



**Economic and Social
Council**

Distr.
GENERAL

ECE/CES/2008/41
26 May 2008

ENGLISH ONLY

ECONOMIC COMMISSION FOR EUROPE

STATISTICAL COMMISSION

CONFERENCE OF EUROPEAN STATISTICIANS

Fifty-sixth plenary session
Paris, 10-12 June 2008
Item 8 of the provisional agenda

**SEMINAR ON MEASURING POPULATION MOVEMENT AND INTEGRATION IN A
GLOBALIZED WORLD**

SESSION IV: EMERGING STATISTICAL NEEDS

**THE NEED FOR IMPROVED STATISTICS AND DATA ON INTERNATIONAL
REMITTANCES**

Note by the World Bank¹

I. INTRODUCTION

1. Remittances – funds that are sent by migrants to their country of origin – have been the subject of intense policy interest in recent years, particularly because of their recent growth, and because of the impact remittances may have on poverty reduction in developing countries. According to estimates made by the World Bank, remittances to developing countries are higher than official aid flows, and are therefore a major source of external financing. 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.

¹ This paper has been prepared at the invitation of the secretariat.

2. This policy interest has created significant new demands for good quality data on remittances, both for estimates of aggregate flows between countries, and for more detailed data to provide a basis to understand the nature of flows, their relationship to other variables, and to help determine appropriate government policy choices. However this increased interest has revealed many weaknesses in existing official statistics and datasets, including weaknesses in data reported by countries as part of their Balance of Payments statistics, and weaknesses in data collected through household surveys.

3. This paper outlines the key development policy issues that are driving the renewed interest in remittances data, and describes some of the international initiatives that have been taken or proposed as a result, including through the Conference of European Statisticians. It also presents improvements made, ongoing work, and areas where further work is still needed.

II. DATA NEEDS

4. Recent policy interest in remittances stems from their impact on development and poverty reduction. Global flows of remittances are large and significant: estimates of global flows vary, but by most measures total flows are a major source of external finance for developing countries, larger in many cases than official aid flows (Table 1).

Table 1. Total remittance flows, to and from developing countries

	<i>US\$ billions</i>							
	2000	2001	2002	2003	2004	2005	2006	2007
Inflows	84	96	116	144	161	191	221	240
Outflows	12	14	20	24	31	36	44	..

Source: Migration and Remittances Factbook, 2008 (World Bank)

5. Remittances are, however, different in nature to official aid; they are usually small, regular transfers from a migrant to his or her family in the country of origin. In some countries, their total size may have broad economic implications, such as increasing national income and generating steady foreign exchange earnings. For instance, in some countries in Europe and Central Asia,² estimated remittance inflows are large compared to Gross Domestic Product (table 2). Remittance flows are also relatively stable, and may help households deal with economic shocks. Furthermore, there is evidence that remittances contribute to the reduction of poverty (Ratha, 2006).

² Europe and Central Asia is defined according to the World Bank regional grouping, which includes 30 countries of Central and Eastern Europe and the former Soviet Union

Table 2. Top 10 Europe and Central Asian countries, remittance inflows as share of GDP, 2006

	<i>Per cent</i>
Tajikistan	36.2
Moldova	36.2
Kyrgyz Republic	27.4
Armenia	18.3
Bosnia and Herzegovina	17.2
Albania	14.9
Serbia and Montenegro	13.8
Georgia	6.4
Romania	5.5
Bulgaria	5.4

Source: Migration and Remittances Factbook, 2008 (World Bank)

6. Policy makers are also interested in remittances because policy actions can have a clear impact. For instance, one area of policy concern has been the high cost of making a remittance, compared to the size of the transfer. Policy actions have included supporting the improvement of the remittance transfer infrastructure, and encouraging competition in the remittance transfer market by, for example, providing comparative cost information to consumers.³

7. There is also a “knowledge gap” on the impact of migration and remittances on development, in both urban and rural areas. How do remittances impact on issues such as employment, health, education, the empowerment of women, access to housing, livestock ownership, and use of agricultural technology? Researchers are also interested in the determinants of the size of remittance flows, the range of mechanisms used to make remittance transfers, the cost of making remittances, and the determining factors that are used by remitters in deciding whether to use formal or informal systems. To understand the nature of the remittance business, they are interested in understanding how remittance sending behavior differs by type of migrant, type of work, distance of migration, gender, age, and place of birth or origin. The uses that are made of remittances by receiving households are also of interest, for example how are remittances used compared to other sources of income? Are they more likely to be used for education, health care, or investment? Do recipient households have access to financial services, such as bank accounts and credit facilities? Do remittance senders have access to formal financial services in their host countries?

