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The Ramifications of the International Crisis over Money Transfer in NE Syria

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Summary: this research highlights the economic crisis experienced by people in NES, amid the reality that a numerous families count on funds sent by their relatives in diaspora.

In the lines that follow, we will address the methods and the size of funds flowing and the ramifications of the international and regional crisis over that flowing.

Key words:

Autonomous administration Syria money transfer (remittances)
Covid 19 Ukraine-war migrants NES(northeast Syria).

Introduction: people across Syria, particularly in NES have been experiencing poor living conditions due to the long period of war and successive crisis, and the collapsing of the Syrian pound has really exacerbated the situation, in addition, lack of job opportunities and falling wages in autonomous administration-controlled regions, furthermore, lack of basic services (water, power, ...). all these and more, have led families to count on funds sent by their relatives in diaspora, anyway, that amount of funds are vulnerable to the political changes and crises across the world like (COVID 19, Russian-Ukraine war,).

And for further clarifications to understand, this research has been conducted based on certain categories of people (families receiving funds of that type) across NES, besides some categories in Aleppo (suburbs-controlled by autonomous administration). This research is checked with well-informed resources about the economic situation and another open-resources.

This research is composed of several axes include World Bank data on the flow of remittances to Syria. It also includes an analysis of the results of the questionnaire, the purposes of the beneficiaries of remittances, and the volume of flows by conducting estimated calculations and comparing them with the figures obtained from official and informed sources.

General context:

In addition to commercial banks, fourteen companies are officially licensed. They deliver migrant remittances to beneficiaries inside Syria, these companies have the approval of senders' contracts with abroad.

They are: (Al-Haram, Al-Adham, Al-Fouad, Shakhashiro, Maya, Sham, Zamzam, Al-Nidal, Al-Trust, Al-Fadil, Al-Mutahidah and Al-Diyar). In addition, two companies, Tawasul Worldwide and Al Fouad Internal Money Transfers, which have received official approval to distribute Western Union remittances.¹

In addition to licensed companies, there are people and traders who are active in the black market in the field of money transfers, via voice calls on social media applications.

These transactions are most prevalent in areas outside the control of the Syrian government, and are almost the only means there, including the

northeast of the country under the control of the Autonomous Administration and the northwest areas controlled by (Hay'at Tahrir al-Sham)and (Syrian opposition factions).

Migrants who wish to send money to relatives in Syrian government areas resort to remittance companies operating in non-government-controlled areas, and these companies, in agreement with government-licensed internal remittance companies, send these funds to beneficiaries as an internal transfer. ²

This process avoids migrants incurring high costs for their remittances if they send them directly to remittance companies in government areas, as in addition to the remittance fee, beneficiaries inside will lose part of the amount during the transfer to Syrian pounds, as official and licensed companies adopt the central bank rate, which is lower than the exchange rate on the black market.

Therefore, the Central Bank of Syria has taken several measures to restrict cash transfers from outside the country and limit them to officially licensed remittance companies, so that the value of incoming remittances in Syrian pounds is delivered at the rate of the Central Bank.

On January 18, 2020, Syrian President Bashar al-Assad issued decrees 3 and 4, tightening penalties on non-lira dealers.

Understandings between unlicensed money transferring companies on the one hand and licensed ones on the other often caused the Syrian authorities to shut down and withdraw their licenses, under the pretext that they received money from unidentified persons. ³

In a statement above-mentioned, the Central Bank warned against receiving funds through persons not authorized to engage in remittance activity, and that dealing with licensed companies would expose them to prosecution under terrorist financing laws.

In this context, it is difficult to obtain official data on the value of financial transfers to Syria, in light of the fact that the Central Bank of Syria has not issued statistics on the value of incoming remittances.

However, statements are sometimes issued by those close to the Syrian government, indicating an estimated volume of incoming remittances, but these sources cannot be relied on independently.

