

Revised December 17, 2004

International Working Group to Improve Remittance Statistics Notional Terms of Reference

At the G8 Summit, the heads of state recognized the important role remittances play and called on the G8 countries to “work with the World Bank, IMF, and other bodies to improve data on remittance flows and to develop standards for data collection in both sending and receiving countries.” As a result of a lack of clarity on what should be included in remittance statistics and inconsistency in methods of collection and reporting, currently available remittance data is incomplete. It fails to capture a significant proportion of remittance flows and is not comparable across countries, region and overtime. Furthermore, reliable data on bilateral flows is virtually non-existent. In order to appropriately allocate public funds, stimulate private investment, and assess the effectiveness of efforts to draw more remittance flows into the formal sector, the quality of data on remittance flows needs to be enhanced significantly. In view of this, the G-7 Finance Minister have called for the formation of an international working group to improve remittance statistics.

Objectives **The Working Group will make recommendations on how to improve remittance statistics in the following three directions.**

1. **Clarify the definition of remittances.** In order to enhance the quality of data on remittance flows, it will be first of all important to address problems of definition and, if necessary and feasible, appropriately revise the international classification standards. Not all remittances are recorded as workers' remittances; some are reported as compensation of employees, some as migrant transfers, and some are misclassified in other BoP items such as tourism receipts, other current transfers, non-resident deposits, and even FDI. Consistency with IMF Balance-of-Payments compilation standards will need to be ensured. In this context it will be important, at an early step, to assess the feasibility of the required innovations, taking into account the statistical practices which prevail across countries.
2. **Provide guidance on how to collect and estimate remittance statistics.** There is currently significant uncertainty as to how to collect and estimate remittance data across countries. Even mature economies reported uncertainty as to how to address this issue. As a result, there is considerable inconsistency across countries in regard to their collection and estimate technique. For example some just require the reporting of flows by large financial institutions. Some countries don't even attempt to estimate remittance flows.
 - a. The Working Group should suggest ways to generate estimates and establish a procedure for continuation of regular data reporting.
 - b. The group might also consider providing guidance on how to conduct surveys of remittance senders and recipients that might be necessary to establish a basis for remittance estimates.
 - c. Given the cost and other impediments to conducting new stand-alone surveys, the development of a short list of survey questions that can be inserted into on-going household surveys or financial access surveys would be helpful.
 - d. The group should also consider providing guidance on other (non-survey) methods for estimating, on a regular basis, remittance flows.

In providing guidance on how to collect data from remittances service providers or through regular surveys, a cost-benefit analysis of such exercises would be useful. For example, the cost impact of collecting data directly from Money Transfer companies and

Revised December 17, 2004

banks should be assessed. On the other, surveys could present a number of serious practical difficulties, mainly related to the peculiarities of the "population" of interest: immigrants are indeed widely dispersed on the territory and characterized by a high degree of mobility; this makes them scarcely "visible" from a statistical point of view and implies a number of drawbacks in terms of sample building and transfer of results to the entire population. A further difficulty might be represented by the likely unwillingness on the part of immigrants to disclose information about personal incomes or the size and destination of single remittances.

3. Provide guidance on developing an inflow-outflow matrix for remittance flows. Given the difficulty of tracking the information very few countries report sources and destinations of flows. The creation of such a matrix to provide a clearer view of where the flows originate and where their final destination is likely to involve creative use of data from a variety of sources including migration data, population censuses, LSMS and other household surveys. This may also involve conducting surveys of remittance senders and recipients in selected countries. It should also be noted that clear definition of the nature of the outflow and the reasons why we want to track it would help to guide efforts to fill such a matrix.

Composition: The World Bank has been requested to lead the Working Group in close collaboration with the IMF, the European Central Bank, the IDB, the OECD and the United Nations. Key remittance sending countries (including some non-G-7 member countries such as Hong Kong, Saudi Arabia, South Africa and Spain) should also be represented, either by a staff from the statistics department or the central bank (preferably not both). An effort would be made to have a balanced mix of statisticians and central bankers. It would also be advisable to have representation from key recipient countries [e.g., Dominican Republic, India, Mexico, Morocco, the Philippines, and Thailand].

Time line: The Working Group will hold a first meeting in January in Washington to establish a work program. It should produce its draft report containing its recommendations in time to be discussed in a meeting organized around the Bank/Fund Annual Meetings. This draft report would then be circulated for consultation and review for two months. The report would then be finalized by December 2005 or in time for the first 2006 G7 Finance Minister's meeting. The recommendations would then be presented for adoption to UN Statistical Commission in time for their annual meeting in March 2006.

Coordination with other remittance/BOP statistics efforts: It is important that this group coordinates with existing work streams, including: [1] The Inter-Agency Remittances Task Force which is working to improve remittances data; [2] The IMF BOP Committee which is currently working on the Balance of Payments manual; and [3] The U.N. Technical Subgroup of the Task Force on International Trade in Services on the movement of Natural Persons, part of the remit of which is the improvement of statistics on remittances.