). Male migrants dominate among both remitters and non-remitters.

105. Age distribution shows that the majority of migrants (65.7%) is represented by a younger generation aged 16 – 34. One-fifth of migrants is aged 35 – 44. Slightly more than 11% are migrants aged 45-54. This age distribution pattern is common for both remitters and non-remitters.

106. As for the level of educational attainment, more than 2/3 of migrants have secondary education. Migrants with secondary education also dominate among remitters and non-remitters.

107. Migrants' marital status was almost equally divided with the slight domination of unmarried migrants - 53.8%, as compared to married ones 46.2%.

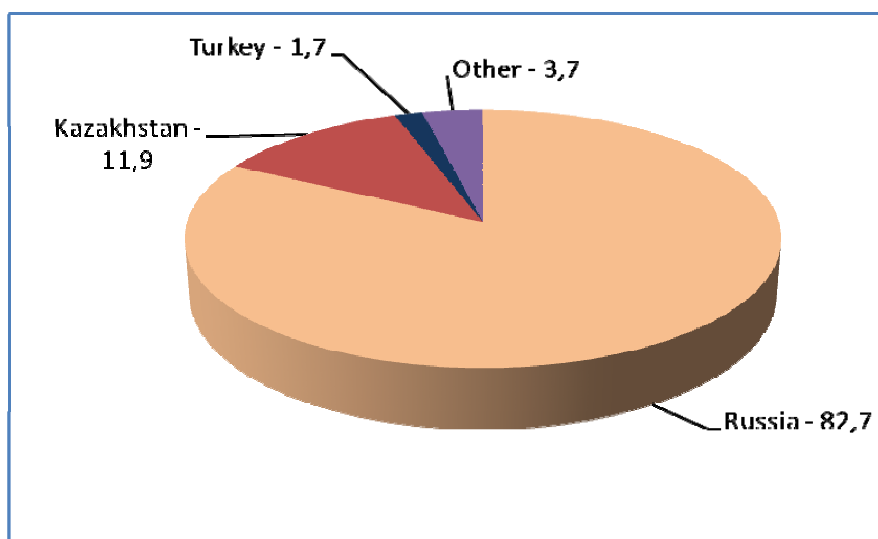
108. Based on the above-given data, we can sketch a migrant's portrait. In most cases he is a young man from the village or the town, other than the capital city, aged 34, having secondary education. Not all of them send remittances back home to their families.

Table 4.1. Social and Demographic Characteristics of the Migrants – Household Members
% of the total of migrants in the category

	All Migrant Members (N=819)	Including:		Distribution by Category		Proportion in the Total Number of Migrants (N=819)	
		Remitters (N=648)	Non-remitters (N=171)	Remitters (N=648)	Non-remitters (N=171)	Remitters	Non-remitters
REPUBLIC	100	79.1	20.9	100.0	100.0	79.1	20.9
Capital city	8.8	73.6	26.4	8.2	11.1	6.5	2.3
Other urban localities	21.1	73.6	26.4	19.8	26.9	15.6	5.6
Rural areas	70.0	81.5	18.5	72.1	62.0	57.0	12.9
Men	73.3	82.5	17.5	76.4	61.4	60.4	12.8
Women	26.7	69.9	30.1	23.6	38.6	18.7	8.1
15 years and under	0.2	50.0	50.0	0.2	0.6	0.1	0.1
16 – 24 years	32.4	74.0	26.0	30.2	40.4	23.9	8.4
25 – 34	33.3	79.9	20.1	33.6	32.2	26.6	6.7
35 – 44	21.4	81.7	18.3	22.1	18.7	17.5	3.9
45 – 54	11.2	89.1	10.9	12.7	5.8	10.0	1.2
55 – 64	1.2	80.0	20.0	1.2	1.2	1.0	0.2
65 years and above	0.2	0.0	100.0	0.0	1.2	0.0	0.2
No formal education	-	-	-	-	-	-	-
Primary education	-	-	-	-	-	-	-
Secondary education	68.5	80.6	19.4	69.8	63.7	55.2	13.3
Higher education	31.1	76.1	23.9	29.9	35.7	23.7	7.4
Post-graduate academy and higher institutions	0.4	66.7	33.3	0.3	0.6	0.2	0.1
Unmarried	53.8	80.7	19.3	54.9	49.7	43.5	10.4
Married	46.2	77.2	22.8	45.1	50.3	35.7	10.5

109. Most of migrant members move to Russia (82.7%). Kazakhstan is the second country of destination for labor migrants (11.9%). Less than 2% of migrants live and work in Turkey, and in rare cases the households have replied that they have relatives in the United States (0.5%) and in Germany (0.1%). About 3% of migrants stay in other countries, but no specification of these countries have been given by households.

Figure 4.1. Main Migrant-Receiving Countries
in % to the whole population of migrants



110. The results of the labor activity assessment showed that most migrants worked in the private sector - 72.0% of all migrants and 75% of remitters. Slightly more than 19% of migrants were self-employed. One-fifth of remitters worked in the private sector. Most of the migrants working in the home country in 2006 – 41.6% - were self-employed. They are followed by the migrants engaged in unpaid home work (27.2%) and by the unemployed but looking for a job (19.4%). This may serve as an illustration that most migrants had to move abroad due to unemployment at home. Along with this presumption we can consider another hypothesis that most migrants are involved in home work because they move abroad for seasonal works (agricultural activities or construction).

Table 4.2. Migrants' Labor Activity Characteristics, for 2006

	Overseas		In the Home Country		Household Members Sending Remittances	
	N	%	N	%	N	%
Self-employed	158	19.3	182	41.6	124	19.1
Businessmen having hired workers	-	-	1	0.2	-	-
Work in the public sector	45	5.5	12	2.7	33	5.1
Work in the private sector	590	72.0	26	5.9	486	75.0
Unpaid home work	6	0.7	119	27.2	1	0.2
Unemployed (in search of job)	3	0.4	85	19.4	1	0.2
Unemployed (not seeking job)	-	-	7	1.6	-	-
School children/ students	12	1.5	4	0.9	1	0.2
Not working pensioner	2	0.2	2	0.5	0	0.0
Others	3	0.4	-	-	2	0.3

111. The employment pattern shows that a greater proportion of migrants are engaged in works – 76.3% of all migrants working abroad. This figure is almost compatible with the proportion of those who were remitting money to their households – nearly 75.5%. More than half of the household members were engaged in seasonal works in the home country. Much less migrants were engaged in trans-border activities – 0.9%.

112. Occupational distribution shows that migrants are mainly engaged in construction and wholesale and retail trade (45.3% and 30.4%, respectively); the number of migrant remitters is also predominant in these sectors (47.7% и 30.2%, respectively). One-fifth of the household members work in agricultural sector in the home country. This fact can serve as confirmation that most migrants are from rural areas. (Table 4.3).

Table 4.3. Occupational Distribution
%

	Overseas		In the Home Country		Household Members Sending Remittances	
	N	%	N	%	N	%
Trans-border activities	7	0.9	3	1.4	0.0	0.0
Seasonal works	187	22.8	107	48.4	159	24.5
Other activities	625	76.3	111	50.2	489	75.5
Agriculture	10	1.2	168	20.4	10	1.5
Manufacturing	60	7.3	2	0.2	49	7.6
Construction	371	45.3	12	1.5	309	47.7
Wholesale and retail trade	249	30.4	15	1.8	2196	30.2
Other activities	106	12.9	24	2.9	81	12.5
97 – non applicable	23	2.8	603	73.2	3	0.5

113. Most migrants working overseas are engaged in the private sector (621 people), one-fourth of them have been self-employed in the home country, slightly more than 14% have been engaged in unpaid home work in their households, and one-tenth has been unemployed in the home country (see Table 4.4). Those who used to work in the private sector in the home country, continued working in the same sector abroad - 27 individuals.

114. Hence, no matter what kind of activities the migrants were engaged in the home country, moving abroad almost all of them would find jobs. Apparently this happens because most migrants know in advance what they will do and where they will work in a country of destination.

Table 4.4. X-tab on Employment Abroad and in the Home Country

Migrants occupation in the home country ↓	Migrants' Occupation Abroad								
	All migrant members of the households	Self-employed	Employed in the public sector	Employed in the private sector	Unpaid home work in the household	Unemployed but looking for a job	Schoolchildren/ students	Retired / – pension recipient	Others
All household migrant members	865	168	50	621	6	3	12	2	3
<i>of them:</i>									
Self-employed	190	28	6	155	0	0	0	1	0
Business activity	1	0	0	1	0	0	0	0	0
Employed in the public sector	12	0	0	10	0	0	0	1	1
Employed in the private sector	27	0	0	27	0	0	0	0	0
Unpaid home work in the household	123	27	3	88	5	0	0	0	0
Unemployed but looking for a job	95	20	10	65	0	0	0	0	0
Unemployed not looking for a job	8	2	1	4	0	0	1	0	0
Schoolchildren/ students	4	0	1	0	0	0	3	0	0
Retired / pension recipient	2	0	0	2	0	0	0	0	0
Not applied	403	91	29	269	1	3	8	0	2

115. Table 4.5 shows that there is a weak relation between the migrants' occupation and their education. It is obvious that to be employed the migrants must have at least the secondary education. Those migrants who used to work in the private and public sectors could find job in the occupational field corresponding to their university degree. In 65 cases (23%) migrants' university degree was of no need; 3 individuals were unemployed at that and 4 were engaged in unpaid work in the household.

Table 4.5. X-tab on Migrants Occupation Abroad and Their Educational Attainment

Migrants' Occupation Abroad	Level of Educational Attainment			
	All Migrant Household Members	Secondary Education	Higher Education	Post-Graduate and Above
All migrant household members	865	583	279	3
Self-employed	168	110	58	0
Employed in the public sector	50	21	29	0
Employed in the private sector	621	443	176	2
Unpaid home work	6	2	4	0
Unemployed but looking for a job	3	0	3	0
Schoolchildren/students	12	5	6	1
Retired / pension recipient	2	1	1	0
Others	3	1	2	0

116. Analysis of migrants' occupational distribution shows that most migrants changed their profession apparently because of specific workforce demand in the receiving republics. Thus, most migrants abroad - 392 individuals – worked in construction, while in Kyrgyzstan only 11 of them used to work as builders; 263 individuals found job in wholesale and retail trade although only 4 of them had been working in wholesale and retail trade in the home country. In total, 75% of all migrants were concentrated in these sectors (Table 4.6).

117. We must point to the lack of information on most migrants' occupation in the country.

Table 4.6. X-tab on Migrant Occupation Abroad and in the Home Country

Sector of Employment in the Home Country	Sector of Employment Abroad											
	All Migrant Household Members	Agriculture	Processing Industry	Electricity, Gas and Water Supply	Construction	Wholesales and Retail Trade	Transport and Communication	Financial Sector	Government Administration and Defense	Education, Health Service and Social Security	Other Sectors	Not Applicable
All migrant household members of them:	865	12	57	6	392	263	32	5	3	5	67	23
Agriculture	176	5	10	0	100	46	4	2	0	0	8	1
Processing industry	2	0	2	0	0	0	0	0	0	0	0	0
Construction	12	0	0	0	11	0	0	0	0	0	1	0
Wholesale and retail trade	15	0	0	1	3	4	1	0	0	0	6	0
Transport and communication	6	0	1	0	1	2	2	0	0	0	0	0
Government administration and defence	3	0	0	0	0	1	1	0	0	0	0	1
Education, health service and social security	8	0	0	0	0	5	1	0	0	1	1	0
Other sectors	8	1	0	0	1	1	3	0	0	0	2	0
Not applicable	635	6	44	5	276	204	20	3	3	4	49	21

118. 236 (27.3%) of migrants working abroad are women. More than half of female migrants work abroad in wholesale and retail trade, 34 were engaged in other sectors, 19 – in processing industry, and 18 – in construction. In rare cases, female migrants were employed in the sectors of agriculture, education, health service and social security, transport and communication (see Table 4.7).

119. Most of male migrants succeeded in finding job abroad in the construction sector (374 individuals), in wholesale and retail trade (127 individuals). 38 male migrants worked in processing industry, 29 men found jobs in the sector transportation and communication. Other sectors of economy were apparently less attractive for male migrants, only a few men were registered in other sectors.

120. Hence, we can draw a gender-based occupational pattern: most of women work in wholesale and retail trade, whereas most men work in construction sector.

