

# **First Meeting of the Luxembourg Group**

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## **Remittances in the Balance of Payments Framework: Current Problems and Forthcoming Improvements**



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## INTRODUCTION

This paper outlines the current definitions and practices for the compilation and dissemination of data on remittances in the balance of payments framework.<sup>1</sup> It outlines shortcomings in this framework as well as additional data needs identified by data users. It completes the picture by outlining the development of improved definitions and concepts—a process about to be completed—as well as setting out the plans for improved compilation guidance.

In its first section, this paper provides a brief overview of data and concepts concerning remittances and other private transactions linked to migration. It covers data on remittance flows, their definitions in the context of balance of payments statistics, information about the sources and methods used by countries worldwide to compile these data, and the assistance provided by the IMF to its member countries to improve these statistics. The line items that broadly relate to remittances in the balance of payments framework are reviewed: “compensation of employees” under income, “workers’ remittances” under current transfers, and “migrants’ transfers” under capital transfers.

The primary sources of statistical information on remittances (and other balance of payments items) available from the IMF are also introduced. These comprise the fifth edition of the *Balance of Payments Manual (BPM5)* on recommended data definitions and classifications within the macroeconomic statistical framework, the *Balance of Payments Compilation Guide* and the *Balance of Payments Textbook* for compilation guidance and accessible explanations of data categories, and the *Balance of Payments Statistics Yearbook* for both worldwide data on external flows and metadata from country compilers.

In its second section, the paper discusses the limitations in the current conceptual framework. Conceptual shortcomings often frustrate data users, who find that they cannot easily identify relevant data in official statistics. Compilers are sometimes forced to ignore conceptual complexities, furthering the argument for a clarification and simplification of the definitions of standard components related to remittances.

This section then introduces the new and improved definitions for remittances, which were developed by the United Nations Technical Sub-Group with wide consultation of compilers. Most importantly, these new definitions simplify the standard components related to migration and remittances. They also introduce several new supplementary items to the balance of payments framework, addressing specific concerns raised by data users.

The third and final section illustrates weaknesses in global remittance data (including an assessment of global discrepancies in remittance aggregates) and the need for improved practical guidance on data sources and compilation methods. The inadequacy of practical compilation guidance concerns compilers, who, as a result, often produce data that is less credible than other balance of payments components.

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<sup>1</sup> This paper builds on Reinke and Patterson (2005), International Working Group on Improving Data on Remittances (2005), and United Nations Technical Subgroup on the Movement of Natural Persons (2006).

## **Remittances and the International Working Group**

### ***Origin of the International Working Group on Improving Data on Remittances***

The importance of the accurate measurement of remittance flows was emphasized by the G8 Heads of State meeting at Sea Island in 2004. There are weaknesses in official data on remittances, however, and G7 Finance Ministers and others called for the establishment of a statistical working group, to be led by the World Bank, for improving remittance data.

In January 2005, the World Bank hosted an international meeting on the issue of statistics on remittances in order to establish the working group, take stock of existing work and initiatives, clarify the needs of data users, and agree a strategy towards improving the availability and accuracy of data. The meeting, jointly organized with the IMF, was attended by almost 60 participants comprising data users and compilers from various countries and international organizations. G7 countries were represented by their balance of payments compilers, plus an official from the US Treasury and an official from the UK Department of International Development. Participants concluded that the key priority for the working group would be to improve remittance data within the balance of payments framework, both concepts and definitions, and data collection and compilation methods. The World Bank and IMF, together with numerous partners, agreed to establish the International Working Group on Improving Data on Remittances (“the international working group”) to coordinate the various parts of the work program.

### ***Progress on concepts***

To accomplish the conceptual part, participants agreed that an existing sub-group of the UN Interagency Task Force on Statistics of International Trade in Services, the Technical Sub-Group on the Movement of Natural Persons (TSG), would review concepts and definitions relating to remittances. The TSG has now completed this task and will report their final recommendations to the IMF Committee on Balance of Payments Statistics and the Advisory Expert Group on National Accounts during 2006. The new concepts and definitions are outlined in section 2 of this paper.

