

INTRODUCTION

Uganda has received a large amount of private transfer inflows in the last eight years with the largest portion in form of migrant's remittances. On average, migrant's remittances amounting to US\$ 230 million have been received every year since 1996, with the peak inflows in 2001 and 2002 when migrant's remittances worth US\$338 and US\$384 were received respectively. Inflows of migrant's remittances are the second largest contributor to the country's foreign exchange inflows after exports of goods and have contributed significantly towards offsetting the large deficit on the trade balance. The large inflows of migrants remittances have made up for the large growth in private sector imports of general merchandise which has grown in leaps and bounds over the same period by providing the much needed foreign exchange to meet some of the country's import requirements. Migrant's remittances are equivalent to about 50 percent of total exports of goods per annum.

Fig 1: The Goods Account and Current Transfers 1996 to 2003 – Amounts in Millions of US dollars

	1996	1997	1998	1999	2000	2001	2002	2003
CURRENT ACCOUNT BALANCE	-307.98	-320.97	-360.71	-347.33	-327.06	-312.45	-323.15	-339.67
Goods Account(Trade Balance)	-336.87	-293.39	-488.87	-444.78	-453.85	-499.89	-572.59	-678.48
Total Exports (fob)	641.82	592.63	510.20	485.76	460.00	475.55	480.70	563.02
Total Imports (fob)	-978.69	-886.02	-999.07	-930.53	-913.85	-975.44	-1053.29	-1241.50
Current Transfers (net)	441.77	270.33	479.87	476.97	507.27	633.77	719.90	745.97
Inflows (Credit)	602.08	601.07	744.27	646.23	754.32	937.95	1043.73	961.98
o/w Workers remittances	209.49	156.26	162.28	167.23	168.73	338.19	384.43	278.11
Outflows (Debits)	-160.31	-330.73	-264.40	-169.26	-247.05	-304.19	-323.83	-216.00
o/w Workers remittances	-160.31	-330.73	-264.40	-169.26	-247.05	-304.19	-322.01	-213.60

Source: Bank of Uganda

Resident families of Ugandans, who live abroad, spend the remittances on recurrent items such as school fees, rent, general upkeep etc. The main origins of the remittances are United Kingdom, United States of America, Japan, South Africa and Sweden. The monthly flows of migrants remittances have often tended to be sensitive to festive seasons such as Christmas and Easter when they are at their highest and also during the opening of school terms.

Uganda also has outflows of migrant's remittances from mainly migrants of Indian and Chinese origin that are employed in construction firms and business. Like migrants remittances to Uganda, these outflows have also grown over the past eight years, increasing from about US\$160.31 million in 1996 to US\$ 213.6 million in 2003 having reached their peak in 1997 at US\$ 330.7 million. The main purpose for these transfers is for the upkeep of families resident in the home countries of these migrants. These transfers are remitted through commercial banks, authorized money transfer agencies with international money transfer organizations such as Western Union and Money Gram. In addition to these officially recognized sources, some transfers come in through the informal sector. The success of the informal sector as an alternative method for remitting funds is on account of the very low amounts sent through this medium attracting very low costs as compared to official sources whose costs would be to exorbitant for such transactions.

This paper, describes the measures taken in Uganda to capture data on migrants remittances, weaknesses in the current methodology and the future plans for improving the current methodology used for estimating migrant's remittances to Uganda and from Uganda.

METHODOLOGY FOR COMPILING DATA ON MIGRANTS REMITANCES

At the end of each month, all transactions in foreign exchange for the month are aggregated for both inflows and outflows of foreign exchange. Inflows of foreign exchange are derived as total sales of foreign exchange to all authorized foreign exchange dealers by the public (other sector) while outflows of foreign exchange are derived from purchases of foreign exchange from all authorized foreign exchange dealers by the public (other sectors). The authorized foreign exchange dealers are commercial banks through their International divisions and foreign exchange bureaus. Each authorized dealer is legally compelled to report all transactions in foreign exchange to the Bank of Uganda.

i. Commercial Banks

The Commercial Banks provide a daily report on all spot purchases and spot sales of foreign exchange made during the particular day in addition to data on all forward purchases and sales. All the reports for a particular month are summed up to obtain total transaction during the month. This total is then adjusted to exclude all inter-bank transactions (sales and purchases between commercial banks), transactions with the central bank (sales and purchases of commercial banks to and from the central bank) and all transactions between commercial banks and foreign exchange bureaus. Finally, all forward purchases and sales that do not fall due within that month are excluded, while those contracted in previous periods but falling due in that month are included. This total then provides all transaction between the commercial banks and other sectors.

ii. Foreign Exchange Bureaus

Foreign exchange bureaus provide weekly and monthly reports providing data on all purchases and sales of foreign exchange from and to the public, among themselves and from and to commercial banks. To the monthly totals, all transactions between foreign exchange bureaus are excluded. Since foreign exchange bureaus are only authorized to engage in spot transactions and do not trade with the central Bank, no adjustments are made for forward transactions and transaction with the central bank. This total as in the case of commercial banks then provides all transaction between the foreign exchange bureaus and other sectors.