Table 4.7. Migrants' Occupation Abroad by Sectors of Economy and Gender

	All migrant members of the households		Men		Women	
	N	%	N	%	N	%
All migrant members	865	100.0	629	100.0	236	100.0
<i>of them employed in:</i>						
Agriculture	12	1.4	7	1.1	5	2.1
Processing industry	57	6.6	38	6.0	19	8.1
Electricity, gas and water supply	6	0.7	4	0.6	2	0.8
Construction	392	45.3	374	59.5	18	7.6
Wholesale and retail trade	263	30.4	127	20.2	136	57.6
Transport and communication	32	3.7	29	4.6	3	1.3
Financial sector	5	0.6	3	0.5	2	0.8
Government administration and defence	3	0.3	2	0.3	1	0.4
Education, health service and social security	5	0.6	1	0.2	4	1.7
Other sectors	67	7.7	33	5.2	34	14.4
Not applicable	23	2.7	11	1.7	12	5.1

121. Most migrants (79.1%) were sending remittances back to their households. The utmost devotion to their families was exhibited by migrants from rural areas (81.5% of migrants from rural areas were remitting money). The situation with the educational level of migrants is quite remarkable: most of migrant non-remitters are university graduates and some even have PhD degrees (35.7 and 0.6% against 29.9 and 0.3%). The possible reason is that this category includes people studying abroad. It must be noted that people with secondary education dominate in both categories of remitters and non-remitters (63.7 and 69.8% respectively).

122. The overwhelming majority of migrants lives and works in Russia, 80.1% of all migrants working in Russia sent remittances. It is followed by Kazakhstan - 80.6% of labor migrants transferred remittances.

123. The breakdown of migrants by employment sector revealed that most of labor migrants were remitting money (from 66.7 to 82.4%). It is natural that almost all migrants involved in unpaid home work, unemployed and schoolchildren were non-remitters.

124. Occupational distribution completely reflects the overall situation: from 76.4 to 83.3% of labor migrants sent remittances, the largest proportion of remitters worked in construction sector— 83.3% (this sector was also leading by the number of working migrants). A slightly smaller proportion (81.7%) of migrants worked in manufacturing sector and sent remittances. 78.8% of migrants found jobs in wholesale and retail trade (the second sector where most migrants were employed).

125. Most of the migrants grouped by the length of their stay abroad were sending remittances back to their households. The most numerous group of migrants living abroad from 1 to 4 years accounts for 85.4% of remitters. The group of migrants staying abroad for less than a year is the second one and proportion of remitters in this group is by 11.8 percentage points less than in the 1st group. We can presume that the migrants working abroad solely for the purposes of supporting their households are concentrated in these two groups. People spending abroad less than 4 years have stronger relationships as compared to those who live abroad longer. Many of those spending abroad less than a year may not have sufficient money to repatriate them back to their households.

126. Almost all the heads of the households were sending remittances back to their families (91.7%). Most of the householders' spouses were also supporting their families (77%), almost the same proportion of their children and children's spouses were assisting their households (75.8%). This category of migrants comprised the majority in both groups (61.3 and 74.3% respectively). Almost the similar proportion of remitters was represented by migrants' relatives, i.e. grandmother (grandfather) or brother (sister, brother-in-law...) - 2.5% (16 people). Householders' parents and grandchildren comprised the smallest proportion in both groups.

Table 4.8. Proportion of Remitters and Non-remitters in Different Groups of Migrant Members in 2006
% of all migrants in a group

Category Group	Remitters			Non-remitters		
	N	% in the group	% in the group	N	% in the group	% in the group
Place of residence in the home country	648	79.1	100.0	171	20.9	100.0
Capital city	53	73.6	8.2	19	26.4	11.1
Other urban localities	128	73.6	19.8	46	26.4	26.9
Rural areas	467	81.5	72.1	106	18.5	62.0
Educational attainment						
No education						
Primary education						
Secondary education	452	80.6	69.8	109	19.4	63.7
Higher education	194	76.1	29.9	61	23.9	35.7
Post-graduate education	2	66.7	0.3	1	33.3	0.6
Country of destination						
Russia	537	80.1	82.9	133	19.9	77.8
Kazakhstan	83	80.6	12.8	20	19.4	11.7
USA	2	50.0	0.3	2	50.0	1.2
Germany	1	100.0	0.2	0	0.0	0.0
Turkey	7	46.7	1.1	8	53.3	4.7
Others	18	72.0	2.8	7	28.0	4.1
Employment in the country of destination						
Self-employed	124	78.5	19.1	34	21.5	19.9
Businessmen, having hired workers						
Employment in the public sector	33	73.3	5.1	12	26.7	7.0
Employment in the private sector	486	82.4	75.0	104	17.6	60.8
Unpaid home work	1	16.7	0.2	5	83.3	2.9
Unemployed (seeking job)	1	33.3	0.2	2	66.7	1.2
Unemployed (not seeking job)						
Schoolchildren/students	1	8.3	0.2	11	91.7	6.4
Retired / pension recipient	0	0.0	0.0	2	100.0	1.2
Other sectors	2	66.7	0.3	1	33.3	0.6
Sectors of employment in the country of destination						
Agriculture	10	100.0	1.5	0	0.0	0.0
Manufacturing	49	81.7	7.6	11	18.3	6.4
Construction	309	83.3	47.7	62	16.7	36.3
Wholesale and retail trade	196	78.7	30.2	53	21.3	31.0
Other sectors	81	76.4	12.5	25	23.6	14.6
Length of stay abroad						
Less than a year	240	72.7	37.0	90	27.3	52.6
1-4 years	375	84.5	57.9	69	15.5	40.4
5-8 years	26	70.3	4.0	11	29.7	6.4

Category	Remitters			Non-remitters		
9-10 years	4	80.0	0.6	1	20.0	0.6
11-15 years	1	100.0	0.2	0	0.0	0.0
More than 15 years	2	100.0	0.3	0	0.0	0.0
Kinship relationship to the household head						
He/she	155	91.7	23.9	14	8.3	8.2
Spouse	57	77.0	8.8	17	23.0	9.9
Son/daughter (daughter-in-law / son-in-law)	397	75.8	61.3	127	24.2	74.3
Father / mother (mother-in-law / father-in-law)	5	71.4	0.8	2	28.6	1.2
Brother/sister (their spouses)	16	84.2	2.5	3	15.8	1.8
Grandmother/grandfather	16	72.7	2.5	6	27.3	3.5
Grandchildren	2	50.0	0.3	2	50.0	1.2

127. Distribution of all remitters, including household members and external migrants, by place of origin produced the following results (see Table 4.9.):

- Most remitters (more than 2/3) were from rural areas; 72.0% of migrant members and 46.7% of external migrants were also from rural areas.
- 21.3% of all migrants, 19.8% of migrants – members of the households and 27.2% of external migrants were from urban localities all over the republic.
- The remaining part of migrants was from Bishkek.

128. Men comprised a greater proportion of remitters (71.2% of a total), which was completely predictable as 76% of all migrant members of the households were men. The proportion of male external migrants was slightly higher than females – 51.5% against 48.5%.

129. About one-third of remitters were relatively young people aged 25-34 years. The second and third important age groups were between the age of 16 to 24 (25.2%) and 35 – 44 (24.8%). A similar tendency was observed with migrant members of the households (see Table 4.9). As for external migrants, the majority of them were mature-age people; a greater proportion of external migrants belonged to 35-44 years age group.

130. About 62.7% of remitters had the secondary education, this category also included most of migrant members of the households. The majority of external migrants were university graduates (58.3%).

131. The unmarried people outnumbered the married remitters (59.4%). 55.1% of all migrant members of the households were unmarried, whereas the proportion of unmarried people among external migrants was determined at 76.3%.

Table 4.9. Social and Demographic Characteristics of Remitters
% of the total number of remitters in a category

	All Remitters		Migrant Members of the Households Remitting Money in 2006		External Migrants	
	N	%	N	%	N	%
Capital city	98	11.9	54	8.3	44	26.0
Other urban localities	175	21.3	129	19.8	46	27.2
Rural areas	549	66.9	470	72.0	79	46.7
Men	585	71.2	498	76.3	87	51.5
Women	237	28.8	155	23.7	82	48.5
15 years and under	1	0.1	1	0.2	0	0.0
16 – 24 years	207	25.2	196	30.0	11	6.5
25 – 34	263	32.0	220	33.7	43	25.4
35 – 44	204	24.8	146	22.4	58	34.3
45 – 54	119	14.5	82	12.6	37	21.9
55 – 64	21	2.6	8	1.2	13	7.7
65 years and above	7	0.9	0	0.0	7	4.1
No formal education	0.0	0.0	0.0	0.0	0.0	0.0
Primary education	2	0.2	0	0.0	2	1.2
Secondary education	515	62.7	455	69.7	60	35.7
Higher education	294	35.8	196	30.0	98	58.3
Post-graduates and higher levels of educational attainment	10	1.2	2	0.3	8	4.8
Unmarried	489	59.5	360	55.1	129	76.3
Married	333	40.5	293	44.0	40	23.7

132. The analysis of kinship relationship between the members of remittance-receiving households and the household head revealed that 19.0% of remitters were the householders themselves, and 7.2% were householders' spouses. A greater proportion of remitters (56.5%) was represented by sons/daughters (daughters-in-law/sons-in-law). This category of migrants made majority among the migrant members of the households (61.1%) and made quite a significant proportion among external migrants (39.1%). This pattern correlates closely with migrant distribution by age group (see Tables 4.1 and 4.10). Among remitters – members of the households, 2.5% was represented by brothers/sisters (or their spouses), and this kinship group was big enough among external migrants Brother/sister (their spouses) Brother/sister (their spouses)(35.5%).

Table 4.10. Kinship Relationship of a Remitter to the Head of a Remittance-Receiving Household

% of the total number remitters in a category

	All Remitters		Migrants Members of the Households Remitting Money in 2006		External Migrant	
	N	%	N	%	N	%
He/she	156	19.0	156	23.90	0	0.0
Spouse	59	7.2	59	9.0	0	0.0
Son/daughter (daughter-in-law/son-in-law)	465	56.6	399	61.1	66	39.1
Mother/ father (mother-in-law / father-in-law)	20	2.4	5	0.8	15	8.9
Brother/sister (their spouses)	76	9.2	16	2.5	60	35.5
Grandparents						
Grandchildren	20	2.4	16	2.5	4	2.4
Other relatives	24	2.9	2	0.3	22	13.0
Friends	2	0.2	0	0.0	2	1.2

133. Russia accounts for the largest proportion of remitters (80.2%), largest proportion of migrant members of the households (82.2%) and of external migrants (72.2%). It is followed by Kazakhstan - 12.2%. The remitters in other republics were present in less proportion, although in Germany and other countries external migrants outnumbered other categories of remitters.

Table 4.11. Remitters' Distribution by Countries

% of all remitters in a category

	All Remitters		Migrants Members of the Households Remitting Money in 2006		External Migrants	
	N	%	N	%	N	%
Russia	659	80.2	537	82.2	122	72.2
Kazakhstan	100	12.2	87	13.3	13	7.7
USA	4	0.5	2	0.3	2	1.2
Germany	13	1.6	1	0.2	12	7.1
Turkey	8	1.0	7	1.1	1	0.6
Others	37	4.5	19	2.9	18	10.7

134. By the years spent by remitters abroad, the proportion of those spending abroad from 1 to 4 years is the largest – 54.9%. 31.0% of remitters stay abroad for less than a year. In general, we can state that migrant members of the households are concentrated in a group of migrants staying abroad for a shorter time. On the contrary, external migrants tend to stay abroad for longer periods: from 1 to 4 years – 43.2% and longer than 5 years – nearly half of all external migrants. Distribution by years spent abroad for both categories reflects to some extent periodicity of human resource outflow – the largest exodus falls on the period of 1-10 years back.

Table 4.12. Distribution of Remitters by Years Spent Abroad
% of all remitters in a category

	All Remitters		Migrants Members of the Households Remitting Money in 2006		External Migrants	
	N	%	N	%	N	%
All migrant remitters	822	100.0	653	100.0	169	100.0
Less than a year	255	31.0	243	37.2	12	7.1
1-4 years	450	54.9	377	57.7	73	43.2
5-8 years	52	6.3	26	4.0	26	15.4
9-10 years	19	2.3	4	0.6	15	8.9
11-15 years	14	1.7	1	0.2	13	7.7
For over 15 years	32	3.9	2	0.3	30	17.8

135. Analysis of the timeframe during which migrant members remitted money showed (Table 4.13) that all of them had been sending remittances back to their home countries during 1-4 years (100%). Apparently during their short one-year stay they were not able to send remittances as they were in job search or they failed to make savings as they had to spend on registration of the documents permitting to stay and work in a new country. More than half of external migrants were sending remittances during 1-4 years, and nearly one-third of them were remitting money during a longer period of time (5 years and longer).