### ***Progress on practical compilation guidance***

Practical guidance on data sourcing and compilation is required to achieve the accuracy promised by improved concepts. To address these issues, participants at the international meeting agreed that it would be useful to form a core group of compilers to review methods and, in the medium term, develop more detailed guidance for compiling remittances data in a “city group”. Eurostat, the statistical office of the European Union, offered to host the first meeting in June 2006, thereby creating the “Luxembourg Group”. Terms of reference and membership were developed by Eurostat in consultation with the IMF and the World Bank as well as other stakeholders.

In the meantime the international working group is also coordinating with a recent project being conducted by the Center for Latin America Monetary Studies (CEMLA) to improve central bank remittance reporting and procedures. This project is supported by the Multilateral Investment Fund of the Inter-American Development Bank, with oversight for this work provided by an International Advisory Council, including the IMF and World Bank. Developments on data collection and compilation methods are discussed in section 3.

Since the development of improved guidance has only just begun, the section concludes by outlining the initial steps taken and introduces the Luxembourg Group, a consultative group formed to review and develop approaches to compiling remittances data based on international best practices.<sup>2</sup>

## I. CONCEPTS, DATA, AND GUIDANCE AT PRESENT

### *Remittances and the definition of components in BPM5*

Data users hold different views about the concept of remittances. Research papers (Adams and Page, 2003; Harrison, 2003; Migration Policy Institute, 2003) and subsequent debates treated as remittances certain transactions that are initiated by individuals living or working outside their country of birth or origin and related to their migration. The following components of balance of payments statistics have been specifically mentioned in this context:

- Compensation of employees;
- Workers' remittances; and
- Migrants' transfers.

In the balance of payments framework, compensation of employees is a component of income while workers' remittances is a component of current transfers; both are part of the current account. Migrants' transfers are a component of capital transfers, which is part of the capital account. The definitions of these components, according to the *BPM5*, are:

*Compensation of employees* comprises wages, salaries, and other benefits earned by individuals—in economies other than those in which they are residents—for work performed for and paid for by residents of those economies.

*Workers' remittances* covers current transfers by migrants who are employed in new economies and considered residents there. A migrant is a person who comes to an economy and stays there, or is expected to stay, for a year or more. Workers' remittances often involve related persons.

*Migrants' transfers* are contra-entries to the flow of goods and changes in financial items that arise from the migration of individuals from one economy to another.

The concept of residence for households and individuals is based on their center of economic interest. If a resident household member leaves the economic territory where the household is based and returns to the household after a limited period of time (of less than one year), the individual continues to be a resident even if he or she makes frequent journeys outside the economic territory. Individuals leaving their country with the intention of living in a new economy for a year or longer will be considered residents of the new economy (with a few

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<sup>2</sup> A statistical "city group" is a voluntary group of statistics compilers formed for improving statistical practices in a specific area. Such groups are named after the city of their first meeting.

exceptions, notably students, medical patients, diplomats and military personnel). *BPM5* does not specify a definition of migrants.

Transfers are offset entries in the balance of payments to the provision of a resource (such as grants and gifts in kind or financial form) without a quid pro quo. Depending on the nature and use of the resource, transfers are recorded as current transfers in the current account or as capital transfers in the capital account component of the capital and financial account.

*Workers' remittances* and *migrants' transfers* are transfers, while *compensation of employees* records the remuneration for work. *Workers' remittances* involve a current transfer between residents of different countries, while *migrants' transfers* relate to the capital account changes caused by the change of residence of a household, at the time this takes place. Depending on their specific needs, data users can decide which of these components best represents their notion of remittances.

### ***Data on remittance flows***

Data on remittances, like on all other components of the balance of payments statement, are compiled by relevant statistical authorities in member countries (typically the central bank or national statistical office). Member countries then report their data to the Statistics Department at the IMF, where global tables are compiled and published in the *Balance of Payments Statistics Yearbook*. Part 2 of the *Yearbook*, which shows world and regional tables by item, is a particularly good place to identify and compare specific items, such as those relating to remittances.

The *Balance of Payments Statistics Yearbook 2005* (Part 2) shows that total receipts of workers' remittances in 2004 were recorded as \$129.8 billion, of which developing countries account for \$118.0 billion. Receipts of compensation of employees are shown as \$63.8 billion, of which \$21.4 billion were reported by developing countries (see the Appendix). Migrants' transfers are not separately listed in the global table.

