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**COMMENTS TO THE PAPERS ON REMITTANCES PREPARED BY THE US
BEA, THE CZECH REPUBLIC, AND RUSSIA**

Note by IMF

1. The BEA paper comprehensively discusses recent developments related to remittances statistics and highlights remaining challenges. It notes that there are conceptual, definitional and measurement challenges associated with remittances.
2. The paper by Russia speaks highly of the progress that has been achieved in clarifying concepts and in developing standard definitions, and notes progress that it has achieved in improving its data on remittances, such as through bilateral comparisons with major partner countries, e.g. Tajikistan and Georgia. Thus, the BEA and Russian papers present somewhat contrasting perspectives in regard to the status of international efforts on developing concepts and definitions.
3. The Czech Republic paper presents interesting information on the importance of high quality data on remittances, and on the Czech Republic's recent work in compiling these data.
4. My views are that the work on developing remittances concepts and statistical definitions has essentially concluded after 4-5 years of effort, with the release of the sixth edition of the IMF's *Balance of Payments Manual (BPM6)* and the *Remittances Compilation Guide (RCG)*. I believe that much work remains to be done on improving the data that are compiled. Thus, I am quite close to the views expressed in the Russian paper.
5. I wish to offer a few more specific remarks, largely on the BEA paper. The BEA paper states in paragraph 6: "There is a general understanding that remittances involve

flows of funds from residents of one country to those of another, but the goal of translating that understanding into a statistical definition has proved elusive.” I think that this statement was meant to describe circumstances before the release of *BPM6*. Also, the BEA paper lists several situations where it says that it is unclear what to include in remittances, but there are now statistical definitions that compilers of economic accounts are asked to follow. I think that the BEA statement may have been meant to suggest that not everyone is aware of the statistical definitions, or that the statistical definitions cannot serve all purposes. I agree that alternate or additional measures of remittances may be useful for some analyses.

6. The BEA paper questions whether migrant transfers should be included in remittances; under *BPM6*, migrant transfers are excluded from the definition by compilers. Also, the paper asks whether funds sent by migrants to their countries of origin to purchase real estate, invest in local businesses, or otherwise for the migrant’s own account should be included in remittances; under *BPM6*, these transactions are excluded from remittances, because they do not represent household income. (The economic definition of remittances in *BPM6* and the *RCG* is: “Remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of persons to those economies.”)
7. The BEA paper states that measuring remittances is challenging; that, in order to construct remittance measures, different BOP components should be combined; and that the publication of the *RCG* should result in improvements in remittances data. I agree with all of these statements.
8. The BEA paper notes that the suggested alternative measures of remittances are “made up of components that are treated quite differently in economic accounts, raising questions about the coherence of the remittances concept and the comparability of figures that are differently composed.” However, this point can be made about virtually every type of good or service that is recorded in the accounts. For example, consider all of the ways that a user can obtain use of software – a person may buy prepackaged software (goods), hire an employee to write code (compensation), rent an integrated computer that consists of both hardware/software (rental); pay a licensing fee for LAN software; etc. For analytical purposes, it may be useful and important to construct aggregates of all of these different ways of delivering software. The situation with remittances is analogous, in that the remittance aggregates are formed by summing data from various BOP categories for analytical purposes.
9. The Russian paper has several innovative elements. For example, Russia notes that its users are particularly interested in data on transactions through MTOs and the postal service. In response to this interest, it compiles and publishes these data without any adjustment, based on reports of banks that are clearing centers for MTOs, reports on postal remittances, and other sources. Remarkably, the Bank of Russia data on cross-border transactions conducted via MTOs is nearly identical with data provided by major bilateral counterparties. Data released by Georgia and Tajikistan for 2007 were generally

within 2 – 5% of the Russian estimates. (This may suggest that that the large discrepancies at the worldwide level may be reduced over time.)

10. In paragraph 9, the Russian paper says that the principal methodological problem it faced had been the lack of a single economic definition. It goes on to say: “We believe that the aggregates introduced at the international level, such as personal remittances and total remittances are a good statistical approximation to the definition of remittances.” We appreciate these comments, and I note that the IMF developed an economic definition of remittances at the suggestion of the Central Bank of Russia.

11. Similar to the BEA paper, the Russian paper identifies areas where remittances data are weak and should be improved. For example, it notes that Russia’s negative remittances balance with China (-\$2.4 billion) is not confirmed by the number of Chinese natives in Russia. Russia’s study shows that some part of remittances to China declared by individuals as transfers are actually earnings from nondeclared imports to Russia. Also, Russia notes that it is common practice in Russia for unincorporated entrepreneurs to pose as private individuals and remit through MTOs payments relating to merchandise trade. These are declared as personal transfers, but when banks have collected data on transactions that individually exceed \$5000, the Central Bank of Russia excludes the data from its estimates of remittances.

12. The Czech Republic paper provides interesting demographic information on Czechoslovakia and the Czech Republic, and describes how the Czech Republic compiles data on remittances. I found many interesting and thoughtful points in the paper. The Czech Republic turned from a country where many more people were emigrating than immigrating, to the reverse situation. Capturing remittances data accurately is highly important in the Czech Republic, because immigrants are a significant proportion of its population (5-7% of 5.5 million workers).

13. All three papers were quite good and interesting, and they complimented each other by giving different (and somewhat contrasting) perspectives on the topic of remittances. I enjoyed reading each of them.

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