

International Working Group on Improving Data on Remittances

Final Report

June 2007

Prepared by the World Bank with input from the International Monetary Fund

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Background and Introduction

The importance of international remittances for development and poverty reduction, and the need for improved statistical data on them, was emphasized by the G8 Heads of State meeting at Sea Island in 2004. Subsequent to that meeting, G7 Finance Ministers called for the formation of an international working group (IWG) to review the quality of existing remittance data and develop a work program to make improvements.

In response to data users' concerns, the IWG formulated its work program in early 2005 in consultation with a wide range of stakeholders (including representatives of G7 countries). The work program, based on the understanding that data on remittances fall short of policy and analytical needs, focused on two main activities: the improvement of concepts and definitions of remittances in the balance of payments framework, and the creation of a specific compilation guide for remittance data.

Although this is a final report, work on remittances by members of the IWG continues. Improved concepts and definitions of remittances are becoming part of the forthcoming sixth edition of the Balance of Payments Manual (BPM6). This manual will be published in 2008 and a draft is now available on the IMF website.¹ The compilation guide will also be published in 2008 and a draft will become publicly available around September 2007. Remittances will also play a more prominent role in training, technical assistance and other on-going activities of the World Bank and the IMF.

Sustained improvements in data on remittances will take time. It is 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 guidance, 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.

This final report summarizes the considerable progress made by the IWG in the course of its work. Two previous reports have been issued; the first, in June 2005, outlined the broad work plan of the group, and the second, in November 2005,² reviewed key data quality issues and reported on progress in taking the work plan forward. This report outlines the activities and achievements of the IWG, starting with the analysis of data weaknesses, the work program of the IWG, the improvement of concepts and definitions, and the creation of compilation guidance. Four annexes provide further detail:

- annex 1 discusses data weaknesses and global discrepancies related to remittance data,
- annex 2 summarizes the new and improved definitions and concepts,
- annex 3 contains the draft outline of the forthcoming compilation guide, and
- annex 4 discusses the role of household surveys in further improving remittance data.

¹ <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

² <http://unstats.un.org/unsd/tradeserv/TSG3-Feb06/tsg0602-5.pdf>

Assessment of data weaknesses

The World Bank and IMF convened an initial meeting of around 60 data users and compilers in Washington D.C. in January 2005.³ The meeting reviewed data weaknesses, and agreed priority areas of work for the IWG. In particular it agreed that the IWG would focus on improving aggregate remittance data collected by the IMF within the framework of balance of payments statistics. Bilateral data of remittance flows were also noted to be of interest for data users, but improving these data – which are part of the balance of payments framework but are not a standard requirement – has less priority compared to improving aggregate data.

Data on flows related to remittances reported by countries to the IMF are published in the *BOPSY*, which also includes metadata from country compilers. The items most closely related to remittances under current data definitions include “compensation of employees” under income, “workers’ remittances” under current transfers, and “migrants’ transfers” under capital transfers. There is no single aggregate identifying remittances; the new concepts will address this omission.

Presentations at the meeting revealed some of weaknesses in the aggregate data on remittances, based on the above items in the *BOPSY* (see also annex 1). Concepts and methodologies are not applied uniformly across all countries. Data sourcing and compilation are better in some countries than others. Some countries report no data to the Fund, or not on all items. As a result, data are neither perfectly comparable nor equally comprehensive and reliable across countries.

The variations in data compilation procedures occur partly due to different interpretations of definitions and classifications, and partly because of the difficulties in obtaining all necessary data. Compilers are sometimes forced to ignore conceptual complexities. For compiling all remittance-related flows, a variety of data sources are needed, some of which are difficult to capture. The level of resources available to compilers, and their institutional capacity, is also a factor in the reliability of the data.

It was also felt that conceptual shortcomings often frustrate data users, who find that they cannot easily identify relevant data in official statistics.

A more detailed discussion of the shortcomings of remittance data is given in Annex 1.

Agreed work program

The meeting agreed that two key activities were needed, and that they would be completed by utilizing existing international coordination mechanisms as far as possible:

³ Further information on the meeting, including all papers and presentations, is available on the World Bank’s data site: <http://www.worldbank.org/data>.

- A review of concepts and definitions of the relevant items in the Balance of Payments, to clarify their meaning for data compilers and to improve the interpretation of the estimates by users.
- The development of improved compilation guidance, to help data compilers improve the quality of the estimates they report to the IMF.