The data are far from perfect. Aggregate data are subject to the variations of compilation on a national basis. Concepts and methodologies are not applied uniformly across all countries. Data sourcing and compilation is better in some countries than others. Some countries report no data to the Fund, or not on all items. Therefore, data comparison and aggregation have to be approached with caution (see also page 10).

Variations in data compilation procedures occur partially due to different interpretations of definitions and classifications.<sup>3</sup> In most cases, however, data weaknesses and omissions are due to the difficulties in obtaining all necessary data. For compiling all remittance-related flows, a

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<sup>3</sup> For example, some countries consider their nationals working abroad for a year and longer as residents—and their earnings therefore as compensation of employees—because they maintain strong linkages with their home country. Most countries follow the one-year rule.

variety of data sources would have to be used, some of which are difficult to capture, and the data need to be classified appropriately according to standard definitions.<sup>4</sup>

The problems that compilers encounter, and the solutions that they apply, vary between countries. The same is true for the resources available to compilers as well as their institutional capacity. As a result of these factors, data are neither perfectly comparable nor equally comprehensive and reliable across countries.

### ***Metadata***

Metadata is a tool for understanding the differences in methodology, data sources, and compilation practices applied by national compiling agencies. The compiling agencies of IMF member countries compile information on their data sources, definitions, classifications, and compiling methods. Reported in a standard template, it is published by the IMF in the *Balance of Payments Statistics Yearbook* (Part 3) and is also available online.

Although these metadata help in understanding different approaches taken by balance of payments compilers, the level of detail they provide is insufficient for a detailed analysis of data systems.<sup>5</sup> However, some technical assistance projects, such as the GDDS project at the IMF, take the compilation and review of metadata as a starting point to strengthening the capacity and methods of data compilers. In itself, metadata is a resource for cross-country comparison, but not a sufficient one for improvement; yet as a starting point for prioritizing technical assistance, metadata plays an important role.

### ***Compilation guidance and technical assistance***

In support of the application of principles set out in the *BPM5*, the IMF published the *Balance of Payments Compilation Guide* and the *Balance of Payments Textbook*. The *Compilation Guide* provides practical guidance on issues such as data sources including surveys, the establishment and use of International Transactions Reporting Systems (ITRS),<sup>6</sup> compilation of the various accounts in the balance of payments statistics, estimations, database management, and publications. The *Textbook* was written mainly as a reference book for IMF training courses in balance of payments methodology, yet it makes a good resource for self-study by compilers. It provides practical examples and useful explanations of definitions and conventions contained in the *BPM5*.

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<sup>4</sup> For example, hawala transactions are difficult to capture. Once aggregate flows through the hawala system are reported to compilers, they have to classify flows according to their purpose (payment for imports, investment, remittances, etc).

<sup>5</sup> However, even at a more general level, it is interesting to note that the majority of countries do not describe all migration-related flow items (compensation of employees, workers' remittances, and migrant transfers) in their metadata.

<sup>6</sup> An ITRS is a system for measuring international transactions. In particular, they measure individual external cash transactions that pass through domestic banks and through enterprise accounts with banks abroad, noncash transactions, and stock positions. Most ITRS evolved as by-products of foreign exchange control systems. Not all countries have an ITRS.

Technical assistance is available from the IMF for member countries to support the continued improvement of balance of payments statistics. Technical assistance missions frequently assess statistical systems, provide recommendations for improvement, help with implementing methodological changes, and engage in general capacity building and on-the-job training. Regular training courses on balance of payments statistics are held at the IMF headquarters and regional training centers for the benefit of all member countries.

Compilation guidance through publications, technical assistance, and training courses address all parts of the balance of payments framework, including the categories discussed in this paper. However, member countries decide what emphasis they want to give to any one area, such as remittances.

## II. CONCEPTUAL PROBLEMS AND IMPROVEMENTS IN PROGRESS

This section outlines the limitations of existing concepts and data and the improved new definitions for remittances that are currently being finalized. It also discusses how the new definitions simplify the standard components and address the concerns of data users, particularly by creating new, supplementary data definitions derived mostly from standard components.

