

**Nineteenth Meeting of the
IMF Committee on Balance of Payments Statistics
Frankfurt, Germany, October 23–26, 2006**

Luxembourg Group on Remittances: Progress Report

**Prepared by the Statistics Department
International Monetary Fund**

Background

The importance of remittances, and improved statistical data on them, was emphasized by the G–8 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.

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 G–8 governments were represented by an official from the U.S. Treasury.¹

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 last Committee meeting in 2005 and work currently in progress.

Concepts and definitions

At the 2005 meeting of the Committee, a paper ([BOPCOM–05/08](#)) was presented outlining the progress that had been made in improving methodology and compilation guidance. The Committee decided to adopt the proposal of another paper on migrants transfers ([BOPCOM-05/35](#)) that migrants transfers and the concept of “migrant” be removed from the balance of payments framework and be replaced by residence.

The TSG presented three papers covering their proposals for new definitions of remittances ([BOPCOM–05/9](#), [BOPCOM–05/9A](#), [BOPCOM-05/9B](#)). In summary, these papers recommended the replacement of “workers’ remittances” with “personal transfers” as well as the adoption of “personal remittances,” “institutional remittances,” and “total remittances” as new, supplementary items. The Committee agreed with the proposals.

Subsequently, the TSG presented similar proposals to the AEG, but slightly different agreements were reached. In view of the need to reconcile the agreements of the Committee and the AEG, the TSG reviewed both sets of decisions, modified some definitions and prepared a revised Outcome Paper for reconsideration by both the

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

Committee ([BOPCOM-06/XX](#)) and the AEG. A response from the IMF Statistics Department ([BOPCOM-06/XX](#)) to these proposals is also

Compilation guidance and the Luxembourg Group

At the January 2005 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”. Eurostat subsequently offered to host the first meeting, thereby creating the Luxembourg Group.

The Luxembourg Group held its first meeting on June 26–27, 2006. The Group plans to collect the material that will allow the publication of a compilation guide for remittance data. The IMF, together with the World Bank, has offered to draft and publish the guide, provided that sufficient material can be collected by the Group.

At its first meeting, the Luxembourg Group reviewed the inventory of more successful compilation methods with a view towards developing a menu of promising approaches. The Group identified as the main compilation methods those that are based on transactions data (ITRS), household surveys, and various approaches using models. These approaches have different advantages and drawbacks which will be explored in greater detail during the upcoming work of the Group. The availability of source, and the relative merits of using them, vary from country to country.

However, most countries represented in the Group use a combination of different data sources, including administrative registers and files in addition to the three main sources outlined above. The participants agreed that no single source is likely to yield sufficient data for the improvement of remittance data in the longer term. Instead, innovative combinations of sources hold the promise of more 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. These issues will be important to address in the compilation guide.

The Group plans to quickly move beyond a review of existing methods and identify potential routes to the development of future best practices. The compilation guide should promote improved compilation practices while 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. Therefore, the participating countries are preparing topical contributions to the guide, focusing on elements of methodology. The IMF will prepare a draft annotated outline of the proposed compilation guide for the Group’s next meeting in early December 2006.

An additional useful forum for reviewing compilation practices is 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.

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 fall 2006. 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 compilation guidance in the context of the Luxembourg Group and other related efforts. An interim report was prepared in late 2005.