In May 2017, the semi-official Al-Watan newspaper reported that the value of the incoming funds "could reach five million dollars per day." ⁴

World Bank data on the volume of remittances

The total officially registered remittances to Syria in 2020 until November amounted to one billion and 486 million dollars, while the total remittances in 2019 amounted to one billion and 623 million dollars, or approximately 4.5 million dollars per day. ⁵

The remittances of migrants to Syria (million\$)	Syrian Arab Republic
2008	1325.01392
2009	1349.88
2010	1622.53875
2011	1622.53875

2012	1622.53875
2013	1622.53875
2014	1622.53875
2015	1622.53875
2016	1622.53875
2017	1622.53875
2018	1622.53875
2019	1622.53875
2020	1486.334897

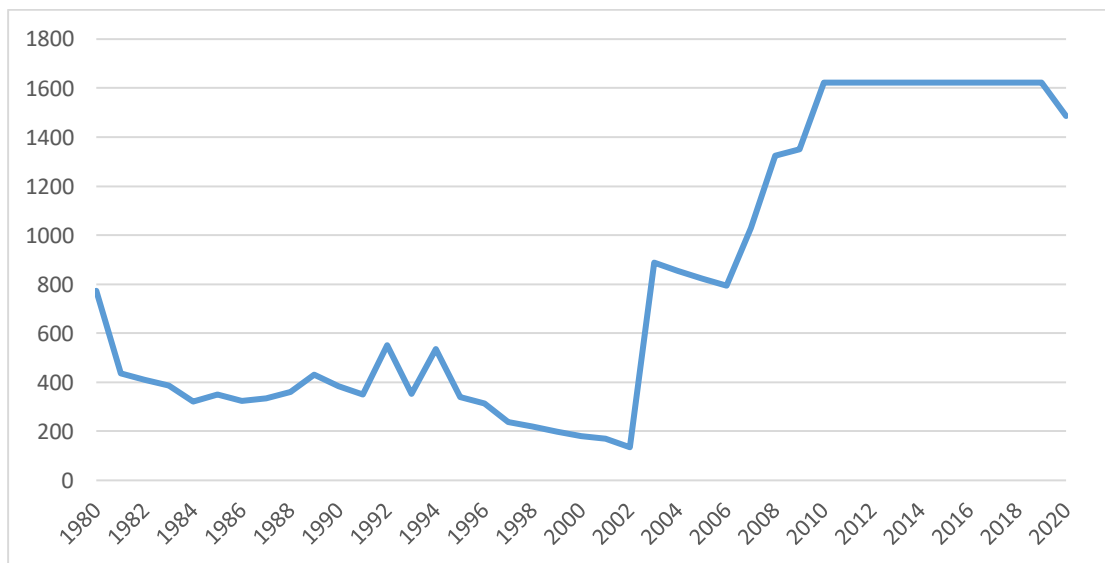


Figure (1) The evolution of the flow of external remittances to Syria from 1980 to 2020 (prepared by the researcher based on data published by the World Bank)

The total officially registered remittances to Syria in 2017 amounted to one billion and 623 million dollars, with Saudi Arabia leading the sources of remittances with nearly half a billion dollars, then Lebanon with 272 billion dollars, then Jordan and Turkey with a quarter of a billion each. ⁶

Syrian Arab Republic (Million \$)	
480	Saudi Arabia
272	Lebanon
245	Jordan
234	Turkey
76	Kuwait
57	Iraq
45	Egypt, Arab Rep.
37	United States
32	United Arab Emirates
27	Germany
19	Sweden
10	Libya
10	Canada
8	Qatar
8	France
5	Venezuela, RB
5	Armenia
5	Australia
4	United Kingdom
4	Israel
4	Netherlands
3	Greece
3	Romania
2	Bahrain
2	Italy
2	Algeria
2	Spain
2	Denmark
2	Switzerland
2	Cyprus
2	Norway