136. We can presume that all migrants have been providing financial support to their families and relatives during the whole period of their stay abroad regardless of whether they are household members or external migrants. Also, even moving abroad the migrants keep relationships with their families intact.

Table 4.13. Remitters' Distribution by Length of Time During which They Sent Remittances
% of all remitters in the category

	All Remitters		Migrant Members Sending Remittances in 2006		External Migrants	
	N	%	N	%	N	%
Less than a year	25	3.1	0	0.0	25	16.6
1-4 years	737	91.6	648	100.0	84	55.6
5-8 years	24	3.0	0	0.0	24	15.9
9-10 years	13	1.6	0	0.0	13	8.6
11-15 years	3	0.4	0	0.0	3	2.0
For over 15 years	2	0.2	0	0.0	2	1.3

137. Analysis of the frequency of remittances found that 71.4% of remitters sent one remittance or 2-3 remittances. At that, 32.1% of migrant members remitted once and 37.0% of them sent up to 3 remittances, whereas for external migrants these figures were determined at 49.7 and 27.8%, respectively (Table 4.14). This situation can be explained by the fact that most

migrant members were engaged in seasonal works, i.e. they didn't stay the whole year abroad. In most cases, external migrants, regardless of the level of their kinship, were not expected to provide a regular and frequent financial aid to their relatives.

Table 4.14. Remitters' Distribution by Frequency of Remittances in 2006

	All Remitters		Migrant Members Sending Remittances in 2006		External Migrants	
	N	%	N	%	N	%
Once	283	35.4	208	32.1	75	49.7
2-3 remittances	288	36.08	246	38.0	42	27.8
4-5	131	16.4	115	17.7	16	10.6
6-10	55	6.9	46	7.1	9	6.0
11-12	29	3.6	21	3.2	8	5.3
More than 12 remittances a year	13	1.6	12	1.9	1	0.7

138. As was indicated above, remittances were sent mainly from Russia and Kazakhstan (95.7% of remitters) with the frequency of 1 and 2-3 remittances (in total this makes 68.3 and 78.3% of remitters, respectively). Quite a noticeable proportion of remitters sent 4-5 remittances during a year (18.6 and 14.5% of remitters respectively). It should be noted that more than 5 remittances a year were sent only from Russia and Kazakhstan and "other" countries (accounting for 2.8% of migrants). From non-CIS countries remittances were sent from the United States (2 people) and Turkey (7 people) with the frequency of 4-5 remittances.

Table 4.15. Remitters' Distribution by the Country of Stay and Frequency of Remittances

Remitters' Country of Stay	Frequency of Remittances per Year						
	All Remitters	Once	2-3	4-5	6-10	11-12	More than 12 Remittances
All remitters	100.0 (648)	32.1 (208)	38.0 (247)	17.6 (115)	7.1 (46)	3.2 (21)	1.9 (12)
Russia	82.9(537)	31.1	37.2	18.6	7.6	3.5	1.9
Kazakhstan	12.8 (83)	31.3	47.0	14.5	2.4	2.4	2.4
USA	0.3 (2)	50.0	0.0	50.0	0.0	0.0	0.0
Germany	0.2 (1)	100.0	0.0	0.0	0.0	0.0	0.0
Turkey	1.1 (7)	85.7	14.3	0.0	0.0	0.0	0.0
Other countries	2.8 (18)	38.9	33.3	11.1	16.7	0.0	0.0

* Number of respondents

139. In 2006, the remittance amount per sender averaged \$ 1,410.7, the average of in-kind remittances was determined at \$ 298.2. Regardless of the marital status, place of residence or duration of remittances remitting costs were insignificant. This could be explained by rare

opportunity to send consumer goods (such as refrigerators, TV-sets, etc). Overall, the average remittance amount was determined at \$ 1,436.9 per sender.

140. The survey data showed that male migrants sent larger amounts as compared to females (see Table 4.17). But women were more inclined to send remittances in kind.

141. The average remittance amount for the unmarried surpassed the similar indicator for the married people, which confirmed and added to the data in Tables 4.8 and 4.9, in which most migrants were represented by young people, householders' sons and daughters.

142. The breakdown by remitting countries revealed that the highest average amount per sender was remitted from Turkey - \$ 3 233.3; from other countries - \$ 2,165.9. Given the small number of remitters from non-CIS countries, we can presume that these migrants had rare opportunities to remit via financial institutions or that the bulk of these remittances were invested in business development.

143. At the same time, the average remittance sent from Russia and Kazakhstan, accounting for a greater share of the aggregate remittance inflow, was determined at \$ 1,710.1 and \$ 1,460.7, respectively. This is explained by the fact that remittances were mainly sent by those labor migrants who had moved to these countries to earn money.

144. Analysis of the mean of remittance per sender in the breakdown of the length of their stay abroad found that the highest amount of \$ 1,783.3 was registered for those living overseas for longer than 15 years. Although, this sum might be a one-time remittance sent for business development or as a gift. Remitters living overseas up to 4 years and 5-8 years make the next groups. The average remittance for these groups was determined at \$ 1,977.4 and \$ 1,286.5, respectively. The lowest average amount of \$ 883.4 was registered for the group of remitters living overseas for 9-10 years.

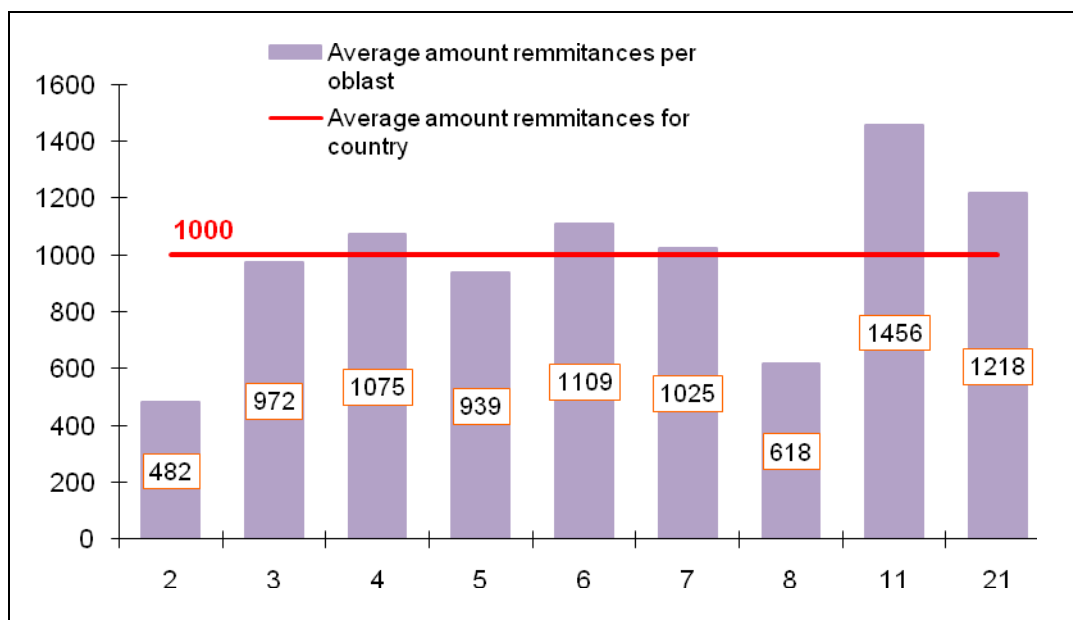
145. We can presume that there is dependence on frequency of remittances (see Table 4.16): remittances sent more frequent are smaller.

Table 4.16. Average Remittance Amount per Sender,
in US dollars

	Money Remittances	In-kind Remittances	Remittances in Total
All remitters	1,410.7	298.2	1,436.9
Men	1,418.9	293.0	1,447.2
Women	1,402.0	303.1	1,426.0
Married	1,360.4	305.4	1,386.4
Unmarried	1,478.6	313.7	1,512.3
Foreign country	9,822.2	3,188.2	10,704.1
Russia	1,679.8	269.5	1,710.5
Kazakhstan	1,452.1	210.1	1,460.7
USA	900.0	491.2	1,014.7
Germany	479.6	1,164.5	1,118.9
Turkey	3,177.8	500.0	3,233.3
Other countries	2,133.0	552.9	2,165.9
Length of stay overseas			
Less than a year	1,380.5	205.5	1,388.8
1-4 years	1,936.2	317.8	1,977.4
5-8 years	1,257.4	342.9	1,286.5
9-10 years	670.5	821.3	883.4
11-15 years	1,144.7	258.2	1,263.9
For over 15 years	1,696.3	309.2	1,783.3

146. Distribution of the average of remittances by region shows that the households living in Bishkek and Osh receive higher amounts of remittances (See Figure 4.2). Apparently, the reason is that migrants from these cities succeeded in finding high-paid jobs.

Figure 4.2: Average Remittance per Sender by Regions of the Republic
In US dollars



Code of the regions: 2 - Issyk-kul oblast; 3 - Jalal-Abad oblast; 4 - Naryn oblast; 5 - Batken obl.; 6 - Osh obl.; 7 - Talas obl.; 8 - Chui obl.; 11 - Bishkek city; 21 - Osh city

147. Russia is leading among the foreign countries, accounting for 82.1% of money remittances (Table 4.17), 64.8% of in-kind remittances and 81.4% of all remittances. Kazakhstan accounts for the lower share: 10.2, 11.7 and 10.3% respectively. The share of remittances flowing from other countries is lower than from Russia and Kazakhstan. Hence, we can presume that Russia and Kazakhstan are the major countries preferred by labor migrants as the place for work and improving their own welfare as well as the welfare of their families (their households).

Table 4.17 Share of Selected Countries in the Total of Remittances Received by Sample Households
% of all remittances in a category

	Money Remittances	In-kind Remittances	Remittances in Total
Russia	82.1	64.8	81.4
Kazakhstan	10.2	11.7	10.3
USA	0.2	2.6	0.3
Germany	0.4	14.2	0.9
Turkey	2.0	0.9	1.9
Other countries	5.1	5.8	5.2

148. As was indicated in Chapter III, the estimated aggregate inflow of remittances to Kyrgyz Republic amounted to \$ 253.2 million, of which 248.1 million were cash remittances. The greater share of total remittance flow came from Russia – \$ 206.2 million, of which \$ 203.7 million in cash remittances. The total remittance inflow from Kazakhstan was \$ 26.0 million including 25.3

million of cash remittances. The total inflow of remittances from other countries ranged within \$ 0.9 to 4.9 million (Turkey).

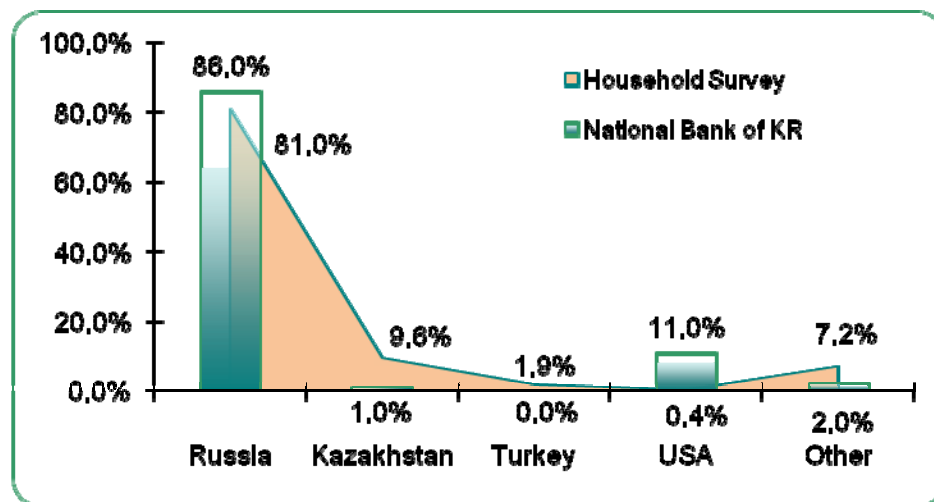
149. Hence, we can presume that remittances to Kyrgyzstan were sent mainly by labor migrants as remittances from Russia and Kazakhstan had a direct correlation with the proportion of migrants working in these countries (see Table 4.18).

