

**Twenty-First Meeting of the  
IMF Committee on Balance of Payments Statistics  
Washington, D.C., November 4–7, 2008**

**Remittances: Release of *Remittances Compilation Guide*  
and Future Plans**

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

This paper updates the Committee on recent work in the area of remittances. In particular, it discusses improvements to the text on remittances in the *Balance of Payments and International Investment Position Manual (BPM6)* and provides a progress report on the *Remittances Compilation Guide* (the latter was posted for worldwide comment in September 2008). In addition, it informs the Committee of a recommendation pertaining to remittances by the G-8 Heads of State at its July 2008 meeting in Hokkaido Toyako, Japan, and seeks Committee member views.

### **Remittances text in *BPM6***

At its meeting in 2007<sup>1</sup>, the Committee reviewed the text on remittances in the March 2007 draft *BPM6* (contained mainly in chapter 12 and appendix 5). The *BPM6* text reflected earlier decisions by the Committee, including its decision to eliminate “workers’ remittances” as a standard component from the balance of payments (see [BOPCOM–05/35](#)) (workers’ remittances is a supplemental item in *BPM6*). At the 2007 Committee meeting, a member of the Committee proposed that an “economic definition” of remittances be included in *BPM6* (and in the *Remittances Compilation Guide*), so that users of *BPM6* would more intuitively appreciate why remittances are defined in the ways described and could see why remittances are important for many countries.<sup>2</sup>

The draft of *BPM6* posted for worldwide comment in March 2008 included an economic definition of remittances, and comments received were positive. As a result, virtually no changes from the March 2008 text on remittances will be reflected in the draft of *BPM6* that will be forwarded to Committee members in October 2008.

### **Progress on *Remittances Compilation Guide***

The near-completion of work on *BPM6* enabled work on *International Transactions in Remittances: Guide for Compilers and Users* (also called the *Remittances Compilation Guide*, or *RCG* for short) to also move toward completion. A complete draft of the *RCG* was posted for public comment on the IMF web site in September 2008. The draft includes 6 chapters:

- Background and purpose of the *RCG*
- Understanding remittances (demography, channels, and regulation)
- Concepts and components

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<sup>1</sup> The meeting was held in Washington, DC on October 29 – November 1, 2007.

<sup>2</sup> This proposal was made by Mr. Sergei Shcherbakov, Central Bank of Russia, who had a long-term interest in this topic. His passing in April 2008 is a great loss to the Committee and to the compiling community more generally.

Data sources  
Compilation and data processing issues  
Dissemination issues

In addition, the *RCG* contains two appendices: glossary of terms; and a summary of the IMF's Data Quality Assessment Framework, which may be used by countries in improving their data on remittances.

In terms of content, the *RCG* identifies the main remittances compilation methods currently being used by compilers, including methods that are based on transactions data (ITRS), direct reporting by money transfer operators, household surveys, and various approaches using models. Also, administrative records data are often used. These methods have different strengths and weaknesses which are discussed in detail in the *RCG*. The selection of method partly depends on the availability of source data and on the main delivery channels that are used in a particular economy; thus, the relative merits of alternate compilation methods vary from country to country. Most economies represented in the Luxembourg Group use a combination of methods, because no single method, by itself, was thought likely to yield sufficient information for compiling high quality remittance data. The *RCG* provides assistance to compilers in choosing an appropriate compilation strategy, including practical guidance in their selection of data sources and of techniques for combining data from different sources.

At the time that the *RCG* was released for public comment, members of the Committee, members of the Luxembourg Group (including the United Nations, World Bank, Eurostat, and UNCTAD), and the IMF's balance of payments correspondents in member countries throughout the world were notified of the posting and invited to comment. As noted, the comment period expired near the end of October. Although comments are still being received and evaluated as of the writing of this update, initial comments received have been highly favorable of the content and of the clarity of the *RCG*.

Current plans are to finalize the *RCG* at year-end 2008 or early in 2009 (the date of final publication will partly depend on the comments that are now still being received). The *RCG* would become the first of the compilation guides to be developed that is based on the standards in *BPM6*. Future compilation guidance based on the standards in *BPM6* will appear in the *BPM6 Compilation Guide* and the *BPM6 Textbook* (see *BPM6 Implementation Plan, and Plans for Preparing a Compilation Guide*, BOPCOM-08/10).

## Interest of G-8 Heads of State

Since at least 2004, the G-8 Heads of State – as well as the G-7 Finance Ministers and others – have been emphasizing the importance of improving the availability of statistical data on remittances (as well as reducing the costs associated with sending and receiving remittances through formal channels such as banks). Recent important events and milestones include:

**2004:** G-8 Heads of State met at Sea Island, Georgia. Subsequent to that meeting, the G-7 Finance Ministers called for the formation of an international working group to review the quality of existing remittance data and develop a work program to make improvements.