2	West Bank and Gaza
2	Austria
1	Belgium
1	Russian Federation
1	Yemen, Rep.
1	Brazil
1	Indonesia
1	Hungary
1	Morocco
1	Czech Republic
1	Argentina
1,623	WORLD

Table (2) Volume of Remittances Sent to Syria in 2017 by Countries
(Source: World Bank)

But these figures are inaccurate enough because some countries do not have systems to track incoming or outgoing funds, in addition to the fact that many financial transfers are made through informal means, that is, through intermediaries through a process called telephone transfers or hand delivery, where migrants resort to these methods, in order to reduce transfer fees and avoid security troubles, in addition to the fact that the transfer is paid at the black market rate, which is twice as high as the exchange rate of official remittance companies.

According to the World Bank, remittances are the money and other assets sent by migrants to their home country, and the data presented in the previous table include remittances through official channels such as banks and commercial companies that engage in money transfer activity,⁷ and do not include other informal transfer methods.

Remittance methods

After banning circulation and total dealing in dollars, the Central Bank of Syria eased some measures in February 2021, allowing the receipt of

foreign remittances from exchange companies in US dollars or other foreign currencies, under specific conditions for citizens, merchants and industrialists. A transfer whose value exceeds 5,000 US dollars, or its equivalent in accepted foreign currencies, is received according to the beneficiary's desire, either in the same currency in which it was received, or its equivalent in Syrian pounds, at the rate of delivery of the transfers.

The CBE required to deliver personal remittances to citizens above \$5,000 in foreign currency, showing only personal identity, while commercial remittances require a commercial or industrial register. While the possibility of receiving the transfer is according to two options, the first is to receive the amount in cash in Syrian pounds or foreign currencies, and the second is to debit the amount in Syrian pounds or foreign currencies in his account with any operating bank.

With regard to the delivery of incoming remittances amounting to \$5,000 and below, or their equivalent in other foreign currencies, it shall be in Syrian pounds exclusively, and at the rate of delivery of remittances contained in the Bulletin of Banks and Exchange issued by the bank on the date of receipt of the transfer.

However, there are many means used by Syrians abroad to transfer money into Syria, whether to areas under the control of the Syrian government, or to those controlled by the Autonomous Administration or the opposition, and even to besieged areas, including:

- Licensed remittance companies, such as Western Union, and exchange and transfer offices. This method has the advantage of its high cost, as companies charge \$ 10 for every \$ 100, in addition to

the exclusivity of delivering money in Syrian pounds, and at the exchange rate of the Central Bank.

- Unlicensed remittance companies, or what is known as voice call transfers or hand delivery, these methods are less expensive than licensed companies, in addition to being delivered in foreign currency, but they are flawed by the risk of prosecution for financing terrorism.
- Personal relationships, such as the immigrant handing over his remittance to one of his friends in the diaspora and the friend's family at home handing over the remittance to the family of the remittance holder.
- Send money with travelers or with commercial motorists and buses who travel between Syria and other countries.

COVID-19 pandemic and its effects

The COVID-19 pandemic, unprecedented in its spread and impacts, has posed enormous challenges to policymakers, due to its direct and indirect effects on the interconnected global economy. The pandemic could be reduced by three percentage points of the world's actual GDP, compared to the level of global economic activity it would have achieved in the absence of the pandemic⁹. This increases expectations of increased poverty and inequity at the global level¹⁰. Hardly any country has emerged from this pandemic without impacts, regardless of the strategies adopted by countries to mitigate its effects.

Global economic growth has been affected by increased asset risk in global markets, and the increase in these risks resulted from several

factors, including increased precautionary savings, reduced and deferred investment, and higher cost of capital raising.

According to World Bank estimates during the pandemic, remittance flows sent home by migrants were expected to decline by 14% in 2021 compared to pre-Covid levels in 2019.

Remittance flows to low- and middle-income countries are expected to decline by 7 percent to \$508 billion in 2020.