Table 4.18. Estimated Aggregate Inflow of Remittances to Kyrgyz Republic in 2006 by Remitting Country
in \$ million

	Remittances in Total	Cash Remittances
TOTAL	253.2	248.1
Russia	206.2	203.7
Kazakhstan	26.0	25.3
USA	0.9	0.6
Germany	2.3	0.9
Turkey	4.9	4.9
Other countries	13.1	12.8

150. A comparative analysis of the aggregate remittance inflows from other countries showed certain conformity with the National Bank data and household sampling results, with rare exceptions (Fig. 4.3). Both sources of information showed that the main share of remittances was received from Russia. Receipts from other countries are a little bit different. According to the National Bank data, the USA is the second important remitting country (11%), whereas the results of this household survey show that this country accounts for only 0.4% of all remittances. Apparently, this situation is explained by the fact that the sample did not cover the households receiving large amounts of remittances from other than CIS countries as their proportion in the republic is insignificant. The situation with remittance flows from Kazakhstan has a reverse tendency; the share of remittances determined during the survey turned out to be higher than the National Bank indicators. This can be explained by the presumption that most of labor migrants are engaged at seasonal works in Kazakhstan and carry money in hand; as a result migrant remittances bypass the financial transfer systems.

Figure 4.3. Comparative Data of the KR National Bank and Household Survey Results on the Aggregate Remittance Inflow to Kyrgyz Republic, by Remitting Country
% to the total of remittances



151. **Outcomes.** Migrants work mainly in Russia and Kazakhstan. In most cases they were forced to migrate, i.e. they moved overseas to earn money because of unemployment in the home country. Prior to migration, most migrants (women, young men) were engaged in unpaid home work in the family and moved together with their close relatives.

152. Less than 3% of migrants moved overseas for other than the family support purposes. Most of them continued working in their occupational field.

153. A university degree made little impact on migrants' employment overseas. In most cases, it was sufficed to have the secondary education to get employment.

154. Most migrants changed their profession apparently due to specific workforce demand in the receiving countries.

155. The survey reported on gender-based employment pattern: most female migrants were engaged in wholesale and retail trade, while male migrants worked in the construction sector. Also, most of remitters were men. One-third of remitters was represented by relatively young people aged 25-34.

156. The unmarried remitters outnumbered the married ones. At that, proportion of unmarried among the migrant members of the households was less than their proportion among external migrants.

157. The highest proportion of remitters was represented by young people who were close relatives to the household head (son, daughter, son-in-law, daughter-in-law).

158. Most of migrant members of the households sent up to 3 remittances a year, which could be explained by their engagement mainly in seasonal works. External migrants sent on average 4-5 remittances a year.

V. CHANNELS OF REMITTANCES

159. This chapter describes the results of analysis of remittance channels used by the households. The survey team examined all mechanisms of money transfer that presumably exist in the republic and are presumably used by migrants for remitting money, such as banks (agencies), post offices and couriers, relatives, friends and authorized people. The analysis was also made of remittance channels actually preferred by migrants and households.

160. 7 remittance channels were examined (see Table 5.1). The results showed that a significant proportion of migrants remitted money via banks and official money transfer operators. This mechanism was preferred by almost 78% of the households. 77.8% of all remittances were sent through this channel. We must point out that remittance mechanism through banks and money transfer operators has quite a broad geographic coverage all over the republic.

161. Traditional channels such as money delivery by migrants or transfer through relatives, friends and trusted agents remained significant. 34.1% of the households used this remittance channel, receiving 21.9% of all the money remitted (total sum may surpass 100%, as many households combined different remittance channels).

162. The least preferred channels were post offices (1.3% of the households received via post offices only 0.3% of the total of remittances) and courier's service (which was not used at all because of its high cost). Data analysis also showed that slightly more than one-fourth of migrants carried money.

Table 5.1. Remittance Channels

	Proportion of the Households Using Remittance Channels	Average per Household	Share in Cash Remittances
	%	USD	%
Total for the republic	100.0	1 331.32	100.0
Bank/Money transfer operator	77.9	1 327.2	77.8
Post office	1.3	319.7	0.3
Courier's service	0.0	0.00	0.0
Remittances delivered	34.1	844.4	21.9
- by the migrant member of the household	25.9	900.6	17.6
- by a friend/ relative	6.9	645.5	3.3
- by other persons	1.3	987.0	1.09
Others	0.0	0.00	0.0

163. Household distribution by remittance channels makes it possible to assess the aggregate remittance inflows to Kyrgyzstan via different channels (see Table 5.2).

Table 5.2. Aggregate Remittance Inflow in 2006, by Remittance Channel
in \$ million

	Total of Remittances	Total of Remittances in %
Total for the republic	248.1	100.0
Bank/Money transfer operator	193.1	77.8
Post office	0.8	0.3
Courier's service	0.0	0.0
Remittances delivered	43.6	17.6
- by the migrant member of the household	8.3	3.3
- by a friend/ relative	2.4	1.0
- by other persons	0.0	0.0
Others	0.0	0.0

164. A significant proportion of households regardless of their place of residence preferred banks and money transfer operators (74-78.8%). Proportion of the households living in the capital city and carrying remittances or sending them through trusted agents (36.4%) slightly exceeds the proportion of other households.

165. The channel preferred depends to some extent on the level of household income (Table 5.3). Banking services and money transfer systems were preferred more by the households of the 3rd and 5th quintiles – more than 82.2 and 79.7% and less preferred by 1st quintile, although their proportion was still significant (68.4%). Households of the poorest quintile were more inclined to use informal channels of money transfer (36.9% of remittances), the same holds true for the fourth quintile.

166. The survey results showed that people were not inclined to open individual bank accounts. Apparently, people were still distrustful of the banks and refrained from keeping their savings in a bank.

Table 5.3. Characteristics of the Households and Use of Remittance Channels
%

	Bank / Money Transfer Operator	Post Office	Money Delivered in Hand			
			Total	Delivered by Migrants - Household Members	Delivered by Friend/ Relative	Others
Republic						
Capital city	78.5	1.3	33.5	25.3	6.9	1.3
Other urban localities	74.0	2.6	36.4	22.1	10.4	3.9
Rural areas	78.8	0.8	29.6	22.0	7.6	0.0
Quintile 1	68.4	0	36.9	31.6	5.3	0
2	75.3	1.2	28.3	25.9	1.2	1.2
3	82.2	1.7	26.2	18.6	5.9	1.7
4	78.3	0	38.5	28.9	8.4	1.2
5	79.7	2.3	35.1	24.9	8.8	1.4
No member of a household has a bank account	78.5	1.3	33.3	25.4	6.8	1.1
At least one household member has a bank account	83.3	0.0	50.1	16.7	16.7	16.7

167. **Outcomes.** The households were quite trustful of the banks and money remittance systems, although traditional mechanisms of money transfer were also in use. 98.7% of all remittances were sent via these channels. At the same time, population's deep trust in the systems of remittances apparently does not prove that it is also trustful of the banking system, which is also illustrated by insignificant number of household members or migrants having bank accounts. In light of the above-given, we can presume that now-a-days labor migrants working in Russia and other CIS and non-CIS countries prefer money transfer systems that do not require opening of the bank account.

VI. IMPACT OF REMITTANCES ON HOUSEHOLD CONSUMPTION, SAVINGS AND INVESTMENTS

168. This chapter studies the impact of remittances on household welfare, and particularly on household expenditures. For this purpose, we examined household expenditures for 2006 including purchase of luxury items, spending on education and health service, debt repayment,

investments and other expenditures. The chapter also presents data on people's savings and provides remittance impact analysis.

169. Analysis of the use of remittances received by the households is based on respondents' replies and may not reflect exactly the true picture. When asked about use of remittances, some of respondents were able to indicate those household expenditures which were "physically" covered from remittances. It was also indicated by respondents that these expenditures would have been financed anyway, even if no remittances would have been received. Those expenditures which the households would have been unable to cover until they received remittances were regarded as the actual use of remittances.

170. The survey results found that the largest share of remittances received by households was spent on basic expenditures (78.4%) (Table 6.1). The households from first to fourth quintiles spent more on basic expenditures, and only the highest income group of households spent 64.7% of their remittances on basic expenditures, which was still high enough. Proportion of spending on luxury items, contingencies and other expenditures were determined at 5.9, 5.4 and 5.0%, respectively. 3.1% of remittances was invested into business activity. It should be noted that only relatively rich households of 3-5 quintiles were able to invest into business activity.

171. 94.3% of remittances received in kind were used at home. Less wealthy households (first 3 quintiles) used in-kind remittances only for their personal needs, i.e. at home, whereas the wealthier households in the fourth and fifth quintiles gave small portions of in-kind remittances to their relatives and friends (3.4%), or used for business purposes (2.3%).

Table 6.1. Use of Remittances Based on Respondents' Replies
%

	All Remittance- Receiving Households	Quintiles				
		1	2	3	4	5
Remittances (one reply)						
Basic expenditures of the households	78.4	78.9	90.0	86.3	84.8	64.7
Luxury items	5.9	5.3	0.0	1.7	4.8	11.2
Contingencies	5.4	7.9	3.8	3.4	3.0	8.4
Debt repayments	2.3	2.6	1.3	3.4	1.8	2.3
Business investments	3.1	0.0	0.0	1.7	2.4	6.0
Other expenditures	5.0	5.3	5.0	3.4	3.0	7.4
Remittances in kind (multiple replies)						
Consumption at home	94.3	100.0	100.0	100.0	88.0	95.0
For business purposes	2.3	0.0	0.0	0.0	4.0	2.5
Gifts to relatives / friends	3.4	0.0	0.0	0.0	8.0	2.5
Donations to religious organizations	0.0	0.0	0.0	0.0	0.0	0.0
Другое	0.0	0.0	0.0	0.0	0.0	0.0

172. When the household income increases and reaches the level at which people can completely satisfy their most essential needs, the expenditure pattern changes, i.e. reduction in the share of consumer expenditures is caused by increased earnings rather than reduced consumption. The survey results showed that the share of consumption in total household expenditures was 92.7% on average. The share of consumption in remittance-receiving households is lower, i.e. they are more inclined to make savings. High shares of spending remittances on consumption were observed in almost all household groups regardless of their place of residence and welfare level, but as we expected, its maximum was registered in rural areas.

173. If we review the share of consumption in total household expenditure from perspectives of households' welfare and of whether it is a receiver or non-receiver of remittance, we can see that despite the obvious trend of reduced consumption as a result of improved household welfare, remittances make no real impact on propensity to consume. Hence, in the 2nd and 4th quintiles, the share of consumption in remittance-receiving households was higher (from 1.0 to 1.3 percentage points), as compared to non-remittance households. In 1st and 3rd quintiles, the pattern was reversed – the share of consumption in remittance-receiving households was lower by 1.0 and 3.3 percentage points (Table 6.2). Given the above-stated, we can't ascertain that remittances may have direct effects on households' consumption behavior.

174. Estimation excluding remittances found that the propensity to consume was lower for remittance receiving households (difference was no more than 2.6 percentage points), whereas non-remittance households were a little bit more inclined to consume (up to 0.7 percentage points).

Table 6.2. Share of Consumption in Total Expenditure of Sample Households,
%, average for households in a given category

	All Sample Households	Remittance Receiving Households	Non-remittance Households
REPUBLIC	92.7	91.3	92.9
Capital city	93.1	90.6	93.4
Other urban localities	91.3	90.5	91.4
Rural areas	93.0	91.7	93.2
Quintile groups, including remittances			
Quintile 1	95.6	94.3	95.6
2	93.7	94.6	93.6
3	93.1	92.3	93.2
4	92.4	93.4	92.1
5	88.6	87.4	89.1
Quintile groups, excluding remittances			
Quintile 1	94.7	92.2	95.7
2	93.9	92.7	94.1
3	93.0	90.6	93.4
4	92.0	90.8	92.2
5	89.5	87.2	89.8

175. Household expenditures for ritual ceremonies depend directly on the welfare of the household itself as well as on the welfare of their close relatives. Strong bonds of relationship and readiness to help their relatives in emergency cases are tracked in the survey. The average share of these expenses in total household income was determined at 1.9% for the whole republic, 2.8 – for other urban localities, and 2.1% - for rural areas. Remittance receiving households spent relatively more on ritual ceremonies. Remittance receiving households in other urban localities had a higher share of expenditures on ritual ceremonies (5.4%) as compared to non-remittance households (2.3%). In rural areas, remittance receivers spent more as compared to non-recipients - by 1.3 percentage points.

176. Analysis of expenditures on ritual ceremonies by welfare level revealed the same pattern: in all quintiles, remittance receiving households spent more on ritual ceremonies. Quintile distribution within the household groups was not homogeneous: among remittance receiving households, a greater share of spending for ritual ceremonies was observed for the poorest and the wealthiest households (3.9 and 3.8%), a lower share was registered for the households of the 3rd quintile group (2.4%); among non-remitters, the households of 4th quintile spent more for ritual ceremonies (Table 6.3).

177. Quintile distribution excluding remittances slightly changes the pattern in the groups of remittance receiving households. This group continues to spend more for ritual ceremonies. However, the propensity to spend is higher for the households of 4th quintile and the lower for the households of the 1st and 2nd quintiles.

