
Progress Report on CEMLA Remittances Compilation Manual for LAC Countries

(updated from Luxembourg Group presentation)

John F. Wilson

Consultant

CEMLA Seminar on Improving Remittances Reporting
and Procedures

Mexico City, July 11-14, 2006

Melior victus per melior indicium

Data Profile for LAC Countries

- See handout table
- Predominantly net remittance receivers
- Large values recorded for some
- Rapid growth in recent years
- Importance relative to GDP, FDI inflows, household income, etc.
- Enormous public attention of late

Source for all these observations is.....

Data Source for Remittances

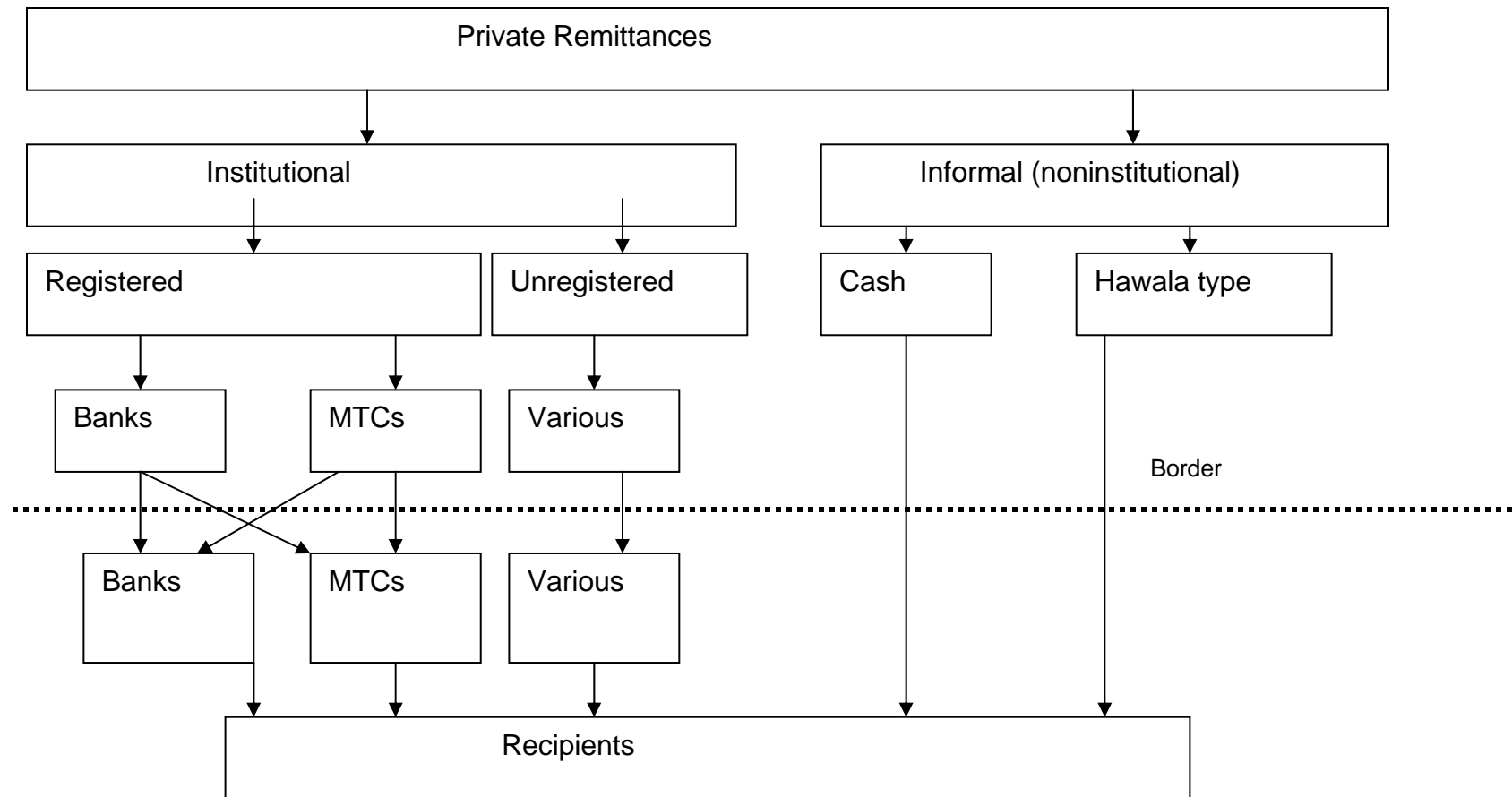
- IMF publications, *IFS* and *BOPSY*, which in turn depend on...
- National compilers at Central Banks
- There are no other sanctioned sources, and therefore...
- Important to improve official data as much as possible.
- CEMLA participation on behalf of >30 LAC countries

Aspects of Personal Remittances

- Large numbers of transactions
- Tend to be small values (\$300-\$500 for LAC)
- Various channels: formal and informal
- Main participants: MTCs*/ and banks
 - LAC data suggest very large share for MTCs.
- Distinct patterns by country: mainly credits, a few debits
- Definitional issues
 - Transition between BPMs 5 and 6
 - Mode 4
 - Easy confusion with payments or capital flows
- Problematic measurement

*/ Money Transfer Companies; other names apply, such as MTOs or RSPs.

Schematic of International Remittance Channels (Detail on “Agents” omitted)



Approaches to Remittances Measurement

- 1. Broad estimation: no fussy detail:
 - # migrants or potential remitters
x “propensity to remit” ~ estimated flows
(Some developed countries, often on debits side)
 - **Econometric modeling not possible!**
 - 2. Attempt direct measurement:
 - Formal reporting system
 - Surveys as necessary
 - Minimize rough estimates
- Draft CEMLA manual proposes latter approach.