**2005:** In January 2005, the World Bank and IMF organized an international conference on statistics of remittances, to clarify data user needs and agree on a strategy for improving data. The meeting was attended by almost 60 participants representing data users and compilers from various countries and international organizations; G-8 governments were represented by an official from the U.S. Department of Treasury.<sup>3</sup> The meeting recommended that the World Bank, the IMF, and a few countries in collaboration with the U.N. Statistics Division prepare a report for the G-7 Finance Ministers on progress made in improving remittances data. (The final report was submitted by the World Bank in August 2007 – see below.)

**2007:** In August 2007, the World Bank submitted a final report to the G-7 Finance Ministers, describing the results of the conceptual work in the context of the revision of the *Balance of Payments and International Investment Position Manual* and outlining the progress made in improving compilation guidance in the context of the Luxembourg Group.

Also in 2007, in response to a G-8 request, the German Federal Ministry of Finance hosted a high-level meeting on remittances in Berlin, November 28 – 30, 2007. The meeting adopted 7 recommendations (see attachment), including:

**Recommendation No. 1:** The participants welcomed the work done to improve remittance data following the G8 Summit at Sea Island. National statistical offices and central banks are encouraged to continue their efforts to improve the quality of data used to compile estimates of remittance flows within the Balance of Payments framework. In this regard, the conference recommends that they make use of the forthcoming compilation guide drafted by the Luxembourg Group. The conference also recommends that the Luxembourg Group continues to play an active role in helping countries improve their estimates of remittance flows.

**2008:** The G-8 summit in Hokkaido Toyako, Japan in July 2008 affirmed the 7 recommendations from the 2007 high-level meeting on remittances in Berlin:

44. We acknowledge the importance of facilitating remittance flows given their development impacts. The G8 conference on remittances in Berlin in November 2007 reviewed the actions agreed at the Sea Island Summit in 2004. In this context, we will follow up the seven

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<sup>3</sup> Further information on the meeting, including all papers and presentations, is available at <http://www.worldbank.org/data/remittances.html>.

recommendations adopted at the Berlin conference on improving data, development impact, remittance services, access to finance, innovative channels and on the creation of a Global Remittances Working Group. We appreciate the work done by international financial institutions in this regard and invite the World Bank to facilitate the work of the group and provide for coordination.

A question arising from the 2007 High-Level Meeting in Berlin involves its recommendation (subsequently endorsed at the 2008 G-8 meeting) that the Luxembourg Group “continues to play an active role in helping countries improve their estimates of remittance flows.” In particular, Committee member views are sought on the interpretation of this recommendation. One interpretation is that the Luxembourg Group should continue its work (only) until the *RCG* is completed; another interpretation is that the work of the Luxembourg Group should continue for an undetermined period into the future.

The Luxembourg Group is primarily composed of compilers who contributed their expertise for a specific task, which was preparing the *RCG*. The first interpretation would probably be consistent with their a priori expectations (as well as mesh with budget realities faced by many national compilers). Nonetheless, there will be continuing demands for technical assistance and compilation guidance in remittances. A body such as the Luxembourg Group may be able to augment the work of the IMF in providing technical assistance and compilation advice to economies that wish to improve their data compilation methods.

The IMF and World Bank will be conferring with members of the Luxembourg Group about the G-8 recommendation. (Indeed, the World Bank is likely to host a meeting of the Luxembourg Group and others where this recommendation will be discussed – see below). Members of the Committee are invited to also express their views.

### **Other progress**

There are a number of completed or upcoming events that will be of interest to Committee members.

The Center for Latin America Monetary Studies (CEMLA), with financial support from the Inter American Development Bank, has prepared a *Manual on Best Practices for the Compilation of International Remittances*. The primary purpose of the manual is to harmonize and improve remittances compilation practices of economies in the Latin American and Caribbean area. The CEMLA manual is more prescriptive than the *RCG*. For example, the *RCG* provides a list of many techniques that may be used by economies in compiling and improving their data on remittances, whereas CEMLA wishes to standardize and limit the number of compilation techniques used by its member countries and harmonize estimates. The IMF, World Bank, and others have provided technical advice in CEMLA’s work.

IMF staff conducted a Workshop on Remittances in Chiangmai Thailand, October 27-31, 2008.<sup>4</sup> Countries who are members of SEACEN (South East Asian Central Banks) attended this workshop, improve their understanding of the updated international standards, improve their compilation techniques, and discuss their recent experiences in collecting data, with an emphasis on problems encountered and how to overcome them. Future workshops on remittances involving the *RCG* are likely to be conducted in other regions of the world, including Africa.