To review and improve concepts and definitions, initial recommendations were drafted by a Technical Sub-Group (TSG) of the UN Working Group on Trade in Services,⁴ and then forwarded to the IMF Balance of Payments Committee and the UN Advisory and Expert Group on National Accounts for further refinement. Following these discussions, the new concepts and definitions were submitted to the IMF Balance of Payments Committee for approval and incorporation into the sixth edition of the *Balance of Payments Manual (BPM6)*.

Work to prepare a new compilation guide for data on remittances within the Balance of Payments framework has been carried forward by a working group of compilers from group of diverse countries. This is named the Luxembourg Group after the location of the first meeting in June 2006, which was hosted by Eurostat. The Luxembourg Group has since been hosted by the German Bundesbank in Frankfurt in December 2006, and has produced a draft outline of the new compilation guide (see Annex 3).

An additional useful forum for reviewing compilation practices is the project being conducted by the Center for Latin America Monetary Studies (CEMLA) to improve central bank remittance reporting and procedures. Technical advice for this work is being provided by an International Advisory Council which includes the IMF and World Bank. CEMLA is also represented in the Luxembourg Group.

Improvements to concepts and definitions

Concepts, definitions, and classifications principles relating to remittances within the balance of payments framework are currently contained in the Balance of Payments Manual, fifth edition, published by the IMF in 1993. The IMF is currently revising the manual (sixth edition), having posted a draft of the complete manual on its website on March 15, 2007 for consultation and final publication in 2008. This draft incorporated agreements that were reached by the IMF Balance of Payments Committee on new definitions of remittances, following the recommendations of the TSG, which agreed on the conceptual definitions on remittances in New York in February 2006 after a one year period of extensive international consultation,⁵ and other related proposals. The revisions will also be included in the update to the System of National Accounts, 1993 (1993 SNA), which will also be completed in 2008. Broadly, the changes so far adopted are as follows (full details of existing and proposed concepts and definitions are contained in Annex 2):

⁴ See <http://unstats.un.org/unsd/tradeserv/subgroup.asp>.

⁵ Intermediate results were also 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.

1. The removal of the migrants' transfers item and of the concept of "migrant" from the balance of payments framework. Instead, the balance of payments will use the concept of residence.
2. The replacement of "workers' remittances" with "personal transfers" in the standard balance of payments presentation.
3. The adoption of "personal remittances", "total remittances", and "total remittances and transfers to nonprofit institutions serving households (NPISHs)" as new, supplementary items to the standard balance of payments presentation.

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 changes will substantially improve accessibility and clarity of data on remittances in the balance of payments, national accounts and international trade in services frameworks, and they will bring the balance of payments flows in line with the 1993 SNA concepts and definitions.

Compilation guidance and the Luxembourg Group

The Luxembourg Group held its first meeting on June 26-27, 2006, with a number of experienced balance of payments compilers from countries taking part. These include five from G8 countries (Germany, Italy, Spain, United Kingdom, and United States). The group agreed to collect contributions on different topics for the guide from members, and to produce a first draft by the time of the third meeting in June 2007. The IMF, together with the World Bank, will draft the guide, provided that sufficient material is collected by the Group. The target date for publication is December 2007.

At its first meeting, the Luxembourg Group reviewed the more successful compilation methods employed by countries, with a view to developing a menu of promising approaches. The Group identified the main compilation methods as those that are based on transactions data (ITRS), direct reporting, household surveys, and various approaches using models. These approaches have different advantages and drawbacks, which are being explored by the group and which will be reflected in the guide. A key issue is the availability of data sources and the relative merits of using them, which varies from country to country. No single source is likely to yield sufficient data for the improvement of remittance data in the longer term. Instead, innovative combinations of sources are most likely to lead to significant improvements in remittance data. Compilers therefore have to decide which data sources to use in the circumstances of their countries, depending on institutional, legal and practical considerations. Further, they need to establish compilation methods that result in complete and consistent estimates of remittances drawn from sometimes inconsistent or overlapping data sources.

At its second meeting in Frankfurt on December 4-5, 2006, the Group agreed on an outline for the planned guide and identified relevant material for its chapters from the

papers that were produced by members. Currently, chapters will be redrafted and further work will be undertaken to fill in areas where material is still missing. A full first draft is expected to be circulated within the Group prior to the next meeting on June 26-27, 2007 to be held at the Central Bank of Brazil, Brasilia.