III. DATA SOURCES AND WEAKNESSES

8. Very broadly, the data needs arising from these policy interests fall into two groups. The first are those needs that can be met through national and international aggregate statistics, such as the aggregate remittance flows between countries. The second group includes those needs that require more detailed data sets for in-depth analysis, typically survey “microdata”.

³ See, for instance, <http://www.sendmoneyhome.org>

A. Statistics collected through the Balance of Payments

9. The only source of internationally comparable data on remittances that is systematically maintained and collected as part of an agreed conceptual framework are the statistics on the Balance of Payments, managed by the International Monetary Fund (Reinke, 2006). The data items that are useful for users have come under close scrutiny in recent years, following the increasing policy interest, and several weaknesses have been identified. Data users (e.g. Ratha, 2006) have noted various weaknesses in the data in the Balance of Payments, including:

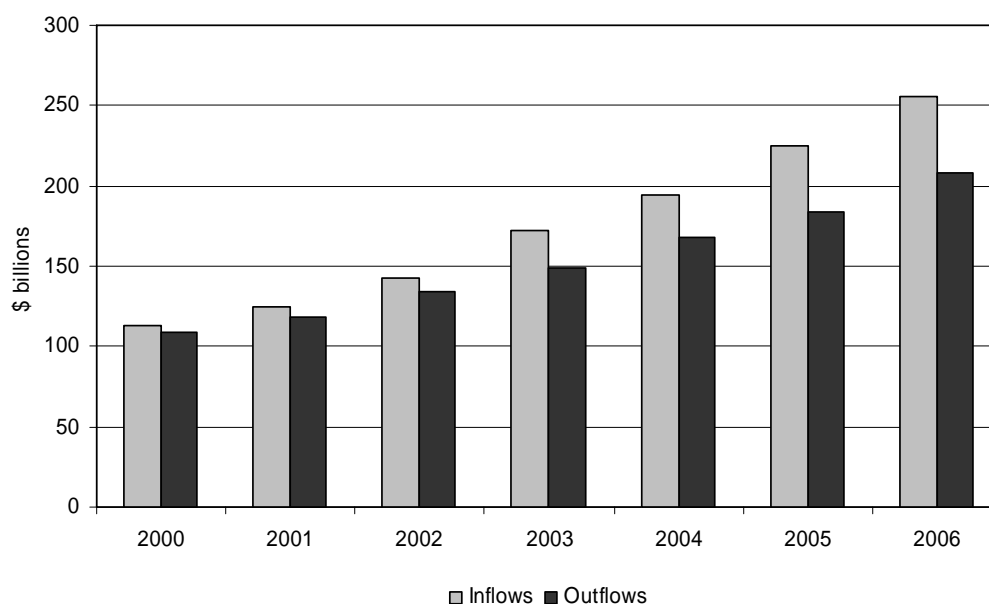
- (a) Vintage. Many countries report data to the IMF with a time lag of two years or more; in some cases the relevant data are published by the country in a timelier manner.
- (b) Missing estimates. Several countries report no data on remittances to the IMF (although most European countries do report their data);
- (c) Misclassification of remittance data using other Balance of Payments categories;
- (d) Problems relating to the collection of source data from which remittances statistics can be compiled.

10. A key set of issues revolve around the application of the definitions employed in the fifth edition of the Balance of Payments Manual (BMP5), and the corresponding items in the tables. Items available in the Balance of Payments framework may not correspond to the needs of users who are looking specifically for remittances data. For instance, BMP5 contains an item called “workers’ remittances”, which measures transfers between migrants living and working in one economy and residents of the economy where they formerly resided. However this definition is restricted to workers only, rather than all migrants. Furthermore, this item does not include remittances or earnings of employees who are classified as non-resident in the economy in which they work; seasonal workers, short-term workers, and so-called “border” workers all fall in this category (earnings of non-resident workers are recorded as “compensation of employees”).

