

**Eighteenth Meeting of the  
IMF Committee on Balance of Payments Statistics  
Washington, D.C., June 27–July 1, 2005**

**Remittances: Progress on Methodology and Compilation Guidance**

**Prepared by the Statistics Department  
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## **Background**

The importance of remittances, and improved statistical data on them, was emphasized by the G8 Heads of State meeting at Sea Island in 2004. This meeting called for the establishment of a statistical working group, to be led by the World Bank, for improving remittance data. At the 2004 meeting of the Committee, the United Kingdom presented a paper drawing attention to international migrant remittances as a development policy and financial stability issue and reporting on a set of actions agreed by the G8 meeting. The presentation concluded that the balance of payments framework would be central to the G8 initiative. Papers from the OECD's Round Table on Sustainable Development (an overview and international comparison of available data) and from the UNSD (on the development of a statistical framework for the measurement of remittances) were also considered at this point.

In January 2005, the World Bank hosted an international meeting on the issue of statistics on remittances, with the objective of clarifying the needs of data users and agreeing a strategy towards improving the availability and accuracy of data on remittances. The meeting, jointly organized with the IMF, was attended by almost 60 participants comprising data users and compilers from various countries and international organizations. The G8 governments were represented by an official from the US Treasury.<sup>1</sup>

At the meeting it was agreed that balance of payments statistics are the appropriate framework for collecting, reporting and improving official statistics on remittances; that balance of payments concepts and definitions relating to remittances should be reviewed; and that improved guidance for collecting and compiling remittance statistics, including through the use of household surveys, is needed.

This short report reviews the progress made in these areas since the meeting in January, and outlines current plans for further work.

## **Concepts and definitions**

Participants at the international meeting agreed that discussion of improvements to relevant statistical concepts and definitions should take place in the Technical Sub-Group on the Movement of Persons (TSG). The TSG was established by the UN Statistical Commission to develop a conceptual framework for the measurement of the movement of persons. It includes central banks, national and international statistical agencies in its membership, and the UN Statistics Division holds the chair and secretariat. It will report its proposals on remittance statistics to this meeting of the committee, as an input to the revision of the Balance of Payments Manual, fifth Edition, and in July to the Advisory Expert Group on National Accounts (AEG), as an input to the update of the 1993 System

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<sup>1</sup> Further information on the meeting, including all papers and presentations, is available at <http://www.worldbank.org/data/remittances.html>.

of National Accounts. It will also report to the Task Force on Statistics of International Trade in Services (TFSITS), as input to the revision of the Manual on Statistics of International Trade in Services.

The TSG met in Paris in February, and has subsequently held virtual discussions on the definition of remittances. Recommendations<sup>2</sup> on the definition of remittances were circulated for comments to a wider cross-section of statistics compilers and are now being presented to the Committee for deliberation.

As will be discussed later in this meeting (see BOPCOM-05/09, 09A and 09B), the TSG recommends that the “workers’ remittances” item in the balance of payments be replaced with a new component “personal transfers”, which includes all current transfers in cash or in kind made or received by resident households to or from other non-resident households. Further, a key recommendation is that a new aggregate, “personal remittances”, should be reported in the standard balance of payments presentation as a memorandum item. It is proposed that personal remittances are current and capital transfers in cash or in kind, made or received, by resident households to or from non-resident households, and “net” compensation of employees from persons working abroad for short periods of time (less than one year).<sup>3</sup> Migrants’ transfers would not be included.

The TSG also discussed the issue of “institutional remittances”, which has been raised as an important issue by some data users. These would be defined as current and capital transfers in cash or in kind payable by any resident sector (i.e. households, government, corporations, and non-profit institutions serving households (NPISH)) to non-resident households and NPISH and receivable by resident households and NPISH from any non-resident sector and excluding household to household transfers. The recommendation is that institutional remittances also be reported as a new memorandum item in the standard presentation of balance of payments statistics<sup>4</sup>, and that it includes flows to both households and NPISH as these are difficult to identify separately. It leads to a further memorandum item, “total remittances”, which would be the sum of personal and institutional remittances.

Two other recommendations should be noted. Since the concepts of personal transfers and remittances are based on the concept of residence rather than migration status, it is recommended that the concept of migrant is replaced by the concept of residence in the balance of payments framework. Reporting of bilateral remittance flows is not currently required in the balance of payments, but the recommendation of the TSG is that flows to and from major partner countries should be identified.

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<sup>2</sup> Papers were made available at the TSG website: <http://unstats.un.org/unsd/tradeserv/reldocs.asp>.

<sup>3</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.

<sup>4</sup> There was not a decisive majority among TSG members in favor of treating institutional remittances as a memorandum item (as opposed to a supplementary item).

## **Compilation guidance**

There are varied practices by balance of payments compilers in estimating remittance flows. Some countries use bank reporting systems, some use modeled estimation based on household surveys and labor force data, and some use counterpart data. There are known weaknesses in many of the methods due to, for instance, reporting thresholds of banks, outdated sources for estimating model parameters, and difficulties in capturing informal flows. A common and important issue is that many countries are unable to devote significant additional resources to collecting data on remittances or to improving compilation methodology. For many compilers, remittances data have less priority than other BOP components.

At the January meeting, compilers agreed that it would be useful to form a working group to review methods and, in the medium term, develop more detailed guidance for compiling remittances data. The proposed format was a UN “City Group”, which would normally be formed by countries through the UN Statistical Commission. At the last meeting of the Commission in March, however, there were limited expressions of interest in taking this work further and as a result the City Group has not yet been formed. If this work is to move forward either a key country needs to take steps to form a City Group, or an alternative mechanism (with appropriate resources) needs to be formulated and agreed. A useful forum will be the Center for Latin America Monetary Studies (CEMLA) project to improve central bank remittance reporting and procedures, which is supported by the Multilateral Investment Fund of the Inter-American Development Bank. Technical advice for this work will be provided by an International Advisory Council, including the IMF and World Bank.

Data on remittances collected through household surveys are useful in their own right for research purposes but may also help to improve data reported within the balance of payments framework. Improving methodology in this area therefore represents an important part of the work program. Recent work at the World Bank has included the development of a standard survey questionnaire and data processing software for surveys of remittance-sending households, and field testing of the instruments with Nigerian, Senegalese and Congolese communities in Belgium. The Department for International Development (DFID) has also sponsored a survey of the Bangladeshi community in the United Kingdom, which may further help improve methodology. The World Bank is conducting a household survey in Morocco which will include information on remittances received by households. The World Bank’s work on household surveys will be linked with the initiative to improve remittance data through the proposed City Group or alternative mechanism.

## **Reporting to G-7 Finance Ministers**

The international meeting in January agreed that the World Bank, IMF and a few partner countries, in collaboration with UN Statistics Division, will prepare a report for G-7 Finance Ministers by September 2005. Appropriate partner countries need to be identified to help with drafting this report; this could be linked with the composition of the City

Group. The report will describe the results of the conceptual work in the context of the revision of the Balance of Payments Manual and outline any progress made in improving data collection and compilation guidance.