The compilation guide will promote improved compilation practices, and will offer countries a choice of methodologies, needed because of national differences in economic and demographic structure, statistical capacity, and resources for data collection, and data requirements. The diverse composition of the Group ensures that contributions on all topics, as well as a variety of experiences and perspectives are incorporated in the guide.

Annex 1. A review of issues relating to the use of remittance data reported in the Balance of Payments

1. Problems 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.⁶ This sometimes contributes to the data users' problems in identifying the data that corresponds to their analytical needs. 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.

2. Data accuracy and global discrepancies

It is evident from metadata, data accuracy checks, and the review of individual country data that the coverage and accuracy of data on migration-related and household-based transactions are often much less than desirable. Another measure to look at data accuracy, on a global level, is to compare inflows and outflows worldwide. In principle, the

⁶ The balance of payments concept is based on residence and ownership and remittance flows, as a form of transfers, are further defined as transactions without a quid pro quo.

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, 1999 to 2005, billions of U.S. dollars

	1999	2000	2001	2002	2003	2004	2005
Compensation of employees							
Credit	40850	39986	42119	48048	58081	66370	71770
Debit	46889	47000	50054	56495	66465	75522	82217
Global discrepancy	-6039	-7015	-7935	-8446	-8384	-9152	-10447
Workers' remittances							
Credit	67308	73301	82570	94739	114869	130653	151390
Debit	59194	62012	67370	77472	81128	90717	97416
Global discrepancy	8114	11290	15200	17268	33741	39935	53975
Sum of compensation of employees and workers' remittances							
Credit	108157	113287	124689	142788	172950	197023	223161
Debit	106083	109012	117424	133966	147593	166240	179633
Global discrepancy	2074	4275	7265	8821	25357	30783	43528

Source: *Balance of Payments Statistics Yearbook 2006, Part 2.*

The table shows that, for all years from 1999 to 2005, discrepancies for each of compensation of employees and workers' remittances are larger than those for the sum of these categories. Presentation of the sum removes discrepancies that may be 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 20 percent of recorded global credits in 2005. 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 slower. 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.⁷

3. Measurement issues and the need for improved compilation guidance

Aggregate flow data published in balance of payments statistics are, therefore, far from perfect. 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.

⁷ 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.

Annex 2. Definitions and concepts of items relating to remittances in the balance of payments – proposed improvements

1. Concepts in the Balance of Payments Manual (fifth and sixth editions)

Residence

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 exceptions, notably students, medical patients, diplomats and military personnel).

Transfers

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.

2. Relevant items in the Balance of Payments Manual fifth edition

Compensation of employees

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. This item is classified as income in the current account.

Workers' remittances

Current transfers by migrants who are employed in new economies and considered residents there. Workers' remittances involve a current transfer between residents of different countries. Although *BPM5* does not specify a definition of migrants, a person is considered to be a migrant when she or he comes to an economy and stays there, or is expected to stay, for a year or more. This item is classified as a current transfer in the current account.

Migrants' Transfers

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. Migrants'

transfers relate to the capital account changes caused by the change of residence of a household, at the time this takes place. This item is part of the capital account.

3. Changes to concepts in the Balance of Payments manual, sixth edition

Migrant

The concept of “migrant” will be abolished 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.

4. New items in the Balance of Payments Manual, sixth edition

Personal Transfers

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 (and vice-versa). Unlike workers’ remittances, the new concept is based neither on employment nor migration status and thus resolves inconsistencies associated with the previous concept. This will be a standard item in the balance of payments presentation. This item is part of current transfers in the current account.

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 vice versa), and “net” compensation of employees receivable by persons working in economies where they are not resident. The net 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 these 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. Personal remittances will be a supplementary item in the balance of payments presentation.⁸

⁸ Compiling countries are encouraged but not required to compile supplementary items. All new supplementary items (personal remittances, total remittances and total remittances and transfers to Nonprofit Institutions serving Households) cut across the standard categories of income, transfers, and capital transfers. There may be asymmetries between transacting countries due to sector allocation.

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.

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).

5. Removal of items in the Balance of Payments Manual sixth edition

Migrants’ transfers

The concept of “migrants’ transfers” will be removed 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.