The sum of these two totals for purchases and sales provides a total of all foreign exchange outflows and inflows from the economy on account of private sector transactions with the rest of the world. These totals therefore provide control totals for all outflows and inflows of foreign exchange within the month under consideration. To derive total private transfer inflows, we subtract all BOP transaction for exports of goods, exports of services, income inflows, foreign direct investment, portfolio investment inflows, loans to the private sector, and the portion of official project aid (loans and grants) spent on domestically procured goods and services. What is left is deemed to be private transfer inflows and is subdivided into migrant's remittances and other private

transfer inflows, which includes NGO's and Insurance Premiums etc. The break down between migrant's remittances is then derived using ratios obtained from the commercial bank monthly reports, which provide estimates of migrants remittances and other private transfers. In reality, for some months, the estimate for migrant's remittances is under stated particularly, since the current methodology does not take into consideration migrant's remittances in kind, while for some months it is over stated particularly, when residents who have been holding foreign exchange decide to sale off to authorized dealers. However, the assumption that all foreign exchange inflows are converted for use into the local currency at authorized dealers covers foreign exchange that has come into the economy, outside the banking system such as through the informal sector which in part offsets some of the underestimation made on account of excluding goods in kind.

Migrant's remittances from Uganda are also computed following a similar methodology to that of inflows. The estimates obtained for migrants remittances (both inflows and outflows) largely depend on the quality of data obtained for the other BOP transactions on the goods account, services account, income account, direct investment, portfolio investment and other investment.

WEAKENESSES OF THE CURRENT METHODOLOGY

The current methodology has a number of weaknesses, the main ones being the omission of transfers in kind and a portion of transfers through the informal sector. The omission of transfers in kind is a result of the system used for capturing goods (both imports and exports). While the source documents used by the customs authority to capture data on imports and exports of goods provide for disclosure on the source of funding which should include gift or donation for transfers in kind, little or no emphasis in most cases is placed on this field and as a result data is not provided. Subsequently, all goods are assumed to be financed by the financing items such as changes in currencies and deposits etc. that causes the omission. Transfers omitted through the informal sector are those for which the agents involved in the both the domestic economy and the non-resident economy engage in a sophisticated method of settlement which involves either party

remitting the net amounts due in foreign currency at the end of the period. In most cases the settlement results into a net inflow. The assumption that the transfers come in as foreign exchange, which is exchanged for spending in the local currency at an authorized dealer, is therefore violated because the informal agent settles domestically in the local currency. In other instances, the informal agent also doubles as an importer, which even complicates matters further as the settlement is done by sending a consignment of goods equivalent to the amounts due.

The other weakness lies in the fact that the data estimated does not provide any additional data for analytical purposes such as the origin of the transfers. The estimate derived is on aggregate basis and is of very limited analytical use. This is exacerbated by the fact that the migration statistics do not provide any indication on whether Ugandans leaving the country intend to stay abroad for permanently or not – most especially for those who leave the country with the intention of engaging in odd jobs without work permits.

Initially, we had designed forms for compiling the data through the ITRS system. The forms designed provide for all transactions in accordance with the BPM5 classification. However, this form has been misused, and despite the fact that reporting is done regularly; there have been cases of misclassification for certain transactions. This is worsened by the fact that what is reported in different returns rarely reconciles for instance sum of daily returns for a month do not agree with monthly returns. In addition, other sources of data rarely agree with returns through the ITRS. This has made it difficult to rely entirely on the classification provided in the ITRS.

PLANS FOR IMPROVEMENT

A two-pronged strategy has been designed to improve the data on migrant's remittances. On the one hand, we intend to capture data on migrant's remittances to Uganda through the National Household Surveys, which are carried out every two years. A question has already been incorporated in the survey planned for 2005. The other plan is to compile data directly from all authorized agencies involved in money transfers such as Commercial Banks, Foreign Exchange Bureaus, Western Union and Money Gram agents

for shorter periods. This involves attracting informal sector agents involved in the provision of money transfer services to the formal sector through the Foreign Exchange Bill, which provides for non-banks to engage in such activities as opposed to the current law. However, the success of this alternative depends on the reliability of the data that will be submitted by each of the authorized money transfer agents and the extent to which the newly approved Foreign Exchange Bill will help in providing the legal mandate to collect the required data.