

**Eighteenth Meeting of the
IMF Committee on Balance of Payments Statistics
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Institutional and Total Remittances

**Prepared by the United Nations Technical Subgroup on
Movement of Natural Persons**

OUTCOME PAPER # 3¹

INSTITUTIONAL AND TOTAL REMITTANCES

UNITED NATIONS TECHNICAL SUBGROUP ON MOVEMENT OF NATURAL PERSONS

1. The United Nations Technical Subgroup on the Movement of Natural Persons (TSG) at its meeting in Paris (31 January – 1 February 2005), discussed Balance of Payments flows related to remittances based on the issue paper *Definition of Remittances and Relevant BPM5 Flows*. It deliberately sought to harmonize the Balance of Payments components related to remittances to the 1993 SNA transactions.
2. There was not sufficient time for the TSG at its meeting to discuss in full additional issues related to the definition of (a) institutional remittances and (b) total remittances. It was decided that deliberations on the above issues would be done electronically. UNSD prepared an issue paper for discussion among the members of the TSG. The results of the consultation among the TSG members were summarized in an intermediate outcome paper. Subsequently, the issue and outcome papers were distributed to a wider audience including participants in the International Technical Meeting on Measuring Migrant Remittances organized by the World Bank and IMF (Washington DC, 24-25 January 2005), the participants at the Workshop on Statistics of International Trade in Services for the ESCWA region (Beirut, 14-17 December 2004) and interested countries that have contacted the TSG Secretariat. The results of the consultations are presented below.

(a) Institutional remittances

3. The TSG was prompted to develop a concept of institutional remittances as a result of some countries' interest in identifying flows sent by organized groups of migrants for the benefit of the communities in the home countries. These types of flows can be significant and are linked to the movement of persons.
4. The issue paper on institutional remittances put forward a narrow and a broad definition of institutional remittances. The narrow definition covered only net receivable by households from any sectors (excluding household to household transfers, as these transfers would be covered under personal remittances²). The broad definition covered net receivable by households and NPISHs (excluding household to household transfers which are covered under personal remittances). The narrow definition of remittances was not accepted because of practical and conceptual considerations. The practical considerations included the difficulty in separately identifying flows to households and NPISHs. The conceptual considerations included the notion that receivable by NPISHs

¹ The outcome paper will be submitted to the Balance of Payments Committee (BOPCOM), the Advisory Expert Group on National Accounts (AEG) and the Inter-agency Task Force on Statistics of International Trade in Services.

² Personal remittances are defined in Outcome paper #1.

are ultimately channelled to communities and households in the home countries for their benefit.

5. During the consultation process, the following broad definition of institutional remittances was agreed:

Institutional remittances consist of current and capital transfers in cash or in kind payable by any resident sector (i.e. households, government, corporations, and NPISHs) to non-resident households and NPISHs and receivable by resident households and NPISHs from any non-resident sector and excluding household to household transfers.

6. Some members of the TSG argued against the relevance of the broad definition of institutional remittances for the measurement of the impacts of movement of persons. It recognized the importance of separately identifying transfers made by organizations of migrants versus donations made for humanitarian reasons (e.g. in response to natural disasters, war, etc.) or transfers between churches. However, it was considered difficult in practice to identify those transfers and therefore agreed to a broad approach. Further, it was noted that some transactions which would result in the benefit of households may be difficult to identify because they occur in indirect ways. This would be the case, for example, of financing corporations in the host country that provide benefits to households. Nevertheless, it was considered that institutional remittances, as defined in para 5, would still provide an indication of the transfers from abroad for the benefit of the households in the home countries.

7. It was agreed that, similarly to personal remittances, institutional remittances should also be recorded as a memorandum item³. As a result, total remittances should also be recorded as memorandum items. The consultation process, however, indicated only a narrow margin in favour of treating institutional remittances as memorandum item as opposed to supplementary item.

8. The above recommendations bring the balance of payments components in line with the 1993 SNA. The table in the Annex illustrates all transactions related to institutional remittances in the secondary distribution of income accounts derived from balance of payments components, related to institutional remittances. The 1993 SNA classification of distributive transactions (D) is used for ease of reference.

(b) Total remittances

9. The TSG agreed on the following definition of total remittances:

Total remittances consist of the sum of personal remittances, as defined in Outcome paper #1, and institutional remittances.

³ In the balance of payments, memorandum items are items that are mandatory to compile as opposed to supplementary items whose compilation is recommended but it is not mandatory.

10. Total remittances should be recorded as a memorandum item. This is the immediate consequence of recording personal and institutional remittances as memorandum items.

Questions for the Committee

- (i) Does the Committee agree with the definition of institutional remittances in para 5?*
- (ii) Does the Committee agree with the definition of total remittance as outlined in para 9?*
- (iii) Does the Committee prefer treating institutional remittances and total remittances as memorandum items or supplementary items?*

ANNEX

TABLE I INSTITUTIONAL REMITTANCES

SNA and BOP transactions	hh→ NPISH	NPISH → hh + NPISH	Government → hh + NPISH	Corporations → hh + NPISH
Services Travel (part, COE related)				
Income COE				
Current transfers				
Current taxes on income, wealth, etc. (D.5) (COE related)				
Social contributions (D.61) (COE related)				
Social benefits other than social transfers in kind (D.62)				
Social security benefits in cash (D.621)		√	√	
Social insurance benefits (D.622 – D.623)		√	√	√
Social assistance benefits (D.624)		√	√	
Social transfers in kind (D.63)		√	√	
Other current transfers (D.7)				
Miscellaneous current transfers (D.75)				
Personal transfers				
Compulsory payments		√	√	√
Transfers to NPISH (e.g. donations)	√	√	√	√
Capital transfers				
Migrants' transfers				
Other capital transfers (part)	√	√	√	√



UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

**UNITED NATIONS TECHNICAL SUBGROUP ON
MOVEMENT OF NATURAL PERSONS**

ISSUE PAPER #3:

INSTITUTIONAL AND TOTAL REMITTANCES

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⁴ The paper represents the views of the authors and not those of the United Nations. The paper was discussed electronically by the TSG members.

