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Item 23 a): Luxembourg Group on Remittances - Eurostat

7TH OECD INTERNATIONAL TRADE STATISTICS EXPERT MEETING ITS and OECD-EUROSTAT MEETING OF EXPERTS IN TRADE-IN-SERVICES STATISTICS (TIS)

Tour Europe - Paris La Défense, Salle des Nations, 11 - 14 September 2006

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LUXEMBOURG GROUP ON REMITTANCES
FIRST MEETING
26-27 JUNE 2006

European Commission
Jean Monnet Building
Room M2
Rue Alcide Gasperi
L-2920 Luxembourg
Kirchberg, Luxembourg

MAIN CONCLUSIONS

1. Opening session

The first meeting of the Luxembourg Group on Remittances was held on 26-27 June 2006 in the premises of the European Commission in Luxembourg. 27 experts from 14 countries and 5 international organisations participated in this meeting. The meeting was opened by Mr Hervé Carré, the Director General of the Statistical Office of the European Communities. The overall rationale in setting up the group is to improve the recording of statistics on cross-border remittances. The group aims to assemble material that will allow the publication of a compilation guide. Such a guide will promote improved compilation practices while offering countries a choice of methodologies.

The first session aimed at establishing a framework regarding contents and organisation of the group. It gave an overview of remittances in the global context and the various streams of work going on at the international level, including a progress report by the Centre for Latin American Monetary Studies (CEMLA) on its Remittances Compilation Manual for Latin American and Caribbean countries. The new definitions of remittances, worked out by UN TSG on MNP, were also presented. The Group agreed on its terms of reference.

2. Country experiences

The second session focused on the analysis of the experiences in different countries with the aim to understand common challenges and evaluate various responses, in particular the use of different data sources. Participants presented current practices, strengths and weaknesses of their approaches, special problems faced and plans for future improvements. Attention was paid not only to workers' remittances but also to compensation of employees and other transfers included in 'total remittances' in the new definitions.

International Transactions Reporting Systems

In a number of countries, information on foreign receipts and payments obtained through international transaction reporting system (ITRS) is the most important source of data on remittances. ITRS generally generate extensive geographic breakdowns of the reported data. However, the major limitations of this system are:

- In countries that have a reporting threshold or exemption, transactions below the reporting threshold are not captured, reported as a lump sum, or estimated on the basis of historical data,

- misclassification of transactions is perhaps more likely than in other data sources (misclassifications are possible in any system), and

- money transfer through informal channels and transactions in kind are not normally covered.

A number of countries also use direct reporting (or extensive surveys) by banks and other licensed remittance providers. These data sources sometimes complement a standard ITRS, sometimes are used instead of an ITRS.

In many countries, money transfer organisations (MTOs) play a significant role in transferring the remittances of resident households. In those countries where MTOs settle the net balances of transfer through the resident banking system these transactions can be recorded through an ITRS or direct reporting by banks.

In some cases, MTOs settle their international balances via one central location (e.g. in London), which will result in distorted geographical allocation of the recorded remittances. Direct reporting by MTOs can then be a useful additional data source.

Household surveys

Another source of information on remittance flows are household surveys. Such surveys can give information not only on remittance flows and their geographical allocation, but also on socio-economic characteristics of the sending and receiving families. Another advantage is the fact that money transmitted through informal channels can also be covered by such surveys. Problems household surveys may entail are:

- Remittance senders and recipients (in particular, migrants and their families) may be sparse in samples that are selected with standard methodology; therefore large sample sizes or special sampling schemes may be required to obtain estimates with sufficient accuracy. These may be costly or complex to implement.

- Respondents may not wish to disclose all relevant information, e.g. regarding their remittances, income, residence status or economic activities of relatives working abroad.

- The short recall periods of respondents can be a problem when remittances are infrequent and surveys are carried out with low periodicity (e.g., annually). However, in cases where remittances are sent regularly and frequently in similar amounts, the recall problem is not likely to affect survey results significantly.

Some countries use a two-phase approach. In the first phase, a simple question is included in an extensive household survey regarding the transfer of remittances to or from abroad. In a second phase, only those household who gave a positive answer to this question are surveyed with specific remittance-related questions. However, it should be noted that general household surveys are not conducted regularly in many developing countries.

Some countries carry out specific surveys at the borders among migrants and other travellers. Surveys bilaterally carried out in both sending and receiving countries could also be useful.

Data Models

In some countries, economic models are applied to estimate remittance flows. Information about stock of migrants, their family situation, duration of stay, average income, propensity to remit, and other similar properties can be used to build specific models. Other countries base their models on observable macroeconomic data, including other balance of payments items, or partially estimate remittances as a residual from current account imbalances.

Attention should be paid to identification of the main determining factors, correct specification of the model used and to appropriate procedure to estimate the model parameters. All models, their assumptions and parameters should be regularly verified and updated.

Issues for Compilation Guidance

Almost all countries use a combination of sources of information. They include the sources mentioned above, plus such sources as administrative registers, information from different ministries, and tax returns. The availability of sources, and the relative merits of using them, varies from country to country. Participants agreed that no single source is likely to yield sufficient information for the compilation of remittances data. Instead, a combination of sources needs to be used. Moreover, different methods may be more appropriate for measuring remittance inflows and outflows.

Compilers therefore have to decide which data sources to use in the circumstances of their country – depending on institutional, legal and practical considerations. Further, they need to establish compilation methods that result in complete and consistent estimates of remittance data drawn from sometimes inconsistent or overlapping data sources. These issues will be important to address in the compilation guide.

3. Concluding session

The last session of the meeting concentrated on the way forward. It was agreed that the meeting presented substantial material indicating that a compilation guide is a feasible project. Therefore, the next step would be to work out an annotated outline of a compilation guide. The secretariat (IMF and the World Bank) will take the lead and prepare a draft annotated outline of the guide for distribution prior to the next meeting.

It was agreed that while this first meeting aimed at discussing country practices, the second should focus on more general and generic description of data collection methods. The advantages and disadvantages of various collection systems, the preconditions for making these methods effective, optimal way of combining different sources and similar issues should be addresses in the second meeting.

The following general structure of the compilation guide was agreed upon.

- Data requirements according to the new definitions

- Institutional conditions for data compilation and choice of data sources

- Actual data sources
  - ITRS
  - Household surveys
  - Data models
  - Administrative and other sources
- Combining data sources

Furthermore, countries were invited to prepare contributions for the Compilation Guide. The participating countries agreed to prepare papers on the following subjects:

Countries	**Issues**
Portugal and Brazil	ITRS
Germany	limitations of ITRS
Italy and Spain	collecting information from MTOs
India	uses of various transmission channels
Japan	direct reporting
Japan, Lebanon and Philippines	use of a variety of data sources
Moldova	transfer through non-formal channels
Armenia	household surveys
USA and UK	modelling using demographic and other variables
Norway	use of administrative data sources
Albania	problems arising from poor primary data sources

CEMLA committed to updating the Luxembourg Group on progress in its own remittances compilation project.

The IMF agreed to contact all participating countries and coordinate their contributions. The countries were asked to send their papers to IMF by 15 November, 2006. However, regular contact of Group members prior to this date and early submission of drafts are encouraged. All papers will be made available through the remittance statistics website of the IMF, subject to each author's approval (http://www.imf.org/external/np/sta/bop/remitt.htm).

4. Next meeting

The next meeting will take place on 4-5 December, 2006. The Lebanese Central Bank (Banque du Liban) has offered to host the meeting.