

**Seventeenth Meeting of the
IMF Committee on Balance of Payments Statistics
Pretoria, October 26–29, 2004**

Statistics on Remittances

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Background

1. There is close attention being paid to the flow of remittances sent home by individuals working abroad. Separate amounts may be relatively small but the aggregate estimate is huge at around \$100 billion a year to developing countries. The money plays an increasing role in the financing of private sector development in the workers' home countries, enabling families to fund, for example, education, housing, small business start-ups and expansion. Many international organisations are involved, primarily the World Bank, IMF, regional Multilateral Development Banks, United Nations and OECD. Most countries have a keen interest, either as sending or receiving countries.
2. The policy interest comes from three directions:
 - i. the size and perceived growth of the aggregate of the remittances
 - ii. the importance of the flows to the economies of many receiving countries, particularly developing countries
 - iii. the possible abuse of flows for money laundering and financing terrorism

Current Developments

3. At their 2004 Sea Island Summit the G8 agreed a set of actions to promote private sector-led development to help alleviate poverty. One way is the facilitation of remittances to help families and small businesses. G8 countries have set up a number of actions on remittances, both in their own countries and with developing countries, including pilot partnership programs.
4. At present the limited information available on remittances, both at the country and more detailed levels, is a constraint on policy in this area. The G8 stressed the need to improve the data on remittance flows and to make them internationally comparable. The goal is to design a single framework to collect and report remittance data across countries. The establishment of a statistical working group has been proposed as a step towards this goal. The group would be led by the World Bank and would include government agencies that compile the national balance of payments, both from G7 and other countries, along with technical experts from the World Bank, IMF and other international bodies. This group would also coordinate with the Inter-Agency Remittances Task Force which is considering ways to address data needs, such as through household surveys in recipient countries.
5. There are a number of documents available on the topic, including:
 - The OECD Round Table on Sustainable Development has prepared a paper titled "Working Abroad - the benefits flowing from nationals working in other economies" (Anne Harrison, Tolani Britton and Annika Swanson, November 2003). The paper brings together current information on migration patterns and estimates of the remittance flows, and broadly shows a clear

relationship between the two data sets at aggregate levels. The lack of detailed statistics needed for specific policy development in any country is highlighted.

- The World Bank Global Development Finance Reports 2003 and 2004 both contain sections highlighting the significance of remittances and associated benefits and challenges. The need for improved data on flows to developing countries in particular to aid formulation of appropriate policies to capture the opportunities is evident.

Need for Reliable Statistics

6. The lack of reliable, or even any, statistics on remittances is a major concern. Flows of remittances are sent through various channels ranging between traditional banking systems (if they exist), specialist wire-transfer agencies (such as Western Union and Moneygram) and more informal methods such as 'hawala' type dealers or use of cash couriers. It is often difficult to identify or collect statistics from the latter operators. Banking systems are unlikely to collect the detailed information needed to identify such remittance and compile statistics about them¹.

7. The Balance of Payments framework is seen as a key source of statistics. Workers' Remittances within the framework are the most directly applicable figures. Conceptually they may include all the relevant flows, but would include others as well (for example remittances to other developed countries). Compensation of Employees figures may also be relevant, especially if the new guidelines on "predominant centre of interest" are adopted for non-permanent workers. Adding the two together gives a blanket coverage, but risks the inclusion of flows that are not appropriate to the issue. The measure of remittance flows used in the OECD paper outlined above is the addition of Workers Remittances and Compensation of Employees.

8. Migrants' Transfers may also be relevant estimates for the analysis. They are not a direct measure of remittance flows, but they may represent potential flows in the future. Some papers, such as the World Bank Global Development Finance reports, add all three BoP components for an overall estimate of remittances.

9. In these circumstances it seems inevitable that the attention will remain on BoP statistics for flows. A major problem is that the sources for these BoP figures are often rough estimates at best, particularly for workers' remittances. The most likely data sources are banking systems, border surveys and sample surveys to households. Sample surveys are likely to give average amounts rather than grossed totals, so an estimate of the numbers of people sending or receiving remittances may be needed.

10. The detail required is also a problem. Aggregate figures only are needed for BoP, with country breakdown. Policy makers need much more detail, with aggregates

¹ For example, under European Union regulation, financial institutions are only required to record information on transactions exceeding Euro 15,000

broken down by method of remittance, size, purpose, type of sender/receiver as well as a country analysis. One problem is that there does not appear to be any specific definition of the type of person, remittance flows, or method of sending remittances that are appropriate for the policy work. These definitions will be very important to the development of improved statistics. This could be a first step for the proposed working group mentioned above.

11. Some countries may have relatively well-developed methodologies and data sources to compile their estimates. For example some receiving countries may have set up specific systems to measure these important flows. There may be scope for information exchange between partner countries to improve the global figures

Discussion points for the Committee:

1. Does the Committee agree that the Balance of Payments framework represents the most likely data source for remittances flows? Should BoP compilers aim to meet the detailed statistical needs of policy makers in this area? Should the BoP framework be expanded to show the relevant remittances directly as separate components or memorandum items?
2. What prospects do the Committee see for improved statistics on remittance flows?
3. How can the Committee help the new statistical working group? Could the Committee engage in discussion concerning definitions of the types of person, remittance flows and methods of remitting that can be used to develop statistics for the policy makers?