### *Conceptual limitations of remittance definitions in BPM5*

The *Balance of Payments Manual* does not define workers or migrants.<sup>7</sup> According to the *Balance of Payments Textbook*, “workers’ remittances consist of goods or financial instruments transferred by migrants living and working in new economies to residents of the economies in which the migrants formerly resided” (p. 90). It further states that workers’ remittances are “transfers made by migrants who are employed by entities of economies in which the workers are considered residents” and that transfers of self-employed migrants “are not classified as workers’ remittances but as current transfers” (p. 90–1). This distinction is necessary since “workers’ remittances, according to the balance of payments convention, arise from labor and not from entrepreneurial income” (p. 91).

Data compilers as well as users have pointed out that this distinction is neither analytically desirable nor practically implementable. Households often earn income from different sources, combining wages and entrepreneurial labor income with investment income and transfers. Since money is fungible, it is often impossible to determine whether transfers abroad are made from wage or other income.

Also, households are often comprised of people with diverse residence status and histories. The *BPM5* states that “it is often difficult to make the distinction between persons whose earnings are classified as *compensation of employees*, even though they are not residents of the economies in

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<sup>7</sup> In fact, the *BPM5* is not too concerned about the identification of migrants amongst residents. “The activities of an individual—whether he or she is regarded as a resident or a migrant—do not affect the aggregate transactions of the compiling economy with the rest of the world. Therefore, difficulties on this score will not, in principle, be a source of net errors and omissions in the balance of payments. Even so, efforts should be made to observe the distinction between nonresident workers and migrants” (*BPM5*, paragraph 272).

which they work, and migrants who have become residents of the economies by virtue of being expected to live there for a year or more” (*BPM5*, paragraph 272). One may add that it may also be difficult in practice to make the distinction between migrant residents and non-migrant residents, making the precise application of *BPM5* definitions precarious.

Bilateral data of remittance flows are a key interest of some data users. Although classification of flows by partner country is possible within the framework, it is not a standard feature and attempts to compile it may face practical limitations. Voluntary country classification as a supplemental item is outlined in *BPM5* and could be further encouraged, so that interested countries record remittances by partner country.

Data users are interested in the net income a country earns from seasonal and border workers abroad. Balance of payment statistics show under compensation of employees the remuneration paid by resident companies to nonresident employees and remuneration received by residents from nonresident employers. However, a part of these earnings will likely be spent in the host economy and will therefore not accrue to the home economy as net income. “Personal expenditures made by nonresident seasonal and border workers in the economies in which they are employed [...] are recorded under *travel*” (*BPM5*, paragraph 271). However, data reported under travel also includes the personal expenditures made by other business and personal travelers, while taxes paid in the host economy include those paid by residents and other travelers. It is therefore difficult, at best, to identify the offset items needed to calculate the net income relating to compensation of employees.

### *New concepts and definitions*

At its meeting in New York in February 2006, the TSG agreed on the conceptual definitions on remittances after a one year period of extensive international consultation. Broad recommendations were agreed during the meeting, and finalized through correspondence with a broad range of compilers and international organizations. Intermediate results were discussed by the IMF Committee on Balance of Payments Statistics in June 2005 and by the Advisory Expert Group on National Accounts in July 2005; final agreements are expected in 2006. Separately, the meetings of the IMF Committee on Balance of Payments Statistics and the Advisory Expert Group on National Accounts in 2005 adopted proposals for simplifying the treatment of migration-related issues. The resulting enhancements will be included into the revision of the fifth edition of the *Balance of Payments Manual (BPM5)* and the update to the *System of National Accounts, 1993 (1993 SNA)*, scheduled to be completed in 2008.<sup>8</sup>

These changes should substantially improve accessibility and clarity of data on remittances in the balance of payments, national accounts and international trade in services frameworks. They would bring the balance of payments flows in line with the *1993 SNA* concepts and definitions. They include the introduction of four categories related to remittances, a conceptual change in the use of migration and residence status, the elimination of the concept of “migrants’ transfers”, and reporting of bilateral flows:

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<sup>8</sup> Final details are tentative, subject to the harmonization of a few remaining conceptual points by the Committee and the Advisory Expert Group.

“Personal Transfers” to replace “Workers’ Remittances”. Personal transfers will replace the existing workers’ remittances item in the balance of payments, and will include all current transfers in cash or in kind received by resident households from non-resident households. Unlike workers’ remittances, the new concept is based neither on employment nor migration status and thus resolves inconsistencies associated with the previous concept.