178. The reason of higher propensity to spend on ritual ceremonies among remittance receiving households apparently is that remittance receiving households hold various rituals and social ceremonies in order to receive blessings from relatives or make sacrifice so that their family members living overseas were successful in work.

Table 6.3. Share of Expenditure for Ritual Ceremonies in Total Expenditures of the Sample

%, average for the households in a given category

	All Sample Households	Remittance Receiving Households	Non – remittance Households
REPUBLIC	1.9	3.4	1.7
Capital city	0.5	0.9	0.5
Other urban localities	2.8	5.4	2.3
Rural areas	2.1	3.2	1.9
Quintile groups, including remittances			
Quintile 1	1.3	3.9	1.2
2	1.7	3.4	1.5
3	1.8	2.4	1.7
4	2.5	3.3	2.3
5	2.4	3.8	1.8
Quintile groups, excluding remittances			
Quintile 1	1.6	2.6	1.2
2	1.6	2.6	1.5
3	1.7	3.0	1.4
4	2.7	6.8	2.2
5	2.0	3.0	1.9

179. Purchase of durable goods and replacement of the old and broken things characterize household welfare improvement. The share of household expenditure on durable goods was determined at 2.5% for the whole country, 2.6% - for urban localities and rural areas, and 2.3% - for Bishkek. In fact, in remittance-receiving households these expenditures exceeded the similar expenditures in non-remittance households regardless of the place of residence (see Table 6.4).

180. It is usually accepted that a welfare level has direct effects on household expenditure on consumer durables. Theoretically, the share of expenditure on durable goods is supposed to increase along with the growth of people's welfare, and this tendency is virtually tracked in non-remittance households. This trend is also tracked in quintile distribution of both remittance-

receiving households and non-remittance households. The only exceptions are remittance-receiving households of the 4th quintile.

181. Should we exclude remittances, the pattern of remittance-receiving households changes significantly: indices of expenditures on consumer durables do not follow this rule and it is not possible to tie up the household propensity to purchase durable goods with the household welfare level.

**Table 6.4. Share of Expenditures on Consumer Durables
in Total Expenditures of the Sample**

%, average for the households in a given category

	All Sample Households	Remittance-Receiving Households	Non-remittance Households
REPUBLIC	2.5	3.5	2.3
Capital city	2.3	4.2	2.1
Other urban localities	2.5	2.8	2.4
Rural areas	2.5	3.6	2.3
Quintile groups, including remittances			
Quintile 1	1.6	2.0	1.6
2	2.2	2.8	2.1
3	2.4	2.9	2.3
4	2.3	2.5	2.3
5	3.8	5.1	3.3
Quintile groups, excluding remittances			
Quintile 1	2.3	3.8	1.7
2	2.0	3.0	1.9
3	2.5	3.7	2.3
4	2.3	2.5	2.3
5	3.2	4.5	3.1

182. Expenditures on health service and education, which are made by the households when the need in these services arises regardless of their financial capacity, can be analyzed based on the household welfare and their place of residence. The share of these expenditures was homogenous and ranged within 0.6-1.3%. This pattern was common for both remittance-receiving households and non-remittance households. No tendency was observed proving that expenditures on medical services and education were dependent on the level of the household welfare. Proportion of expenditures on medical services and education was higher among remittance receivers of the 1st quintile, while this proportion in other quintiles was lower or similar (Table 6.5).

183. The pattern slightly changes in the group of remittance-receiving households should we exclude remittances in our estimation: wealthier households spend more on health service and education. They are followed by the poorest households.

184. In general, we can draw the following conclusion: remittance-receiving households would have spent on health service and education even if they received no remittances at all; i.e. expenditures on education and health service can be considered as a constant variable approximately of the same value for all households.

Table 6.5. Share of Expenditures on Health Service and Education in Total Expenditures of the Sample Households

%, average for all households in a given category

	All Sample Households	Remittance-Receiving Households	Non-remittance Households
REPUBLIC	1.0	0.9	1.0
Capital city	0.6	0.6	0.6
Other urban localities	1.2	1.3	1.2
Rural areas	1.0	0.9	1.1
Quintile groups, including remittances			
Quintile 1	1.2	1.7	1.2
2	1.1	1.1	1.1
3	0.9	0.8	0.9
4	1.0	0.9	1.0
5	0.7	0.8	0.7
Quintile groups, excluding remittances			
Quintile 1	1.2	1.0	1.2
2	1.2	0.9	1.2
3	0.9	0.7	0.9
4	0.8	0.8	0.8
5	0.9	1.1	0.9

185. The survey results found that only 41.3% of the households had savings (see Table 6.6). Remittances impact strongly the household propensity to save: 60.2% of remittance-receiving households had savings, while 39.8% of them were spending all their money. As for non-remittance households, 62.2% of them were spending all their earnings, saving nothing, while 37.8% of them had savings.

186. All households having savings, regardless of whether they were remittance receiver or not, were keeping their savings in different available money-saving ways. The households used also other ways for keeping their savings. The households having savings preferred to keep their finances in foreign currency or in consumer goods meant for future consumption. The remittance-receiving households were more inclined to keep their savings in local currency (more than 18%). Proportion of those who preferred to keep money in foreign currency and in consumer goods among non-remittance households was lower (11.3% and 10.9%, respectively). 3.6% of non-remittance households were keeping their savings in the form of jewelry. Direct investments in business and real estate property are preferred by remittance-receiving households. The survey results found that investment in securities was a completely unpopular form of savings.

Table 6.6. Sample Household Savings
%

	All Households (N=3995)	Including:		Distribution by category		Proportion in the sample (N=3995)	
		Remittance-Receiving Households	Non-remittance Households	Remittance-Receiving Households (N=633)	Non-Remittance Households (N=3362)	Remittance-receiving Households	Non-remittance Households
Total	100.0	-	-	100	100	-	-
Have no savings	58.7	89.2	10.8	39.8	62.2	6.3	52.4
Have savings	41.3	76.9	23.1	60.2	37.8	9.5	31.8
Cash in local currency	38.6	77.5	22.5	54.7	35.5	8.7	29.9
Cash in foreign currency	5.3	67.5	32.5	10.9	4.3	1.7	3.6
Time deposit / Saving deposit in local currency	0.2	83.3	16.7	0.2	0.1	0.0	0.1
Time deposit /Saving account in foreign currency	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Investments in real estate property	1.0	59.0	41.0	2.5	0.7	0.4	0.6
Direct business investments	1.5	72.4	27.6	2.5	1.2	0.4	1.1
Investment in securities	0.0	0.0	100.0	0.2	0.0	0.0	0.0
Precious metals and stones (jewelry)	1.3	90.0	10.0	0.8	1.3	0.1	1.1
Consumer goods meant for future consumption	4.6	62.1	37.9	10.9	3.4	1.7	2.8
Other	0.2	77.8	22.2	0.3	0.2	0.1	0.2

187. Households make savings with the primary goal of using them in future. According respondents' replies, most households (72.8%) use savings in emergency cases. A higher proportion of non-remittance households indicated this way of using their savings - by 3.9 percentage points higher than remittance-receiving category (see Table 6.7). With the difference of more than 6 percentage points remittance-receiving households use savings for improvement of their housing conditions and for special events such as birthday celebration, wedding party, or religious events. In light of the above-given we can infer that remittances may reduce the risk of going broke as a result of expenditures for emergency purposes or other expenditures. Remittances may also help to increase household savings.

Table 6.7. Use of Savings According to Respondents
% of the total of households in a category

	All Sample Households Having Savings	Remittance-Receiving Households Having Savings	Non-remittance Households Having Savings
Unforeseen expenditures	72.78	69.8	73.7
Improvement of the housing conditions	46.6	51.4	45.2
Purchase of real estate	12.9	18.6	11.2
Purchase / repair of a car	10.8	12.6	10.3
Purchase of durable goods	35.7	38.6	34.8
Direct business investments	8.0	6.0	8.6
Special events	49.0	53.8	47.6
Education	21.6	24.1	20.9
Retirement	3.2	3.7	3.1
Tourism	0.4	0.0	0.6
Other forms of use	0.0	0.0	0.0

188. Emergency situations (such as accident, death, disease, etc.) are associated with the necessity to bear the corresponding expenditures. If the household savings are not sufficient, the households have to ask for help. As we see from Table 6.8, the main share (90%) finds support among relatives and friends living in the country, 16.3% approach neighbors and community members for help.

189. There are significant differences between remittance-receiving households and non-remittance households on the issue of asking for financial aid. 81.3% of remittance-receiving households would turn to relatives and friends for help as against 91.6% of non-remittance households.

190. Along with this, 33.0% of remittance-receiving households would solicit support from the household members working overseas, and 21.8% would turn to relatives and friends living abroad, as compared to 0.6 and 5.5% respectively of non-remittance household category.

191. Remittance-receiving households rely less on support from outside, as compared to the opposite category of households. Thus, proportion of remittance-receiving households relying on support from neighbors and community members is by 7 percentage points lower; proportion of those relying on employers and on the government is lower by 3.5 and 1.5 percentage points respectively.

Table 6.8. Persons/Organizations from which Households Solicit Financial Support in Emergency Cases
 % of all households in a given category

	All Sample Households	Remittance-Receiving Households	Non-remittance Households
Household member working overseas	5.7	33.0	0.6
Relative / friend living overseas	8.1	21.8	5.5
Relative / friend in the home country	90.0	81.3	91.6
Government	1.6	0.3	1.8
Community member / neighbor	16.3	10.7	17.4
Religious organization	1.2	0.9	1.2
Employer	6.8	3.8	7.3
Others	1.2	1.1	1.2

192. The share of investment into non-agricultural real property made up 2.8%, and no principal difference is observed between remittance-receiving households and non-remittance households. The impact of remittances on investments was observed in those urban localities, where the proportion of remittance-receiving households was by 2.3 percentage points higher and in 2nd and 3rd quintile groups, in which proportion of the households that made investments in non-agricultural real property was exceeding by 2.4 and 3 times (Table 6.9).

193. If we exclude remittances from total household income, the share of investments into non-agricultural real property in total expenditures of the 1st quintile households will noticeably increase. It is possible that these results are the evidence of mandatory nature of expenditures on investments, as a result, poor households have to make these investments no matter whether they receive remittances or not.

**Table 6.9. Share of Investments in Non-agricultural
Real Property in Total Sample Expenditures**
%, average for the households in a given category

	All Sample Households	Remittance- Receiving Households	Non-remittance Households
REPUBLIC	2.8	3.1	2.8
Capital city	5.3	5.4	5.3
Other urban localities	5.5	7.2	4.9
Rural areas	0.5	0.2	0.6
Quintile groups, including remittances			
Quintile 1	0.5	0.0	0.5
2	5.9	12.1	4.95
3	2.1	5.0	1.6
4	2.7	0.0	3.3
5	2.7	2.1	2.9
Quintile groups, excluding remittances			
Quintile 1	3.0	6.1	0.7
2	4.2	0.7	5.0
3	2.7	6.0	1.9
4	2.6	0.0	3.2
5	2.3	0.0	2.6

194. Assessment of the share of investments in agricultural assets showed that remittances had no significant effect on this category of investments (Table 6.10).

Table 6.10. Share of Investments into Agricultural Assets in Total Sample Expenditures
%, average for the households in a given category

	All Sample Households	Remittance-Receiving Households	Non-remittance Households
REPUBLIC	2.6	2.6	2.6
Capital city	0.0	0.0	0.1
Other urban localities	0.8	0.8	0.8
Rural areas	4.7	4.6	4.7
Quintile groups including remittances			
Quintile 1	2.1	3.7	2.0
2	3.0	1.6	3.2
3	3.5	2.6	3.6
4	2.9	3.4	2.8
5	2.0	2.4	1.9
Quintile groups excluding remittances			
Quintile 1	1.8	1.6	2.0
2	3.1	2.9	3.2
3	3.5	3.9	3.4
4	2.8	2.7	2.9
5	2.1	2.8	2.1

195. The survey results found that investment in securities was the most unpopular form of investment being mentioned only once, and therefore, no research could be conducted on the subject.

196. The share of investments in business and entrepreneurial activity was determined at 2.2% of total household expenditures. The share of business investments for remittance-receiving households made up 2.4% as against 2.2% for non-remittance household category (Table 6.11).

197. The wealthier households of 5th quintile, no matter whether they receive remittances or not, invest in business by 8 times more than the households of the 1st quintile. If we exclude remittances from the household income, the share of investments in business and entrepreneurial activity in total expenditures of remittance-receiving households of the 1st quintile grows from 0.5 to 1.5%, or by 3 times. As a result, we can infer that remittances are important for the poorest households.