11. The practical application of these definitions has also been difficult. For example, many data compilers have not been able to make the distinction between persons who are resident and those who are non-resident. As a result some countries have reported either worker’s remittances or compensation of employees, but not both. Indeed, some countries report no data on remittances at all to the IMF.

12. Data users, including the World Bank (Ratha, 2004), have attempted to partially solve this problem by estimating remittances using the sum of workers’ remittances and compensation of employees (and migrants’ transfers, although these are relatively small). However, even when this aggregate is used, a comparison of global inflows against global outflows (see figure 1) reveals that discrepancies remain very large, and appear to be getting larger. The chart also shows that reported inflows are increasing more rapidly than reported outflows.

Figure 1. Comparison of global inflows and outflows for the sum of workers' remittances and compensation of employees.



Source: *Balance of Payments Statistics Yearbook 2007*

14. Apart from the different application of the concepts and definitions by countries, there are a range of difficulties associated with obtaining the source data which form the basis of estimates reported by countries. Some countries use international transactions data from the banking sector as a key source, but these data may not include remittances made through informal channels or through money transfer operators. Data reporting thresholds may also mean that individual transfers cannot be identified and correctly classified. Remittances made using relatively new technologies, such as ATM withdrawals, or the use of mobile phones, may also be difficult to record and classify accurately. Some other countries rely on models based, for instance, on estimates of migrant stocks and propensities to remit as key parameters. These models are difficult to update every year, and the accuracy of the estimates produced by such models is difficult to assess. A third method for compiling remittance estimates relies on household surveys, but there are technical difficulties associated with surveying migrant populations, and conducting regular household surveys – even if a module is added to an existing survey – is often a costly undertaking.

15. Finally, bilateral remittance flows between countries (often referred to as “remittance corridors”) is of interest to policy makers and other data users. The estimation and publication of bilateral flows by countries is encouraged by BMP5 but it is not mandatory to report these data to IMF, and the IMF does not attempt to publish such data. It is very difficult, for instance, to establish the major sources of remittance flows to Europe and Central Asian countries using balance of payments statistics. Several ad-hoc exercises have been conducted using estimates of migrant stocks or special surveys and methods to fill this data gap (e.g. Harrison, 2004; IFAD, 2007; Hussein, 2007; Shelburne and Palacin, 2007).

16. It should be mentioned that a key problem in solving many of these difficulties is related to institutional capacity and resource constraints. The largest outflows are from countries where remittances are a relatively small item in balance of payments statistics. This may help explain why the increase in reported outflows has not kept pace with the increase in reported inflows; statisticians in countries where outflows are large but are relatively small in the balance of payments may not have put as much effort into improving data as statisticians from countries where inflows are relatively large.

B. Household survey data

17. Household surveys that collect data in both sending and receiving countries are useful for estimating aggregate remittances (including in the context of the balance of payments statistics), understanding the characteristics of remittances senders or receivers, and analyzing the use and impact of remittances. The recent policy interest in remittances has resulted in a proliferation in the number of surveys conducted to better understand remittances but there are a number of problems and difficulties associated with collecting data through surveys,⁴ including:

- (a) Cost. Sample sizes may need to be large and so specialized surveys may be costly to run unless specialized sampling techniques, such as disproportionate stratified sampling or aggregate point sampling, can be used effectively.
- (b) Lack of consistency. Surveys of remittances initiated by different organizations are not well coordinated, and do not use a common conceptual framework or set of guidelines, so that comparisons between them are difficult. There is a lack of harmonization of basic concepts such as the definition of remittances, the definition of current migrants, and reference periods. Furthermore, in many countries, there are large discrepancies between estimates of total remittances based on balance of payments statistics and those derived from household survey data – and it is unclear which source is most reliable. Definitions and concepts of remittances used in surveys may not be consistent with those used in Balance of Payments statistics.
- (c) Lack of guidance. There are only limited guidelines which provide advice to survey practitioners about which survey methods produce useful results. For instance, questions on remittances have been included in some population censuses but the quality of results is unclear. Data on remittances can be collected from specialized surveys, or through special modules or questions in existing surveys, such as labor force surveys, household budget surveys, Living Standards Measurement Study surveys, or Demographic and Health Surveys; there is growing experience, but documentation of experiences with collecting data from household surveys is relatively scarce.