Creation of a new item, “Personal Remittances”. Personal remittances will be defined as current and capital transfers in cash or in kind receivable by resident households from households abroad, and “net” compensation of employees earned by persons working in economies where they are not resident.<sup>9</sup>

Creation of a new item, “Total Remittances”. This will include all current transfers in cash or in kind receivable directly by households from any sector abroad, “net” compensation of employees earned by persons working in economies where they are not resident, and social benefits.

Creation of a new item, “Total Remittances and Transfers to Nonprofit Institutions serving Households”. This will include all components of “Total Remittances” as well as both current and capital transfers to nonprofit institutions serving households (NPISHs).

Removal of the concept of “migrants’ transfers” from the balance of payments framework. Instead of recording changes of assets and liabilities resulting from individuals moving their residence from one economy to another in the capital account, they will be recorded as “other changes of assets and liabilities”. The movement of personal effects that accompany a migrant will be excluded from import and export data.

Abolition of the concept of “migrant” in the balance of payments framework. Since the concepts of personal transfers and remittances are based on the concept of residence rather than migration status, the concept of migrant is no longer relevant. This is consistent with the use of residence criteria elsewhere in the balance of payments and national accounts frameworks.

Reporting of remittance flows to and from major partner countries in balance of payments data. This is a lower priority request of data users compared to accurate reporting of aggregate remittance flows, but reporting of bilateral flows will be encouraged.

Personal transfers is expected to be a standard item in the revised balance of payments framework. All new definitions – i.e., personal remittances, total remittances, and total remittances and transfers to nonprofit institutions serving households – are expected to be supplementary items that compiling countries are encouraged but not required to compile. It should be noted that they cut across standard categories (income and transfers) and may entail asymmetries between transacting countries due to sector allocation.

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<sup>9</sup> This concept refers to “compensation of employees” net of, i.e. less, taxes on income, social security contributions, and travel and passengers transportation related to the short-term employment and paid to resident entities in the host economy. Depending on policy interests, some countries may choose to compile the above components to obtain net compensation of employees, however, these components may not be included as part of the balance of payments standard presentation for reasons of simplicity and collectability.

### III. PRACTICAL PROBLEMS AND COMPILATION GUIDANCE

In this final part, this paper draws attention to some of the difficulties in compiling data on remittances and to the need for improved compilation guidance. The background and rationale for the formation of the Luxembourg Group is also outlined.

#### *Problems in extracting data from the balance of payments framework*

Not all funds remitted by migrants will be recorded as remittances in the balance of payments framework.<sup>10</sup> This sometimes contributes to the data users' problems in identifying the data that corresponds to their analytical needs. Hence, the *Balance of Payments Textbook* states that "money remitted by a migrant for the purpose of making a deposit in his or her own account with a bank located abroad represents a financial investment [...] rather than a transfer" (p. 90) and is therefore not a remittance (but is instead recorded as an investment asset of the sending economy). It involves a quid pro quo since the sending party acquires a claim against the deposit-taking bank abroad. Similarly, money remitted to purchase real estate or acquire control of a business would be treated as a form of investment, even if family members in the country of origin live in the house or work in the business.

In some cases, migrants' accounts may be accessible by family members in the country of origin (e.g., through ATM cards). Therefore, withdrawals from such an account constitute a remittance when the withdrawal is made, yet it would seem very unlikely that such transactions are accurately recorded. Similar caveats apply to money transfers to non-residents in the receiving country (students, medical patients, tourists, etc), which do not constitute remittances because by definition no change of ownership between residents and nonresidents occurs. Such flows may interest data users, yet they are not identifiable as migration-related flows in balance of payments statistics unless recorded mistakenly, e.g., by recording Western Union transfers between household members as remittances.

A similar situation exists concerning some physical movements of goods across borders. Migrants visiting their home countries are considered visitors there. When they take personal effects (or cash) with them on home country visits, these are not classified as exports in their country of residence nor imports in their country of origin. However, personal effects are then often given as gifts to relatives living in the country of origin, at which point they constitute exports and imports, and therefore remittances. It is unlikely that such transactions are sufficiently covered by customs data, and they could be substantial where large migrant flows occur, and especially where migrants can travel overland between their countries of origin and residence.