Table 6.11. Share of Investments in Business and Entrepreneurial Activity in Total Sample Expenditures
%, average for the households in a category

	All Sample Households	Remittance-Receiving Households	Non-remittance Households
REPUBLIC	2.2	2.4	2.2
Capital city	1.9	1.9	1.9
Other urban localities	3.7	3.6	3.7
Rural areas	1.9	2.0	1.9
Quintile groups, including remittances			
Quintile 1	0.7	0.5	0.7
2	1.7	0.5	1.9
3	2.3	2.1	2.3
4	2.4	1.7	2.6
5	4.0	4.0	4.1
Quintile groups, excluding remittances			
Quintile 1	0.8	1.5	0.5
2	1.7	1.8	1.7
3	2.0	1.9	2.0
4	2.9	4.4	2.7
5	3.7	4.2	3.7

198. **Outcomes.** In general, remittances have little impact on household propensity to consume. In most cases remittances are spent on household basic needs. The share of remittances used for purchase of luxury items, unforeseen and other kinds of expenditures is not high. Investments into business and entrepreneurial activity were not big and were made by the households whose income was surpassing the average income level. Along with this, remittances were a good support for the poorest households willing to develop business. A relatively clear dependence on remittances was observed only in case of ritual ceremony expenditures.

199. The survey data allow for presumption that potential purchase of durable goods is impacted by the welfare level of the households. The wealthy households whose welfare was above the average accounted for a greater proportion of expenditures on durable goods in both categories – remittance-receiving households and non-remittance households.

200. No impact trend was observed proving that remittances impact the share of expenditures on health service and education depending on the household welfare level.

201. No clear tendency was identified for effect of remittances on household propensity to increase their savings. We can just highlight that a bit higher proportion of remittance-receiving households use savings to improve their housing conditions or to perform special events, while most households save money in the form of durable goods or for emergency purposes.

202. Remittances change household behavior in terms of their appeal for financial aid. Remittance-receiving households have more opportunities to receive financial support and most of them in emergency cases will solicit support from their household members working overseas or from relatives and friends living abroad. Also, remittance-receiving households rely less on neighbors and community.

203. The research study found no direct impact of remittances on household investment activity. The share of business investments by non-remittance households turned out to be higher.

VII. IMPACT OF REMITTANCES ON POVERTY AND INCOME INEQUALITY

204. This chapter examines remittance effects on poverty and household income inequality. Poverty indicators were received by applying the methods of objective poverty assessment in the households surveyed and subjective assessment, when the households made assessment of their own welfare level. In order to determine the level of inequality among the households, the survey team estimated Gini index and made analysis of remittance impact on this index.

205. For the purpose of poverty indicators analysis, a general poverty line was set at 3\$ per capita per day, which by purchasing power parity (PPP) amounted to 10886 soms per capita per year. An extreme poverty line was set at 2\$ per capita per day. Given PPP, the annual value for the extreme poverty line amounted to 7255 soms per capita.

206. The decision to set 3\$ as a general poverty line and 2\$ as an extreme poverty line proceeds from the fact that this value corresponds to the poverty line acceptable in other countries. It is remarkable that the poverty line in Kyrgyz Republic for 2005 was approximately \$ 3.00 per day, while the extreme poverty line was \$ 1.7 per day, i.e. these poverty indicators turned out to be equal to the level recommended by international experts. Since these indicators reflect the situation of the year 2005, this survey measures the poverty based on 2006 data adjusted for inflation.

207. Poverty level in 2006 was determined at 8.6% for the overall sample (according to the NSC data 39.9% of the population was living below poverty line in 2006).

208. 18.2% of the sample population lives in extreme poverty (according to the NSC data extreme poverty level for 2006 was at 9.1%). Poverty depth index was determined at 0.132, or to put it differently, the families faced the deficit of 13.2% of funds to reach the general poverty line.

209. Poverty indicators by household's place of residence differ considerably. The highest poverty level is observed in rural areas – 44.3% of rural population. The lowest level was registered in the capital city (12.3%). Should we exclude remittances from the household income and estimate effects of remittances on poverty, the poverty indicators will grow immediately for all population groups regardless of their place of residence? Thus, poverty level in rural areas

shall increase by 6.2 percentage points, in urban localities - by 8.2, and finally, in the capital city – 2.7 percentage points, which is least of all.

210. Examining these differences in poverty indicators by place of residence, we can see again that remittances play an important role in formation of household income in rural areas and in urban centers other than the capital city.

211. Level of extreme poverty is also high for rural residents and urban localities. In the capital city, this indicator turned out to be much lower. Should we exclude remittances from the household income, the proportion of extremely poor people shall increase by 5.3 percentage points for the country overall. Virtually the similar tendency of extreme poverty growth is observed in rural areas (by 5.4 percentage points) and for urban localities (by 7.1 percentage points). For the capital city these changes turned out to be lower (by 2.3 percentage points).

212. Poverty depth index estimated on general and extreme lines of poverty shows the amount of funds that is required for ensuring income level above poverty lines. The index values confirm the tendencies of poverty and extreme poverty distribution by place of residence. It means that rural residents need more (1682 soms per household) to overcome the poverty line as compared to those living in the capital city (404 soms). Should we exclude remittances from the household income, poverty depth index values go up immediately. The households living in urban centers will have the income deficit increased by 47%, in the capital city - by 48.2% and, finally, in rural areas by 26.5%. These figures illustrate that remittances play an important role in improving the welfare of the households living in other than the capital towns.

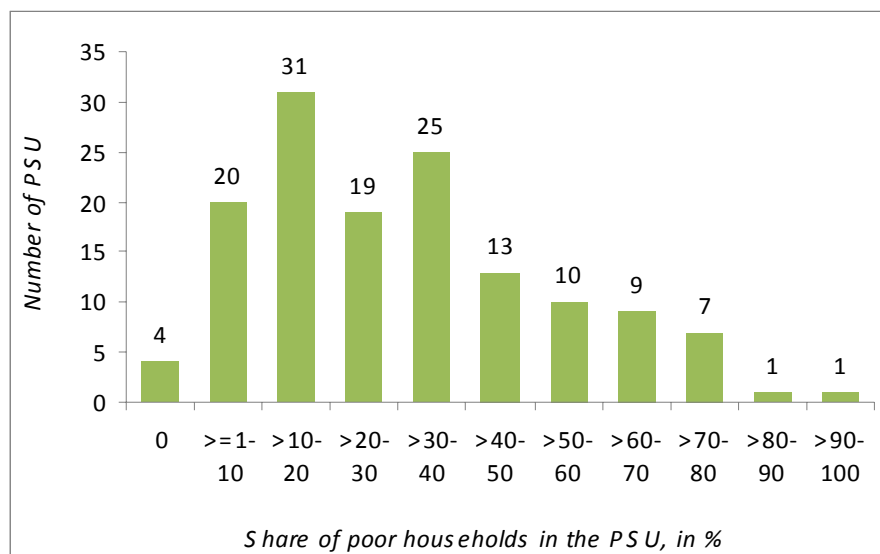
213. The highest Gini index value showing income inequality was registered in the capital city (Table 7.1). It was equal to 0.397 (the bigger is the difference in household income, the higher Gini index will be). Gini index has small differences in other regional groups: other urban localities – 0.384, rural areas – 0.387. The results received illustrate significant differences between the incomes of the households living in capital city and all other households. If we exclude remittances from the total household income, Gini index values go down almost in all the groups, i.e. income-based distribution of the households becomes more equalized.

Table 7.1. Poverty and Income Inequality among Sample Households

	Poverty Level	Extreme Poverty Level	Poverty Depth Index	Gini Coefficient
	%	%	%	N
Groups (including remittances)				
REPUBLIC	38.57	18.15	13.23	0.409
Capital city	12.26	4.98	3.71	0.397
Other urban localities	35.61	15.23	11.50	0.384
Rural areas	44.27	21.37	15.45	0.387
Groups (excluding remittances)				
REPUBLIC	45.38	23.45	17.26	0.409
Capital city	14.96	7.27	5.59	0.386
Other urban localities	43.75	22.31	16.91	0.382
Rural areas	51.52	26.78	19.54	0.383

214. Examining the proportion of households in primary sample units, we can see that each of 37 PSUs - virtually one-third of a sample - has 70 and more percents of poor households. And only in four PSUs percentage of poor households was less than 9, which is possibly typical for the capital city (Figure 7.1).

Figure 7.1. Share of Poor Households in Primary Sample Units
(general poverty line at 3\$ per day)



215. The similar tendencies in distribution of poor and extremely poor households are tracked in the category of remittance-receiving households. The highest level of poverty and extreme poverty is observed in other than the capital urban centers (28.0 and 7.8% respectively – see Table 7.2).

216. If we exclude remittances from the income of remittance-receiving households, their welfare goes down substantially. For example, should we exclude remittances from the income of the households living in the capital city, proportion of the poor households grows drastically (by 28.5 times or from 1.0 to 28.5%). In other urban localities and rural areas proportion of the poor households increases by 2.4 and 2.6 times correspondingly.

217. Remittances apparently play an important role in formation of the income of poor families as their exclusion from the total household income leads to a six-fold increase in proportion of poor households no matter where they live.

218. Poverty depth index characterizing the deficit of funds that may ensure the worthy existence demonstrates strong dependence of remittance-receiving households on remittances. If they stop receiving remittances the cash deficit of those who live in the capital city will increase drastically (by 19 times). Poverty depth index for the households living in other urban localities and rural areas would increase by 6.6 times.

219. Income inequality per member of a remittance-receiving household is high for the republic overall and is set at 0.404. If we exclude remittances from the total income of these households Gini index will grow up to 0.450. In the capital city Gini index is higher (0.458) than for the rural area (0.360). If we exclude remittances from the household income Gini index values will start growing: in the capital - from 0.458 to 0.498, in other urban localities - from 0.418 to 0.490, in rural areas – from 0.360 to 0.398 (Table 7.2).

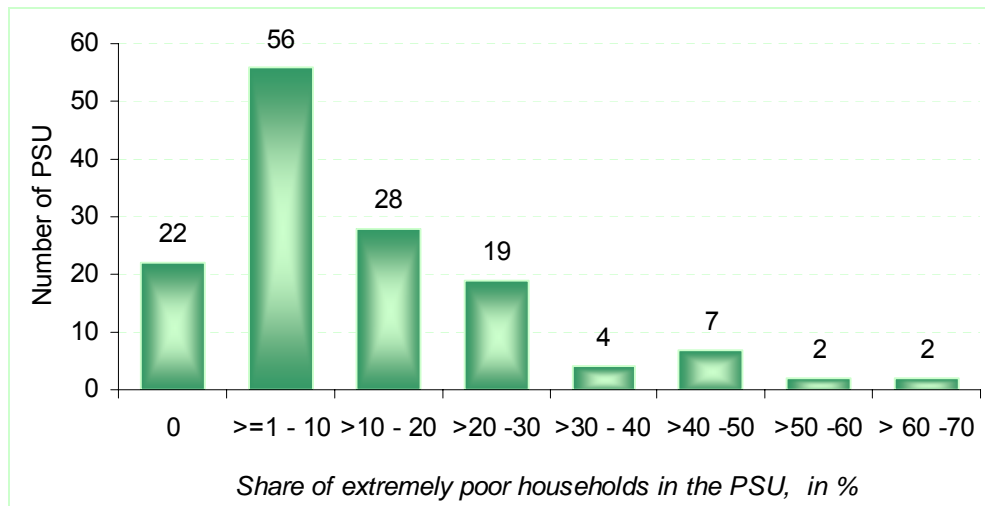
Table 7.2. Poverty and Income Inequality among Remittance-Receiving Households

	Poverty Level	Extreme Poverty Level	Poverty Depth Index	Gini Coefficient
	%	%	%	N
Groups (including remittances)				
REPUBLIC	17.5	6.8	4.5	0.404
Capital city	1.0	0.0	0.1	0.458
Other urban localities	28.0	7.8	5.3	0.418
Rural areas	18.4	7.3	4.7	0.360
Groups (excluding remittances)				
REPUBLIC	61.0	40.6	30.2	0.450
Capital city	28.5	23.4	19.2	0.498
Other urban localities	65.5	46.8	35.0	0.490
Rural areas	63.4	40.8	30.1	0.398

220. Extremely poor households in primary sample units differ in terms of distribution of the poor households. One-third of the sample PSUs has 70% and more poor households, while proportion of extremely poor households was only 12.7% in each PSU. In five PSUs percentage

of extremely poor households was more than half of the population, which possibly is typical for rural areas (Table 7.2).