6. Reporting of Bilateral Flows

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

Annex 3. Draft outline of remittances compilation guide

1. Purpose and Introduction

This chapter will explain why a compilation guide is needed, drawing on the results of the International Meeting on Remittances held in Washington DC in January 2005 and background papers prepared for the first meeting of the Luxembourg Group. This will place the guide in the context of increased analytical interest and growing international labor mobility. It will define remittances in a broad context (including private transfers, compensation of employees, and the supplementary definitions proposed by the UN Technical Subgroup). It will also link this guide to the production of the revised *SNA* and *BPM6*. Global and regional values, as well as national remittances to GDP ratios could be given as measures of significance. The problems associated with remittance flows will be outlined—in particular, there is greater scope for undercoverage and uncertainty because remittances are typified by small household-based transactions (in contrast to large-scale business transactions for most other balance of payments items); global discrepancies will be cited as evidence. The paper prepared by the IMF for the first meeting of the Group will provide valuable material. The CEMLA Manual will be cited and its role distinguished from this guide.

2. Understanding Remittances

This chapter will contain the following four sections:

2.1 The demographic background of remittances

This section will cover demographic and migrations trends and issues such as labour regulations, issues related to the illegal and legal movement of labour, skill levels of migrants, length of stay, labour contracts and cross-border hiring, and the inclusion of seasonal workers, border workers, and international agency staff, migration patters of dependents (do families move?). This section will also draw attention to the problems in obtaining data from migrant workers due to concerns about illegal immigration, social factors and concerns about taxation.

2.2 Inventory of transaction channels and their institutional environment

This section will provide a full inventory of transaction channels used for remittances and briefly discuss the impact the institutional environment has on the availability of transaction mechanisms and their choice. It will consider both formal and informal channels and attempt to identify new methods such as internet and cell phone based transactions. This section will also acknowledge that remittance service providers innovate quickly, therefore, the inventory should not be considered complete.

2.3 Legal and regulatory issues with respect to transmission channels

This section will draw attention to legal and regulatory aspects of remittances, drawing attention to the widespread use of ‘informal’ channels and the divergent regulatory environment around the world. The Group agreed not to label specific channels as formal or informal since such classifications depend on legal circumstances and are therefore country-specific. Different channels pose different challenges to compilers, and obtaining data on transactions depends on the menu of channels used in a country and the institutional and legal environment governing remittance transactions and data compilation. This section will provide a brief outline of the impact that legal, regulatory and institutional factors have on data sourcing and compilation.

2.4 How to approach the task of improving remittance data

This section will set out a possible strategy for improving remittances data using this guide. The suggested approach is based on four steps: (1) understanding the current situation in an economy regarding the channels through which remittances flow, (2) evaluating the current situation regarding data collection, (3) prioritizing aspects that require improvement with regard to the coverage, accuracy and frequency of data, within the context of resource constraints and other obligations, and (4) improvement or expansion of the data source base (potentially by channel).

3. Basic Principles

This chapter will outline the relevant definitions of standard components and supplementary items related to remittances in the balance of payments framework. The concepts and definitions developed for *BPM6* will be used as agreed by the IMF Committee on Balance of Payments Statistics in October 2006 and it is hoped that this chapter will be closely aligned with the relevant definitions contained in *BPM6*. The following concepts and definitions will be outlined, clearly identifying supplementary items:

- Personal Transfers
- Compensation of Employees
- Capital Transfers
- Personal Remittances
- Total Remittances
- Travel (related to short-term employment abroad)
- Residence
- Valuation
- Timing

Other items that are easily confused with remittances (or should under certain circumstances be considered remittances) will also be defined and their relationship to remittances discussed. These include investment by individual migrants in their own bank accounts in their home and host countries and real estate in home country. Also, issues

related to the reclassification of assets on repatriation and certain counter-intuitive aspects related to changing residence will be discussed here. This chapter will also include a list of data items required for the estimation of the supplementary items (in particular total remittances).

This chapter will mention the need for bilateral data, as expressed by data users, and countries will be encouraged to publish such data where possible, especially for important remittance “corridors”.

4. Data Sources

Each data source and its associated methods will be discussed in general terms, based on knowledge of practices in a range of countries, but written so as not to be specific to a particular system. The guide will state best practices. Cross-references will be made to relevant aspects of particular country’s systems that are dealt with in the case studies. Strengths and weaknesses of each will be identified. Institutional aspects will also be noted, e.g., central banks usually have an infrastructure for reporting by formal intermediaries, statistical offices usually have the infrastructure for household surveys. Institutional and legal factor affecting the practicality of each source will be outlined.