#### *Data accuracy and global discrepancies*

It is evident from metadata, data accuracy checks, and the review of individual country data that the coverage, classification, and compilation of migration-related and household-based transactions is often much less than desirable. Another measure to look at data accuracy, on a

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<sup>10</sup> The balance of payments concept is based on residence and ownership and remittance flows, as a form of transfers, are further defined as a transaction without a quid pro quo.

global level, is to compare inflows and outflows worldwide. In principle, the combined credits (inflows) and debits (outflows) for all countries should equal zero, as the credits of one country or international organization are the debits of another. In practice, however, the data do not offset each other. Statistical discrepancies may reflect the incomplete coverage of transactions, the inaccurate and inconsistent recording of transactions resulting from differences in classification and practices, and the difference in the time of recording transactions. The table below displays aggregate global data for compensation of employees and workers' remittances.

**Compensation of Employees and Workers' Remittances, 1998 to 2004**  
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004
<b>Compensation of employees</b>							
Credit	43287	45807	43903	45029	51541	55763	63841
Debit	43433	45934	45603	48315	54287	62790	71177
Global discrepancy	-146	-127	-1700	-3286	-2746	-7027	-7336
<b>Workers' remittances</b>							
Credit	60705	62348	68261	75903	87171	114358	129844
Debit	60073	59248	62080	67125	76950	80590	90458
Global discrepancy	632	3100	6181	8778	10221	33768	39386
<b>Sum of compensation of employees and workers' remittances</b>							
Credit	103992	108155	112164	120932	138712	170121	193685
Debit	103506	105182	107683	115440	131237	143380	161635
Global discrepancy	486	2973	4481	5492	7475	26741	32050

Source: *Balance of Payments Statistics Yearbook 2005, Part 2.*

The table shows that, for all years from 1998 to 2004, discrepancies for compensation of employees and workers' remittances are larger than those for the sum of these categories. Presentation of the sum removes discrepancies that are due only to different interpretations of the one-year rule. Therefore, the last line is most meaningful as a residual error term. It is rather large in some years, representing 17 percent of recorded global inflows in 2004. Many observers assume that underreporting is common, although overreporting (through misclassification and inadequate estimation) has also been found. The large discrepancy indicates substantial room for improvement.

It should also be noted that the total discrepancy has been growing rapidly in recent years because recorded workers' remittance credits more than doubled in the last five years while recorded debits grew much more slowly. This may suggest that compilers from net remittance

receiving countries have recently put more effort into improving data than their colleagues from net sending countries.<sup>11</sup>

### ***Measurement issues and the need for improved compilation guidance***

Aggregate flow data published in balance of payments statistics are, therefore, far from perfect.<sup>12</sup> Concepts and methodologies are not applied uniformly across all countries, and data sources and compilation methods are better in some countries than in others. Some countries report no data, or not on all items. Data comparisons and aggregations are therefore difficult, and data users often need to make imputations or estimates for missing values. Some problems are due to different interpretations by countries of definitions and classifications, but overall the paucity of source data is seen as the biggest constraint to improving remittance data.

Resource constraints and institutional capacity also play a significant role in limiting the availability, timeliness, coverage and accuracy of data compiled by statistical authorities. The largest outflows take place from countries where remittances are often a relatively small item in balance of payments statistics. As a result, data collections and improvements are often given lower priority than other items. Countries with relatively large inflows are often those with relatively weak capacity and limited resources, even though remittances are a larger item in the balance of payments statistics.

Most problems occur because of difficulties in obtaining all the necessary data. For instance, some countries use international transactions data from the banking sector, which may not include remittances made through informal channels or through money transfer operators. Some countries use models, but parameters are difficult to estimate on a regular basis in a cost-effective manner, and models may lack sufficient data checks. Other countries use counterpart data (e.g. data on outflows are estimated by aggregating inflows recorded by other countries). Overall, there is room for improvement in data sources and compilation methods employed in measuring remittances for the balance of payments.

Recently, household surveys were proposed as a more appropriate data source for remittances, but such surveys create new problems. Estimating remittance flows from surveys requires samples that include sufficiently large numbers of households related to or containing migrants. There are practical difficulties—migrants are not uniformly distributed in the population, finding households containing migrants is a relatively rare event, and information on remittances may be considered sensitive by respondents. As a result, the incorporation of questions in regular surveys may not yield data of sufficient reliability without additional cost. On the other hand, conducting household surveys specifically for balance of payments purposes is costly and time

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<sup>11</sup> The increase in credits is largely due to the contributions of Africa, Asia and especially Latin America. Numerous countries reported at least a doubling of receipts of workers' remittances within the last five years, including Bangladesh, China, Ethiopia, India, Morocco, Nigeria, Pakistan, Sudan, Tunisia, and a number of Western Hemisphere countries including Mexico. The Philippines show a step increase in 2003 due to a change in classifications.