Table 7.2. Proportion of Extremely Poor Households in Primary Sample Units
(general poverty line at 2\$ per day)



221. The earlier-given analysis of the poverty and extreme poverty indices, poverty depth index and Gini index allows for conclusion that remittances have a noticeable effect on people's welfare and as a result are an important factor of poverty reduction for the residents of all regions of the country. However, on the other hand remittances increase income inequality. And while on the republican scale this increase is insignificant, within the group of remittance-receiving households this inequality grows quite noticeably.

222. The results of subjective poverty assessment in a sample revealed that the higher the family welfare is, the more they complain on shortage of funds. Thus, most respondents in the capital city showed higher income they would need to cover basic expenditures as compared to other households. As a result, the median of income averaged 44 888 soms per month for the capital city which was higher than subjective poverty lines for other urban localities by 2.5 times and for rural areas by 3.5 times.

223. Applying the method of subjective poverty assessment (Table 7.3), we received higher poverty indicators for households. Over 70% of the households in the capital city evaluated their own welfare level as "poor", 20.3% answered that they «hardly made both ends meet» and they could be classified as "extremely poor" households. In other urban localities 61.1% of respondents referred themselves to the category of the poor people, and 12.7% assessed their households as extremely poor. The lowest poverty indicators were observed in rural areas, where 60.8% of responders identified themselves as poor households and 6.8% - as extremely poor households.

224. A tendency to understate their welfare level was also observed in the quintiles showing welfare growth. In these quintiles, along with the growth of the household's welfare the proportion of those identifying themselves as extremely poor households was also increasing. Thus, while in the 1st quintile 7.5% of households identified themselves as extremely poor ones, in the richest 5th quintile this figure reached 13.6%.

225. The remittance-receiving households were more optimistic in their own welfare assessment as compared to non-remittance households. Percentage of remittance-receiving households that referred their households to a poor category was by 2.3 percentage points less than those non-remittance households.

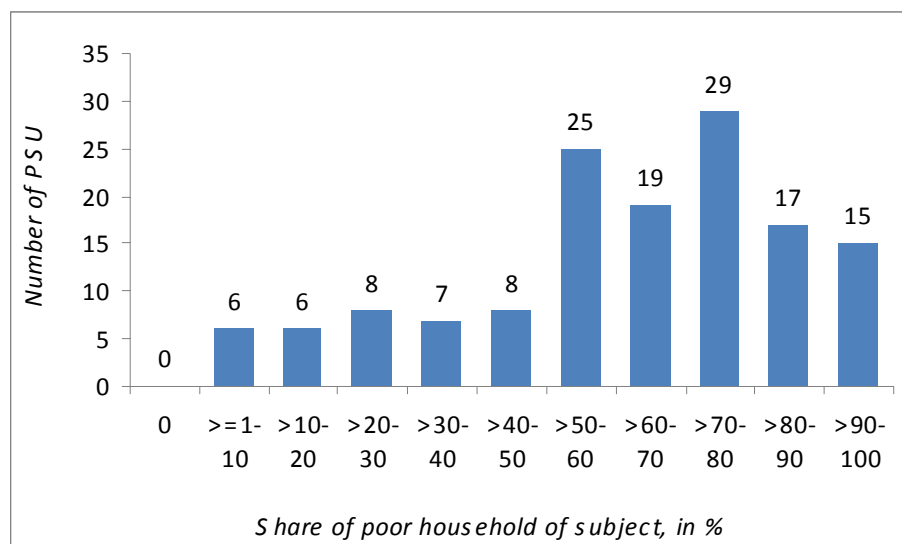
226. The results of subjective poverty assessment revealed an absolutely reversed pattern of poverty distribution by place of residence as opposed to results of assessment based on absolute poverty lines set at \$3 and \$2 per day.

Table 7.3. Households' Assessment of Their Own Poverty Level

	Subjective Poverty Line (median)	Poor	Hardly Make Their Ends Meet	Wealthy
	Local currency	%	%	%
REPUBLIC	16349	62.6	10.5	27.0
Capital city	44888	70.1	20.3	9.6
Other urban localities	18000	61.1	12.7	26.2
Rural areas	12848	60.8	6.8	32.4
Remittance-receiving households	17949	44.2	8.5	47.2
Non-remittance households	16000	66.0	10.8	23.1
Quintile 1	10778	77.6	7.5	14.9
2	12000	69.6	9.8	20.6
3	14963	63.2	9.9	26.9
4	21557	57.9	11.5	30.6
5	35955	44.6	13.6	41.8

227. Comparing distribution of primary sample units by proportion of poor households, estimated based on different poverty lines, we shall reveal absolutely different tendencies. As we mentioned earlier, one-third of the sample PSUs comprises 70% and more poor households, and only 12.7% of extremely poor households determined by absolute poverty line, whereas according to subjective poverty assessment it turned out that more than 70% households in 58 PSUs (or 41% of all PSUs) identified themselves as poor households, which almost double exceeds the number of PSUs with poor households determined by absolute poverty line (Fig. 7.3).

Figure 7.3. Proportion of Poor Households in Primary Sample Units
(subjective poverty assessment)



228. The assets available in the households allowed for determining their welfare level from a new perspective. It was found that the average of 93% of the households surveyed owned real property or land. One-fifth of the households surveyed owned a car or heavy agricultural machinery. More than 12% of households were running their own business. 2.8% of the households made renovation in their houses, while 34.5% made redecorations in the house. In 2006, electricity supply was cut off to 4.5% of households due to late payment of bills (Table 7.4).

229. Certain differences were observed in terms of households' access to assets depending on whether they receive remittances or not. 96.3% of remittance-receiving households own real property, their proportion among non-remittance households is 92.2%. Approximately one-fifth of the households own agricultural machinery no matter whether they receive remittance-receiving households or not.

230. Among remittance-receiving households 3.9% of remittance-receiving households had an opportunity to renovate and 37.6% of them could redecorate their houses which was a bit higher than proportion of such families among non-remittance households - 2.6 and 34% respectively.

231. 4.8% of non-remittance households had their electricity supply cut off, while the proportion of the households facing the similar problem among remittance-receiving households was set at 3.1%.

232. Certain positive welfare-based tendencies were observed among remittance-receiving households. For example, in non-remittance households 85.4% of children aged 6-14 went to schools, whereas among remittance-receiving households proportion of the children attending school was 88.6%. As for the use of medical services, there is little dependence on remittances - 25.5% of non-remittance households and 24% of remittance-receiving households used medical services.

233. School attendance may serve as another important welfare indicator. However, remittances have no effect in this case: proportion of the children not attending school is similar for both remittance-receiving households and non-remittance households and is set at 7.6% of all children.

234. Hence, we can presume that household access to main services including access to medical services and education depends little on remittances.

Table 7.4. Remittances, Asset Ownership and Access to Services
% of all households in a given category

	All Sample Households	Remittance-Receiving Households	Non-remittance Households
Own house/land	92.8	96.3	92.2
Own a car/heavy agricultural machinery	20.3	18.5	20.6
Run the business/engaged in entrepreneurial activity	12.4	11.8	12.5
Renovated the house in 2006	2.8	3.9	2.6
Redecorated the house in 2006	34.5	37.6	34.0
In 2006 electricity supply was cut off due to late payment of bills	4.5	3.1	4.8
Minimum one household member was the user of preventive medical services in 2006	25.3	24.0	25.5
Children aged ≥ 6 and <15 attending school	85.9	88.6	85.4
Minimum one household member did not attend school in 2006.	7.6	7.6	7.6

235. Access to communal services including use of drinking water, gas and electricity does not depend on their welfare level. This is proved by the results of the household survey. Access to these kinds of communal services often depends on the level of infrastructure development in a certain inhabited area. Many villages in the country have no centralized water supply system, let alone gas supply (Table 7.5).

Table 7.5. Remittances and Access to Services
% of all households in a given category

	All Sample Households	Remittance-Receiving Households	Non-remittance Households
<i>% of all households in a category</i>			
Households having access to drinking water			
In summer	88.5	89.8	88.2
In winter	88.1	89.7	87.9
Households having access to gas			
In summer	27.1	25.3	27.4
In winter	27.1	25.5	27.4
Households having access to electricity			
In summer	99.9	100.0	99.9
In winter	92.5	95.0	92.0
<i>Average for a category</i>			
Hours of access to drinking water			
In summer	19.3	17.9	19.6
In winter	19.3	17.8	19.6
Hours of access to gas			
In summer	22.5	21.9	22.6
In winter	22.6	22.0	22.7
Hours of access to electricity			
In summer	21.2	20.8	21.2
In winter	20.9	20.6	21.0

236. **Outcomes.** Study of poverty and extreme poverty, poverty depth index and Gini index show that remittances have a noticeable effect on improvements in the people's welfare. However, remittances increase income inequality.

237. Exclusion of remittances from the income of receiving households substantially decreases household welfare: in the capital city the number of poor households increases by 28.5 times; in other urban localities and villages by 2.4 and 2.6 times, respectively. Remittances play an important role in formation of income in extremely poor families: should we exclude remittances from their income, the number of extremely poor families will increase by almost 6 times.

238. Poverty depth index characterizing the deficit of funds required for the worthy life shows a strong dependence of the households on remittances. If the households stop receiving remittances, money deficit for those living in the capital city would increase by 19 times, for households living in other urban localities and rural areas poverty depth index would increase by 6.6 times.

239. Evaluating their own poverty, households tend to understate their welfare level. Thus, in Bishkek more than 70% of respondents answered that they lived poorly, while more than 20% identified themselves as extremely poor households. In other urban localities 61.1% assessed their households as poor, while 12.7% identified their households as extremely poor. The lowest poverty indicators were observed in rural areas, where 60.8% included their households into a poor category and 6.8% into a category of extremely poor households.

240. The tendency to underestimate their welfare level was also observed in the quintiles showing growth of welfare. The richer the quintile becomes, the more households identify themselves as extremely poor households. Thus, if only 7.5% of households of the 1st quintile identified their families as extremely poor, in the 5th quintile this indicator reached 13.6%. It was also observed that remittance-receiving households were more optimistic in evaluation of their welfare as compared to non-remittance households.

241. As for access to main services, it was found that remittance-receiving households were in a better position. The only exceptions were education and health service, as well as water and gas supply: consumption of these services was not income-elastic, i.e. they were equally demanded by poor households and wealthy households.

VIII. IMPACT OF REMITTANCES ON COMMUNITY DEVELOPMENT

242. This chapter examines possible impact of remittances on community development by analyzing involvement of the households in business, their investments and donations to community and religious organizations.

243. More than 12.4% of the households surveyed were engaged in business or entrepreneurial activities (Table 8.1). Proportions of the household members engaged in business activities have no significant difference between remittance-receiving households (11.8%) and non-remittance households (12.5%). Among remittance-receiving households, proportion of people engaged in entrepreneurial activity outside the place of their permanent residence (2.6%) exceeds proportion of the working members in non-remittance households (1.7%).

244. Investments in business development averaged \$ 1 218.8, at that, investments made by remittance-receiving households (\$ 1 301.5) exceed the average of investments by non-remittance households (\$ 1 203.5).

245. Hiring workers from outside, not family members, demonstrate that remittances help the households to develop and expand their businesses. Thus, 21.6% of businessmen and entrepreneurs from remittance-receiving households could hire persons from outside, while this indicator for non-remittance households was lower - 17.1%. It means that involvement in business activity apparently depends to some extent on remittances; the average of business investments by remittance-receiving households is a little bit higher than the average size of

investments by non-remittance households. Also, remittance-receiving households were more willing to hire people from outside as compared to non-remittance households. The only thing was that the number of workers hired by non-remittance households exceeded the number of workers hired by remittance-receiving households. This is apparently explained by the fact that the overwhelming majority of non-remittance households lives in rural areas and hires more people for agricultural works which is cheaper than hiring people for other labor activities.

Table 8.1. Remittances and Local Investments

	Unit of Measure	All Sample Households	Remittance-Receiving Households	Non-remittance Households
Run their own business / are engaged in entrepreneurial activity:	%	12.4	11.8	12.5
In the home city/ urban center / village	%	10.6	9.2	10.8
Capital city	%	9.0	2.6	9.8
Other urban localities	%	18.2	18.2	18.2
Rural areas	%	8.7	7.5	9.0
Outside home city/urban center/village	%	1.8	2.6	1.7
Number of business activities (average)	N	1.04	1.04	1.04
Average of investments in 2006 (average)	USD	1 218.8	1 301.5	1 203.5
Hire workers from outside, not from the household	%	17.7	21.6	17.1
Number of workers – not members of households (on average)	N	2.9	1.8	3.1

246. The results of the survey showed that, regardless of whether the households receive remittances or not, wealthy or poor, donations to community and religious organizations in their expenditures make up a very insignificant proportion - less than 0.1%.