This chapter will be divided into five sections. The first four describe different data sources and estimation practices in detail and each one will contain:

- Description of the collection or estimation system;
- Preconditions necessary to function efficiently;
- List of channels that can be covered;
- Merits and drawbacks;
- Practical compilation guidance, i.e. how to realize the system;
- Breakdown into sending/receiving countries perspectives; and
- Potential output in terms of *BPM6* definitions.

The fifth section will compare these sources in terms of their output (i.e., which data need they address), timeliness and periodicity of data, cost and practical considerations. It will also discuss how different data sources and practices can be combined to achieve better data coverage than any single source would allow.

4.1 International Transactions Recording System

This section will outline the use of ITRS in compiling remittance data. It will describe the different types of ITRS and the difficulties that open ITRS applications as well as thresholds and exemptions present for their use in compiling data on remittances. This section will also discuss to which extent informal remittances can be captured indirectly by an ITRS and how well data captured by an ITRS is aligned to the definitions of *BPM6* and compilers’ data needs.

Institutional and legal factors such as reporting requirements (which institutions, what level of aggregation), exchange controls and IT infrastructure (for timely reporting of data) influence the effectiveness of an ITRS and these will be highlighted. The section will further state that an existing ITRS may be a convenient source of data (if it is able to record relevant data), but that countries are not advised to establish or substantially invest in an ITRS for collecting remittance data.

4.2 Direct reporting system

This section will discuss the role that direct reporting can play in providing data on remittances, in particular from specialized remittance sending agencies, known as money transfer operators (MTOs). Direct reporting requires that MTOs are obliged by legal or regulatory means to provide all necessary data to the data compiling agencies. These data should include all relevant transactions with appropriate classifications as well as partner country and other information as required. The section will discuss the appropriate level of reporting (i.e., reporting by national headquarters of MTOs, not agencies) and it will note that direct reporting can be carried out as surveys or census.

4.3 Household surveys

Numerous countries and international agencies have tried to use household surveys for obtaining data on remittances payments and receipts. The results have been mixed. This section will discuss the experience so far, outline the drawbacks and distill best practices. Issues such as periodicity, accuracy and costliness will be discussed.

4.4 Models and Estimations

Although data models are not a data source, they are used as alternative (or supplement) to direct measurement where data on remittance transactions are difficult to obtain or of poor quality. This section will discuss approaches to estimating (or modeling) remittance data using demographic, macroeconomic, and administrative or any other relevant data. It will describe approaches to estimate remittance data indirectly using statistical information on stock of migrants, their family situation, and duration of stay, average income, and propensity to remit. Other approaches to be discussed make use of observable macroeconomic data, including other balance of payments items, or partially estimate remittances as a residual from current account imbalances. The section will illustrate some existing models, but point out the opportunities for inventing new models and estimation approaches based on local conditions.

4.5 Summary

This section will contain a summarized version of merits and drawbacks of individual data collection methods, as described in the sections 4.1 - 4.4. The comparison will focus in particular on aspects of data quality, meeting data requirements in terms of definitions, and practical considerations. The authors of the sections 4.1 - 4.4. will provide appropriate summaries. Furthermore, this section will illustrate that no individual data

source is likely to meet all needs and that various sources, estimation methods and approaches have to be combined in most circumstances.

5. Data Processing

Chapter 5 will discuss issues in estimating for missing data and combining data from different sources with the objective of arriving at complete and consistent results. This issue is important because the varied nature of remittance flows and the limitations of many data sources require that various sources of transactions data and estimates be combined in most circumstances.

This chapter will be drafted after the completion of chapter 4. In fact, the Group considered the possibility that all relevant material could be presented in section 4.4 in which case chapter 5 would be dropped. Probably it will be better to address data modeling and data processing separately. This would require a clear demarcation between the topics of section 4.4 (models as alternatives to direct measurement) and chapter 5 (data processing from various sources). Relevant material for this chapter, if pursued, will be found in drafts for chapter 4, especially section 4.4. At the next meeting, decisions will be made about the delineation between these sections and chapters and the need for additional material, if any.