In addition, a possible decline again by 7.5% to reach \$ 470 billion in 2021. The World Bank attributes the expected decline in remittances to several key factors, including weak economic growth and employment in countries hosting migrants, as well as lower oil prices, and the depreciation of remittance-sending countries' currencies against the U.S. dollar. ¹¹

The number of Syrian migrants abroad is an important source of income for their families in Syria, where the number of migrants globally exceeds 80 million people until the end of 2019, and Syrian migrants constitute 8.25% of these, as the number reached about 6.6 million migrants distributed in 126 countries.

83% of Syrian refugees are in Syria's neighboring countries, with Turkey hosting the largest number of them by about (3.6) million, followed by Lebanon (910,600), Jordan (654,700), Iraq (245,800), and Egypt (129,200). Outside the neighborhood, Germany hosts 572,800 Syrian migrants, but the number later increased, followed by Sweden (113,400). ¹²

During the Corona crisis, the World Bank predicted that remittance flows to the Middle East will decline by 8% in 2020 due to the negative impact of the continued slowdown in global growth rates.

Effects of the Ukrainian War

With an unprecedented rise in commodity prices, the Syrian cabinet held an emergency meeting in late February to implement more austerity measures to cope with the domestic impact of Russia's offensive on Ukraine. Food reserves and fossil fuel products were rationed, a number of export categories were restricted to meet domestic demand, and foreign exchange reserve spending was limited to be spent on imports of basic commodities – primarily wheat – to compensate for the turmoil sweeping global markets, the growing deficit in the Syrian market and the decline in total imports from Russian and Ukrainian producers. More measures remain on the table for detailed management of the Syrian economy in the areas of financial services and international and domestic trade.

On the other hand, global interest in Ukraine has led to a decline in interest in the Syrian file even more than before. Especially with regard to improving conditions for Syrian refugees after Ukrainian waves of displacement if Ukrainian displacement becomes the most prominent displacement issue for Western governments.

This is a serious problem given the magnitude of the need among Syrian refugee communities in regional host countries in particular¹⁴. Turkey and Lebanon, for example, have absorbed large numbers of them, but both countries have become unable to meet their needs (and even more unwillingly not to meet them). 70 per cent of Syrian refugees in Lebanon

have not received any humanitarian assistance since the beginning of 2021, while half of Syrian refugee children in the country are not Enrolled in school Much the same is true in Turkey, where some worry about the consequences of creating an "isolated and excluded underclass that is vulnerable to criminality and extremism in subsequent generations.

The unprecedented wave of high prices in Europe has meant that many migrants have been unable to send aid to their families at home, while this situation has reduced the amount of aid for some.

Remittances in NES

There are no official statistics and data issued by the Autonomous Administration regarding the volume of incoming financial transfers, especially since the newly established Autonomous Administration structure does not contain centers specialized in conducting statistics and financial surveys.

But at the same time, the Autonomous Administration does not impose on private companies to provide financial statements on their work during the year, as the weakness of the Autonomous Administration in the organizational aspect makes it difficult to know the size of economic activity in the NES regions, despite the fact that these areas are an economic center of gravity in terms of the volume of foreign currency that flows to them, due to the presence of international organizations and international coalition forces, in addition to the flows of migrant remittances,¹⁵ through which huge amounts of cash are pumped into These areas, in addition to the fact that the freedom to deal in foreign currency in this area makes it an attractive market for foreign currency

unlike the areas of the Syrian government, thus a corridor for external transfers to the areas of the Syrian government ¹⁶

In NES, more than 100 remittance companies licensed by the Autonomous Administration are active,¹⁷ while remittance companies licensed by the Damascus government in this area do not exceed seven. Most foreign money transfers are made through companies licensed by the Autonomous Administration, because they are less expensive, and are characterized by the possibility of receiving the beneficiary his transfer in foreign currency, unlike remittance companies licensed from Before the Syrian government, which receives the value of the transfer in Syrian currency according to the rate of the Central Bank.