The World Bank is considering hosting a meeting in Washington, DC. The date of the meeting has not been firmly set, but it may be held in early 2009. One of the purposes of the meeting will be to take note of the final *RCG*. Another of its purposes will be to consider the request of the G-8, for the Luxembourg Group to continue to play an active role. Members of the Luxembourg Group would be invited to the meeting.

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<sup>4</sup> At time this paper was distributed, the Workshop had not been held.

Questions for members of the Committee:

1. Members of the Committee were provided a copy of the *Remittances Compilation Guide* in September 2008 and were invited to comment. Do Committee members have comments that they wish to share with the Committee?
2. What are the views of Committee members on the G-8 recommendation that the Luxembourg Group continue to play an active role in helping countries improve their estimates of remittance flows? In particular, what are Committee views of the future role (or duration) of the Luxembourg Group?

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## The 7 Recommendations of the *G8 Outreach Meeting on "Remittances"* 28 – 30 November 2007, Berlin

**Background:** In response to the request of the G8 in Heiligendamm, the German Federal Ministry of Finance hosted a high-level meeting on remittances in Berlin from 28 to 30 November 2007. The meeting was held in a G8 outreach style, with delegations from G8 countries and the European Commission as well as participants from other countries, international organizations, the private sector, civil society, academia and the media. The high-level meeting had two objectives: First, to assess the progress of measures to facilitate remittance flows agreed at the Sea Island Summit in 2004, where the G8 launched its Global Remittances Initiative. Second, the meeting was intended to initiate a dialog on new channels for transferring funds, instruments to promote migrant transfers and other potential measures. During the course of six panel discussions with 19 presentations by high-ranking experts, the following seven recommendations were formulated by the participants of the G8 Outreach Meeting.

**Recommendation No. 1:** The participants welcomed the work done to improve remittance data following the G8 Summit at Sea Island. National statistical offices and central banks are encouraged to continue their efforts to improve the quality of data used to compile estimates of remittance flows within the Balance of Payments framework. In this regard, the conference recommends that they make use of the forthcoming compilation guide drafted by the Luxembourg Group. The conference also recommends that the Luxembourg Group continues to play an active role in helping countries improve their estimates of remittance flows.

**Recommendation No. 2:** The participants recognized the extensive research on the development impacts of remittances which has been undertaken in recent years. They invited the international community to explore ways to encourage formal transfers and innovative mechanisms to leverage remittances for development.

**Recommendation No. 3:** The participants welcomed the preparation of General Principles for International Remittance Services by the international taskforce led by the Bank for International Settlements and the World Bank. Policymakers should use these principles as an instrument to improve the regulatory framework of the remittance industry, foster competition, enhance transparency, and strengthen consumer protection in their remittance markets.

**Recommendation No. 4:** The participants of the G8 Outreach Meeting recognized the contribution of the G8 countries, in collaboration with their bilateral partners, as well as the efforts of the European Commission to facilitating remittances flows and deepening the development impact of those flows. Participants urged the national authorities to continue to pursue such collaborative efforts. Participants also suggested that to avoid duplicative efforts, coordination of the work by the national authorities with other national authorities, the NGOs, the private sector and the MDBs should be pursued.

**Recommendation No. 5:** One of the major challenges is still to attract remittances to bankable channels. While recognizing the considerable efforts undertaken so far, the participants of the G8 Outreach Meeting called upon policymakers, the private sector, and the international community to continue their work to strengthen financial systems and to improve access to financial services –



through better systems and attractive ways to remit, save and invest for migrants, diaspora, and remittance recipients – thereby contributing to reducing poverty and promoting economic growth.

**Recommendation No. 6:** Innovative payment instruments are evolving at a rapid pace and might further reduce the cost of remittance services and increase the access to financial services. International organizations and policymakers should monitor these developments closely and should be prepared in case adjustments to the regulatory framework are needed. Policies aimed at influencing remittance flows should be further monitored.

**Recommendation No. 7:** The participants of the G8 Outreach Meeting welcomed the several attempts of the public and private sector as well as the civil society aimed at coordinating and moving forward the existing and forthcoming initiatives to promote remittance flows. The participants regarded the establishment of a Global Remittance Working Group as an interesting proposal which should be considered by the G8. Such a group should be led by an International Organization, which wants to take the lead, and should consist of members from the public and private sector as well as the civil society. The tasks of this group should be – among others – to heighten the awareness of the remittances phenomenon, to encourage further research on the development impact, to support the implementation of the General Principles for International Remittances Services, and to initiate pilot programs with a demonstration effect.