6. Dissemination Issues

This section will discuss issues relating to the publication of remittance data in a coherent and user-friendly manner. It will address the publication of remittance data as part of the standard presentation of balance of payments statistics (and the optional inclusion of supplementary items in such standard publications) and as a stand-alone. The appropriate level of detail (e.g., bilateral data), the publication of metadata, and the preparation of experimental data in the development phase will be discussed. Forms of publication, including the inclusion of remittance data in the BOPSY, IFS and on the website of the IMF and the World Bank will be addressed. Country publications could be referred to, where readily available and showing best practice (especially if available on the internet).

7. Case studies

Case studies will be based on the papers prepared by country compilers for the first meeting of the Luxembourg Group. The case studies are meant to emphasize and illustrate points made in the guide by drawing on relevant aspects of country experience, not to document country-specific compilation practices more generally (metadata is available for documentation). The objective would be to provide material of interest to other compilers, therefore editing and abbreviating of papers will be needed for consistency of style and to avoid repetition concerning treatments dealt with elsewhere and where the country is not distinctive.

Glossary

As part of its remittance project, CEMLA is preparing a glossary of terminology related to remittances, listing the English and Spanish version of all relevant terms. A draft of this glossary has already been circulated for comment. The Group suggested, and CEMLA agreed, that it would be desirable to use the same glossary for the compilation guide, thereby ensuring that a uniform terminology will be established. The Group will review the CEMLA glossary and may adopt an abbreviated version. The compilation guide will list only the English language terms (although the translations of the guide may benefit from a bilingual version).

Annex 4. Household Surveys

As reported in the interim report of the IWG, household surveys are, potentially, a useful data source for enhancing data on remittances. They could both improve the quality of estimates reported in the Balance of Payments, and provide more detailed insights into the nature of remittance flows and their impact. However, household surveys are not yet a common source for data on remittances. Several countries have experimented with household surveys as data sources for their balance of payments compilation, with often disappointing results.

The compilation guide for remittances data that is currently being developed by the Luxembourg Group will include a chapter on the use of household surveys. It will discuss the various uses of household surveys, such as a direct data source, for improving the accuracy of estimates, for understanding remittance flow mechanisms, and for providing estimates of parameters used in econometric modeling techniques. It will also examine associated problems, include the cost of survey taking, appropriate sampling techniques and methods, under reporting and survey bias, and survey-taking capacity limitations in some countries.

To estimate remittance flows from surveys, compilers have two basic options: they can use an existing nationally-representative household survey and include specialized questions or modules; or they can commission specialized surveys of either those who remit or those who receive remittances.

The addition of questions to existing surveys is often an attractive option. Several efforts have focused on this approach, including those of the International Labor Organization, which has developed model questions to be added to existing surveys, particularly Labor Force Surveys, and has tested those questions in several countries, including Armenia and Thailand. The World Bank has also included specific remittance questions in the Ghana Living Standards Survey and other surveys.

There are methodological difficulties however – migrants or households receiving remittances may not be uniformly distributed in the population, finding households containing migrants or households receiving remittances may be a relatively rare event, and information on remittances is often considered sensitive by respondents and so there are under-reporting or biased sample issues. As a result, the incorporation of questions in regular surveys may not yield data of sufficient reliability without additional cost, for example, to increase sample sizes.

For specialized surveys, particularly those which interview remittance senders, well designed sampling methods need to be used to provide nationally representative samples. Several attempts to produce estimates of remittances using specialized surveys have been unsuccessful or have produced doubtful results because of the difficulty of creating a good sampling scheme. Based on earlier pilot work in Belgium, and drawing on experience of surveys of the corridors between New Zealand and Tonga and Samoa, the World Bank is conducting a carefully designed experiment based on surveys of the

Brazil-Japan migration corridor. This project tests and compares the main sampling methods used for surveys of remittance senders: disproportionate stratified sampling (where geographical areas thought to contain a high proportion of households with migrants are “oversampled”), so-called “snowball”, sampling (where a sample is derived through referrals of respondents), and “aggregation point” sampling (where a sample is derived by using locations which migrants are known to frequent). Results of this experiment will be available during 2007, and will help provide better guidance to those commissioning specialized surveys of remittances. In particular, they will supplement draft sampling guidance material already commissioned by the World Bank.

Although there is no international framework for collecting data on remittances from household surveys, the Conference of European Statisticians has included improvements in this area in their work program on migration statistics, as a result of a meeting held in Edinburgh in December 2006. The overall effort on migration statistics is being led by the US Bureau of the Census, and the production of improved guidelines in the area of remittances and household surveys will be supported by the World Bank and the UN Economic Commission for Europe, among others.