1. Background

11. The United Nations Technical Subgroup on the Movement of Natural Persons (TSG) at its meeting in Paris (31 January – 1 February 2005), discussed Balance of Payments flows related to remittances based on the issue paper *Definition of Remittances and Relevant BPM5 Flows*.

12. The TSG agreed on the following issues:

- (a) New definition of “workers remittances” to be named “personal transfers”;
- (b) New definition of remittances;
- (c) Change in recording of migrants’ transfer.

13. There was not sufficient time for the TSG to discuss additional issues related to the definition of institutional remittances and total remittances. It was decided that deliberations on the above issues would be done electronically.

2. Institutional remittances

14. The TSG was prompted to develop a concept of institutional remittances by some countries that raised the issue of the importance of identifying flows sent by organized groups of migrants for the benefit of the communities in the home countries. These types of flows are directly linked to the movement of persons.

15. Institutional remittances could be defined in a narrow and broad sense. Below we discuss both definitions and provide examples of the types of transfers covered by both definitions.

Narrow definition of institutional remittances

16. In the narrow sense, institutional remittances would consist of current and capital transfers in kind made, or received, by resident households to or from abroad by non-profit institutions serving households (NPISH), government and non-financial and financial corporate sector. Transfers included in the narrow definition of institutional remittances are illustrated in Table I below. The 1993 SNA classification of distributive transactions (D) is used for ease of reference.

TABLE I. INSTITUTIONAL REMITTANCES

SNA and BOP transactions	Narrow definition			Broad definition			
	NPISH → hh	Government → hh	Corporations → hh	hh → NPISH	NPISH → hh +NPISH	Government → hh + NPISH	Corporations → hh + NPISH
Services Travel (part, COE related)							
Income COE							
Current transfers							
Current taxes on income, wealth, etc. (D.5) (COE related)							
Social contributions (D.61) (COE related)							
Social benefits other than social transfers in kind (D.62)							
Social security benefits in cash (D.621) ¹	√	√			√	√	
Social insurance benefits (D.622-D.623) ¹	√	√	√		√	√	√
Social assistance benefits (D.624)	√	√			√	√	
Social transfers in kind (D.63)	√	√			√	√	
Other current transfers (D.7)							
Miscellaneous current transfers (D.75)							
Personal transfers							
Workers remittances							
Other household transfers (e.g. gifts)							
Lotteries and gambling							
Compulsory payments (e.g. alimony)	√	√	√		√	√	√
Transfers to NPISH (e.g. donations)				√	√	√	√
Capital transfers							
Migrants' transfers							
Other capital transfers	√	√		√	√	√	√

¹ It includes: Sickness and invalidity benefits; maternity allowances; children' or family allowances, other dependents allowances; unemployment benefits; retirement and survivors' pensions; death benefits; other allowances or benefits (1993 SNA para 8.78).

17. Examples of types of transfers to households from NPISHs, government and corporate sector include the following:

NPISH → *households* include, among other things, collection by charitable organizations from migrants and sent directly to households in the home country.

Government → *households* include, among other things, as part of social insurance benefits payable to households, retirement and survivors' pensions, childrens' or family allowances paid directly to family members residing in the home country, etc.

Corporation → *households* include mostly benefits payable from social insurance schemes such as payment of family, education or other allowances in respect of dependences residing abroad, payment of retirement of survivors' pensions to former employees or their survivors living abroad.

Broad definition of institutional remittances

18. The broad definition of institutional remittances would consist of the total net receivable by households and NPISH from NPISHs, government and corporations sector. Table I above illustrates the types of flows included in the broad definition of institutional remittances.

19. The difference between the narrow and broad definition of institutional remittances consist of the inclusion of current transfers to NPISHs. These include, among other things, transfers to cover social assistance benefits as well as transfers in kind in the form of gifts of food, clothing, blankets, medicines, etc. to charities for distributions to households through NPHIS in the receiving country.

3. Total remittances

20. Another aggregate which has policy relevance and could be defined from the aggregates discussed above is total remittances. It could be defined as the sum of personal remittances, as defined in the outcome paper #1, and institutional remittances. Total remittances could also be added as a memorandum item in the standard balance of payments presentation.

4. Points for discussion

21. The TSG is invited to answer to the following questions:

- 1) Do you agree with the broad definition of “institutional remittances”? If not, do you agree with the narrow definition of “institutional remittances”?

- 2) Should BOP transfers to NPISH be separately identified from transfers to households in BOP standard presentation?
- 3) Do you agree with a definition of “total remittances” as the total of “personal remittances” and “institutional remittances” (see question 2 for definition on “institutional remittances”)?
- 4) Should institutional remittances and total remittances be memorandum items in the BOP standard presentation? Should they (or one of them) be supplementary items?