247. To assess the impact of remittances on community development, the survey team examined a number of social and economic indicators based on proportion of remittance-receiving households in a particular PSU. When examining correlation between remittance-receiving households and poverty level, it was observed that almost in half PSUs the households are still in poor financial position. Therefore, it is impossible to ascertain that remittances may have a direct effect on poverty reduction (see Figure 8.1). At the same time, poverty trend line goes up, while regression equation shows no correlation (coefficient of determination $R^2 = 0$). The attempts to use other non-linear trends virtually gave no positive results. Apparently poverty level within the community frame is not dependent on the number of remittance-receiving households. Almost the same results were obtained on other two criteria of determining household welfare when we examined correlation between extreme and subjective poverty as against to the number of remittance-receiving households (see Fig. 8.2 and 8.3).

248. Hence, we can presume that the general poverty in the republic has a broader coverage than the extreme poverty as it covers a significant number of PSUs; besides this, receipt of remittances still does not solve the problem of poverty reduction. It is also obvious that high indicators of subjective poverty and its wide spread are explained by the fact that upon welfare growth the household demands for life quality increase which leads to discontent by the existing welfare level as the households are of the view that their income does not cover even the minimum level of basic expenditures on goods and services in accordance with their increased needs.

Figure 8.1. Correlation between Remittance-Receiving Households and Poverty Level in PSU

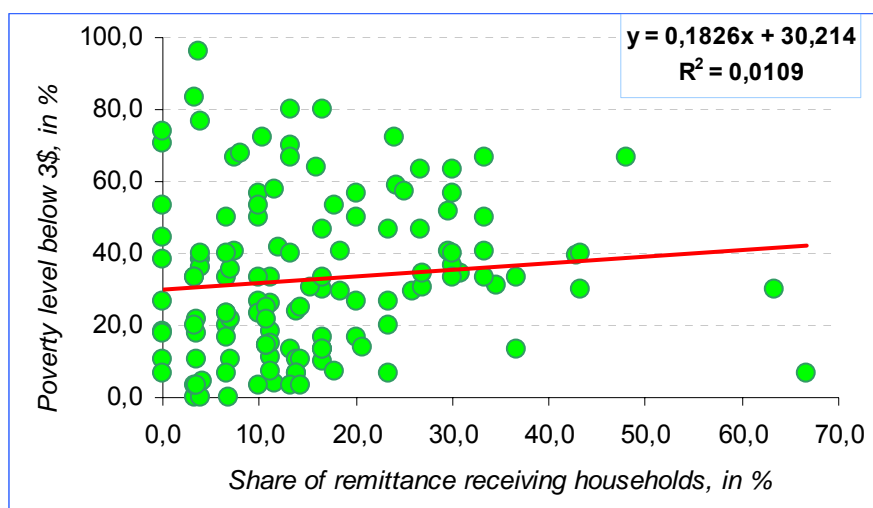


Figure 8.2. Correlation between Remittance-Receiving Households and Extreme Poverty Level in PSU

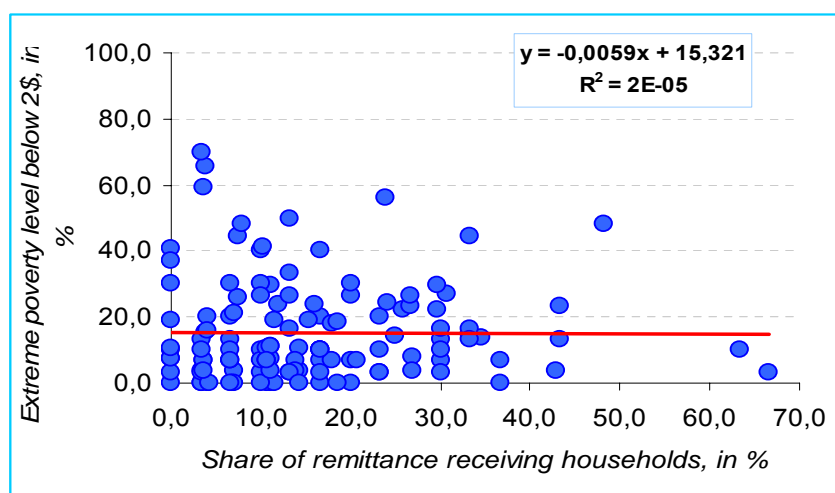
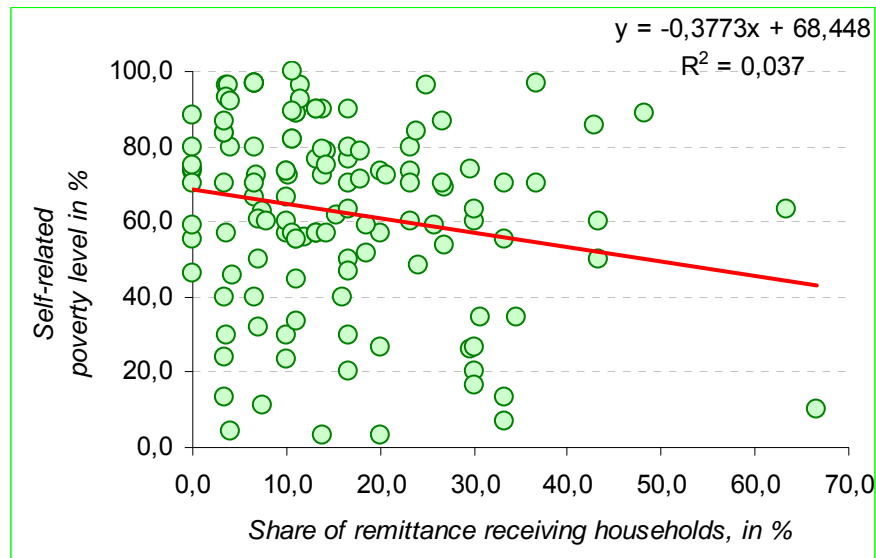
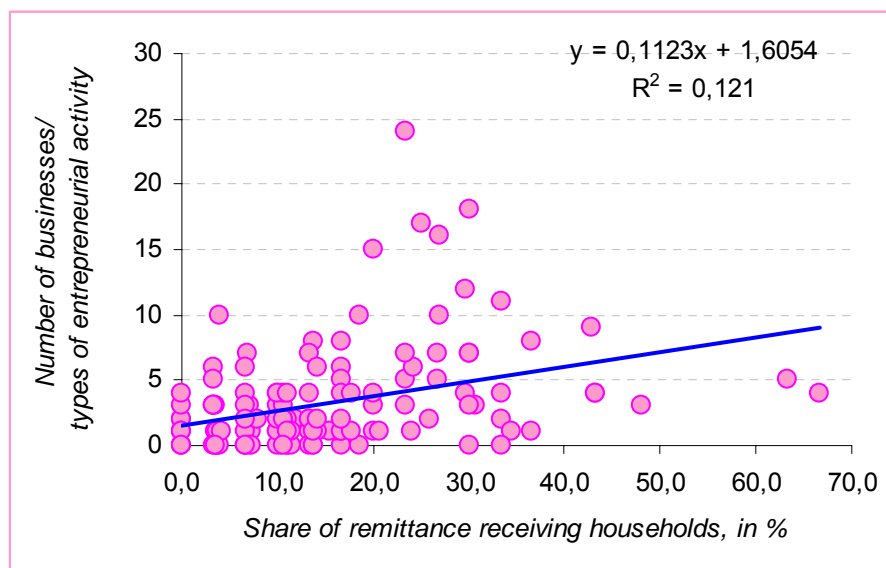


Figure 8.3. Correlation between Remittance-Receiving Households and Subjective Poverty Level in PSU



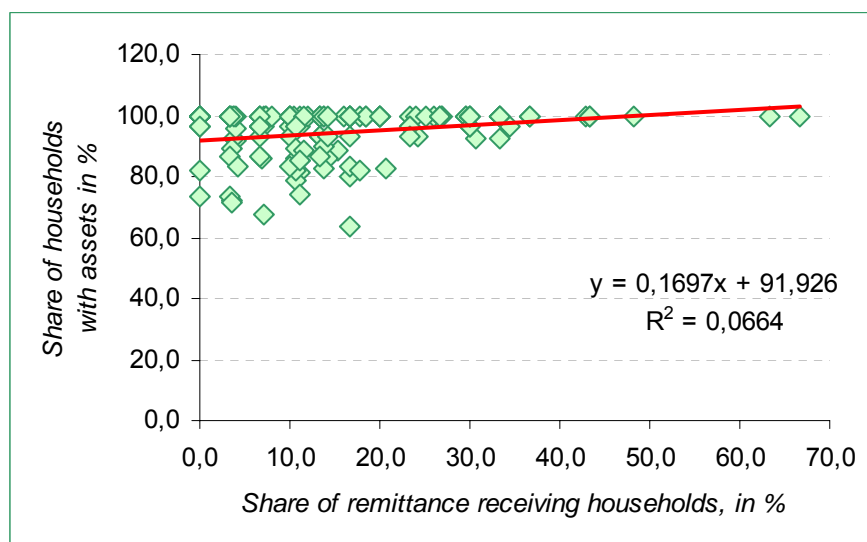
249. Only one-third of PSUs has remittance-receiving households in which members are engaged in business activities. It should be mentioned that in most PSUs proportion of remittance receivers was less than 30% of households, except for a few PSUs in which the number of remittance receivers reached 60-70%. Although on Figure 8.4 the trend line tends to increase which demonstrates the possible impact of remittances on business development by the households; we should also pay attention to regression equation with the coefficient of determination R^2 being equal to 0.121 only, which means that there is no clear correlation between the number of households running business and the number of remittance-receiving households.

Figure 8.4. Correlation between Remittance-Receiving Households in PSU and Total Number of Business Activities Run by the Households from this PSU



250. Almost 90% of remittance-receiving households own fixed assets (house, agricultural lands, agricultural machinery, cars, etc.). However, we can't ascertain that ownership of these assets is associated with receipt of remittances (Fig. 8.5). Virtually all rural households and most of citizens of other than the capital towns are the owners of agricultural lands thanks to the government land policy. Most households own the house or a construction built in the Soviet times. Apart from this, upon liquidation of the Soviet-type collective farms its former members succeeded in turning some agricultural machinery into their ownership.

Figure 8.5. Correlation between Remittance-Receiving Households and Proportion of the Households Possessing Fixed Assets



251. **Outcomes.** The analysis of remittances impact on community development shows that remittances received by the households living in the republic help to improve consumption but not business opportunities or opportunities to provide charitable aid to others. As a consequence, remittances received by households have no noticeable effect on community development in the republic which is demonstrated by the results of regression analysis and dispersion graphs.

IX. RECOMMENDATIONS FOR ECONOMIC POLICY DECISION-MAKING

252. The study results show that remittances are an important factor of households' welfare improvement. In terms of the scale, it is the first research study encompassing the entire country and characterizing behavior of remittance-receiving households and remittance effects on the welfare of the households. Conclusions made allowed for developing recommendations on improvement of the situation in migration field and labor migrants' remittances.

253. To improve the situation in the field of migrants' remittances it is recommended to:

- Improve procedures for labor migrants' departure out of the republic and their entry to the countries of destination and help to improve conditions of their stay in these countries. To consider Russia and Kazakhstan as the priority migrant-receiving countries.
- Given the tendency of income inequality increase among the households resulting from the presence of more opportunities to migrate in relatively prosperous households, it is necessary in collaboration with migrant-receiving countries (mainly Russia and Kazakhstan) to develop the strategy for supporting migrants from poor and extremely poor households. This kind of support may include for example issuance of a small inexpensive loan to cover travel expenses and accommodation during the first few months of stay in a new place.
- Seasonal works, commerce and service sectors are the most popular occupational fields among migrants as they can quite easily find jobs there. However, these fields are not stable and earnings are low. Therefore, it is necessary to provide potential labor migrants with information on job vacancies in high-paid occupations in the economic sectors of the country willing to receive labor migrants from Kyrgyz Republic.
- It is necessary to regulate the monitoring of migration flow, particularly, by expanding government's involvement in migrants' employment in other countries.
- It is necessary to pursue an effective banking policy targeted at raising population's confidence in banks and promoting people's motivation to open savings deposits and use debit cards.

254. Apart from this, for the purposes of effective implementation of the decisions made it is necessary to conduct on-going monitoring of migration processes taking place in the republic and cash remittances flowing herewith, as well as monitoring of the measures implemented in this field.