⁴ See papers presented at the Expert Group meeting on using household surveys for measuring migration and remittances, January 2008: <http://www.unece.org/stats/documents/2008.01.migration.htm>.

- (d) Sampling. Remittance senders are a small proportion of the population and may also be hard to locate using standard sampling methods (for instance, in the case of undocumented migrant workers).
- (e) Data accuracy. Data on remittances is likely to be sensitive for respondents and non-response rates may be very high. According to experts, senders may tend to overestimate and recipients may tend to underestimate amounts. High non-response rates have been reported by some surveys that have collected data on remittance senders/receivers. Valuation of in-kind remittances is problematic.

IV. RECENT IMPROVEMENTS AND LOOKING AHEAD

A. Statistics collected through the Balance of Payments

18. Within the framework of the International Working Group on Improving Data on Remittances, work has been undertaken in the following two areas:

- (a) Improvements to the 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. Initial recommendations were drafted by a Technical Sub-Group (TSG) of the UN Working Group on Trade in Services,⁵ 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 they will be incorporated into the sixth edition of the Balance of Payments Manual (BMP6). The new definitions⁶ result in a new item in the Balance of Payments, Personal Remittances, plus other supplementary items to provide data users with improved estimates.
- (b) The development of improved compilation guidance, to help Balance of Payments statistics compilers improve the quality of the estimates they report to the IMF. This has been carried forward by a working group of compilers from a group of diverse countries, named the Luxembourg Group after the location of the first meeting in June 2006, which was hosted by Eurostat. The Luxembourg Group met three times and has produced a draft compilation guide which is being reviewed and edited by the IMF.

19. It seems likely that further work will be needed to help countries implement the new definitions and concepts, and improve their estimates. This was recognized at a high level meeting of the G8 in Berlin in November 2007, which welcomed the work done to improve remittance data following the G8 Summit at Sea Island and recommended that the Luxembourg Group continues to play an active role in helping countries improve their estimates of remittance flows. Further, the meeting stated that:

⁵ See <http://unstats.un.org/unsd/tradeserv/subgroup.asp>.

⁶ A complete description of the new concepts and definitions is given in the draft sixth edition of the Balance of Payments Manual, appendix 5, at <http://www.imf.org/external/pubs/ft/bop/2007/pdf/appx5.pdf>

20. “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.”

B. Household surveys and remittances

21. Partly as a result of the focus on remittances data arising from the G8 initiative, and partly as a result of a discussion at the UNECE/Eurostat Work Session on Migration Statistics in Edinburgh, Scotland, in November 2006,⁷ issues relating to the use of household surveys for measuring remittances were discussed at an expert group meeting held in Suitland, Maryland, USA on January 15-16, 2008.⁸ This meeting was organized within the framework of the Conference of European Statisticians (CES) Work Plan on Improving International Migration Statistics that is chaired by the United States, and was hosted by the US Census Bureau and co-convened by UNECE and the World Bank, with support from the International Household Survey Network.⁹ The meeting reviewed recent initiatives aimed at measuring migration and remittances using household surveys in both sending and receiving countries, reviewed key conceptual and methodological issues, and agreed a plan to address key weaknesses and to develop best practices and guidelines.

22. Participants agreed that further work is needed in a more formalized institutional setting at the international level to improve the quality and availability of the data on remittances and migration, and to better harmonize current international, regional, and national initiatives for household surveys in this area. Participants proposed the creation of a task force, the “Suitland Task Force,” to be convened by the United States and which would operate under the auspices and guidance of the Conference of European Statisticians. The main objective of the Suitland Task Force will be to support the efforts of national statistical offices and international organizations on the collection of information on migration and remittances. The task force will aim to advance the methodological work on household surveys to measure migration and remittances; develop international recommendations on how to best design and implement household surveys to measure migration and remittances; and develop a survey module or modules on migration and remittances to be included, where relevant, in existing international and national survey programs.

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⁷ <http://www.unece.org/stats/documents/2006.11.migration.htm>

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⁹ See <http://www.surveynetwork.org>

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