According to estimates by some officials in the Autonomous Administration, the flows of foreign remittances to migrants amount to more than two million dollars per month, 1 8, which is about 25 million dollars annually, and this constitutes 1.5% compared to external remittances to the areas of the Syrian government through official channels only, which amount to one billion and 623 million dollars.

However, according to the facts on the ground, the volume of remittances of migrants to the Autonomous Administration areas far exceeds this figure. Therefore, an estimated volume of external transfers to these areas can be calculated by performing a calculation as follows: LINK
Number of Syrian migrants abroad according to World Bank data
to the regions of NES. (Prepared by the researcher)

Fieldwork analysis

We interviewed residents in the cities of Qamishli, Hasakah, and Kobani, and residents in the Sheikh Maqsoud neighborhood of Aleppo, which is run by a local council affiliated with the Autonomous Administration.

Residents of Sheikh Maqsoud were interviewed by phone, while in Qamishli interviews were conducted face-to-face, and interview questions were prepared in advance and given sufficient time to answer them.

The results showed that the income level of the beneficiary of the money transfer process plays a role in determining the purpose of the is, when the level is good, the largest percentage of remittances is for a health purpose, and when the level is reduced to double, the largest percentage of remittances is to secure food needs.

We noticed that in cases where the income of the beneficiary of the transfer is weak, and the sender of this transfer lives in a European country, the value of the transfer remains constant despite the senders' impact on the Covid-19 pandemic and the Ukrainian war and the resulting rise in commodity prices in European countries, but the value of the transfer decreases if the sender lives in Turkey.

The level of the beneficiary's income also plays a role in changing the value of the transfer, when the beneficiary's income is between average and good, the value of the transfer decreases. The least expensive way to receive remittances is through companies licensed by the Autonomous Administration, for example, the beneficiary of the transfer in the cities of Qamishli, Hasaka and Kobani has the freedom to choose the type of currency during receipt, unlike the Sheikh Maqsoud area in Aleppo, where receipt is exclusively in Syrian pounds.

Most of the responses confirmed that there were no difficulties and challenges when receiving remittances, and that women - with one exception - did not face difficulties during the receiving process.

Purpose of the money transfer

The answers about the purpose of the transfer ranged from food needs (repeated 9 times), health (repeated 5 times), educational (repeated twice) and distribution to the poor (once), where the answers were as follows:

Interview Number	Monthly income level		Purpose of money transfer process	Frequency of transfers
1	0	Weak	Educational	Yes
2	18	Weak	Food and education needs	Yes
3	0	Weak	Nutritional and health needs	Yes
4	100	middle	Nutritional needs	Yes
5	300	Good	Distribution to the poor	Yes
6	450	Good	Healthy	No
7	0	Weak	Nutritional needs	Yes
8	92	middle	Health & Nutritional Needs	Yes
9	250	Good	Healthy	No
10	24	Weak	Nutritional and health needs	Yes
11	0	Weak	Nutritional and health needs	Yes
12	74	Weak	Nutritional needs	Yes
13	92.59259	middle	Healthy	No
14	125	middle	Healthy	No

15	0	Weak	Nutritional needs	Yes
16	200	Good	Healthy	No
17	0	Weak	Nutritional needs	Yes
18	0	Weak	Nutritional needs	Yes

We conclude from the table that when the income level is weak, the purpose of the transfer is to the largest percentage to secure the food needs of the beneficiary, and when the income level is medium and good, the highest percentage of the transfer is for a health purpose.

We also note that fifteen of the interviewees answered that it is repeated monthly and only five cases answered that it is not frequent, that is, it may occur every three months or more once, and the reason for not repeating the transfer is due to the financial ability of the sender, and the transfer in the five cases was for health purposes and the level of income of the beneficiary was between medium and good.

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