<sup>12</sup> See Reinke and Patterson (2005).

consuming. Many developing and transition countries lack the capacity to implement additional surveys.

The Luxembourg Group is expected to review the inventory of more successful compilation methods with a view towards developing a menu of promising approaches. The review, which is planned for the Group's first meeting in June 2006, is likely to include compilation systems based on transactions data (ITRS), household surveys, and various approaches using models. However, the Group hopes to quickly move beyond a review of existing methods and identify potential routes to the development of future best practice. The Groups aims to assemble compilation guidance that is better than any current practice, offering countries a choice of methodologies. Choice in approaches is important due to the variance in countries' economic and demographic structure, statistical infrastructure and resource establishment, and data requirements.

Despite all efforts, it is also important to recognize that compiling accurate and regular data on remittances in a timely fashion is a major challenge. Even with improved concepts and compilation methods, the nature of remittances—frequent, small flows in cash and kind, through a multitude of channels, mostly by related individuals—will continue to challenge compilers and data users around the world.

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**Excerpts from the *Balance of Payments Statistics Yearbook, Part 2***  
 Remittance-related Flows, 1998 to 2004  
 (In millions of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2004
<b>Compensation of employees</b>							
Credit							
Industrial countries	28926	29048	27320	28711	32438	37143	42484
Developing countries	14361	16759	16583	16318	19103	18620	21357
International Organizations	0	0	0	0	0	0	0
Total	43287	45807	43903	45029	51541	55763	63841
Debit							
Industrial countries	29602	30904	29955	31833	36629	42420	47501
Developing countries	7585	8188	9108	9345	9576	11539	14133
International Organizations	6246	6842	6540	7137	8082	8831	9543
Total	43433	45934	45603	48315	54287	62790	71177
Global discrepancy							
Industrial countries	-676	-1856	-2635	-3122	-4191	-5277	-5017
Developing countries	6776	8571	7475	6973	9527	7081	7224
International Organizations	-6246	-6842	-6540	-7137	-8082	-8831	-9543
Total	-146	-127	-1700	-3286	-2746	-7027	-7336
<b>Workers' remittances</b>							
Credit							
Industrial countries	11318	10643	10713	11572	10794	11219	11857
Developing countries	49387	51705	57548	64331	76377	103139	117987
International Organizations	0	0	0	0	0	0	0
Total	60705	62348	68261	75903	87171	114358	129844
Debit							
Industrial countries	34682	36651	37044	40880	43224	46151	51197
Developing countries	25391	22597	25036	26245	33726	34439	39261
International Organizations	0	0	0	0	0	0	0
Total	60073	59248	62080	67125	76950	80590	90458
Global discrepancy							
Industrial countries	-23364	26008	26331	29308	32430	-34932	-39340
Developing countries	23996	29108	32512	38086	42651	68700	78726
International Organizations	0	0	0	0	0	0	0
Total	632	3100	6181	8778	10221	33768	39386

	1998	1999	2000	2001	2002	2003	2004
<b>Sum of compensation of employees and workers' remittances</b>							
Credit							
Industrial countries	40244	39691	38033	40283	43232	48362	54341
Developing countries	63748	68464	74131	80649	95480	121759	139344
International organizations	0	0	0	0	0	0	0
Total	103992	108155	112164	120932	138712	170121	193685
Debit							
Industrial countries	64284	67555	66999	72713	79853	88571	98698
Developing countries	32976	30785	34144	35590	43302	45978	53394
International organizations	6246	6842	6540	7137	8082	8831	9543
Total	103506	105182	107683	115440	131237	143380	161635
Global discrepancy							
Industrial countries	-24040	-27864	-28966	-32430	-36621	-40209	-44357
Developing countries	30772	37679	39987	45059	52178	75781	85950
International organizations	-6246	-6842	-6540	-7137	-8082	-8831	-9542.9
Total	486	2973	4481	5492	7475	26741	32050

Source: *Balance of Payments Statistics Yearbook 2005, Part 2.*