Structure and Coverage of Draft Manual

- Introduction
- I. Current Statistics, Concepts and Definitions
- II. Legal and Regulatory Framework
- III. Channels and Modalities
- IV. Measurement: Institutional Alternatives
- V. Survey Possibilities (households)
- VI. Other Issues: Innovations and Estimations
- VII. Data Disclosure and Dissemination
- VIII. Responsibilities and Roles
- IX. Best Practices Implementation
- X. Summary and Conclusions


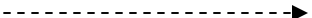
First drafts through Section IX. submitted; comments and reactions now in order. Revisions to follow

Draft Manual concentrates on personal remittances credits.

Institutional Reporting: Considerations

- Central bank and govt. authorities to require reports
 - Cost/benefit considerations for LAC countries
- Periodicity and technicalities must be considered
- General criteria for “remittances”
 - Flow is cross-border (from individual)
 - Value of transactions
 - To individual account or for individual recipient
- Specific reporters
 - Banks: Who has a usable ITRS system for such flows?
 - MTCs: Include or exclude “agent” reporting?
- Intra-government issues: Contending interests
- Feasible data streams? Dichotomy of money and information flows

Following the money? (debits and credits)

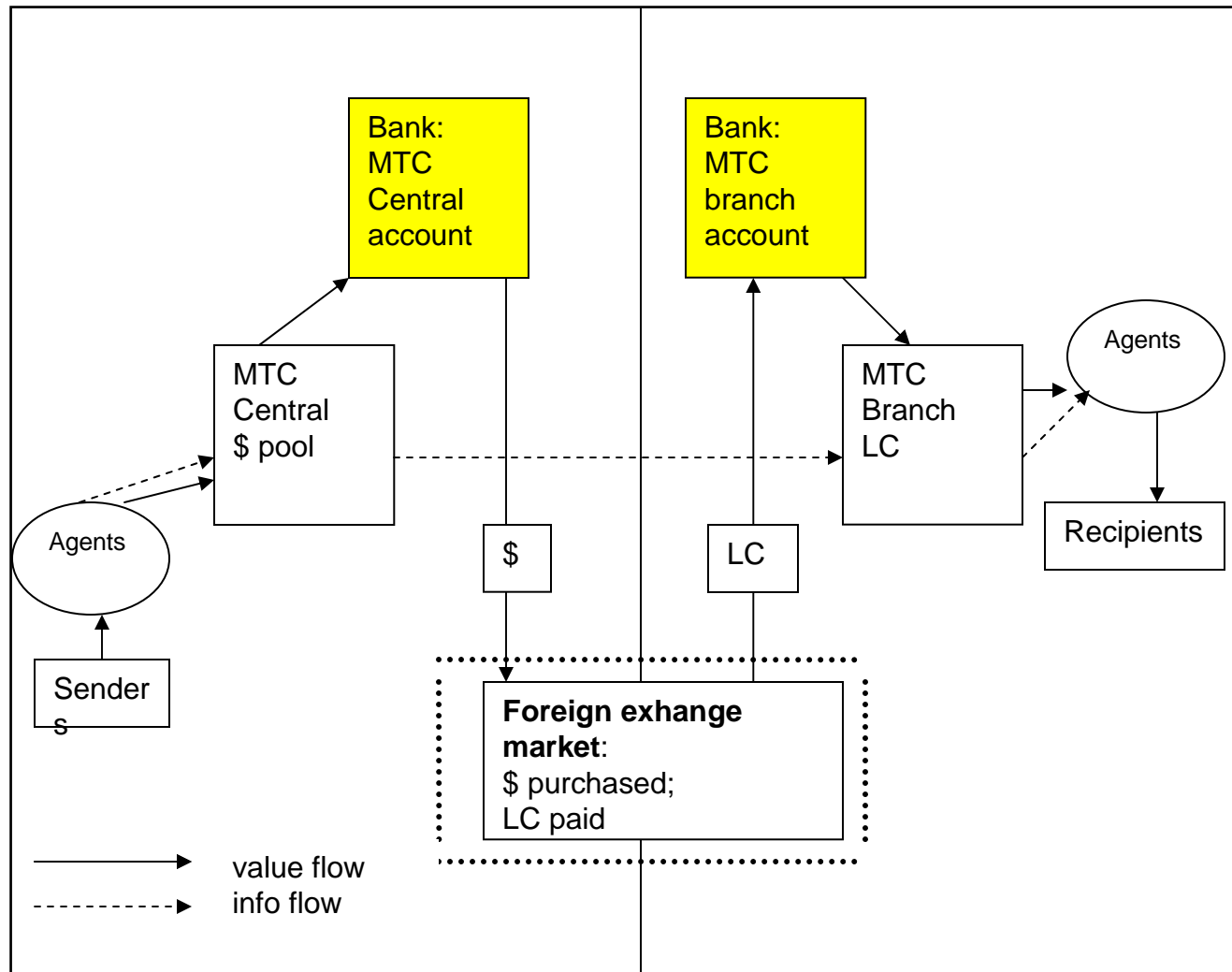
- Literature schematics: (CPSS/IBRD*/, ADB, WOCCU, others)
 -  "linear" money flow through system;
 -  information flow about transaction

Within MTC structure, "circumvents" financial accounts;
Sender to receiver, or MTC to MTC branch

- Actual "money flow" rather more complicated
 - Unexpected directionality and actors
 - Settlements on net basis
 - Confusing "debit and credit" patterns

*/ See Annexes 3 and 4 to *General Principles for International Remittance Services*, March, 2006

Sample Schematic for Remittance Flows: MTC Channel



Therefore, follow the information flow

■ Implications for compilation

- ❑ Reports from bank and MTC participants on own transactions

 - When banks are MTC agents (no)

 - When different foreign & domestic banks (yes)

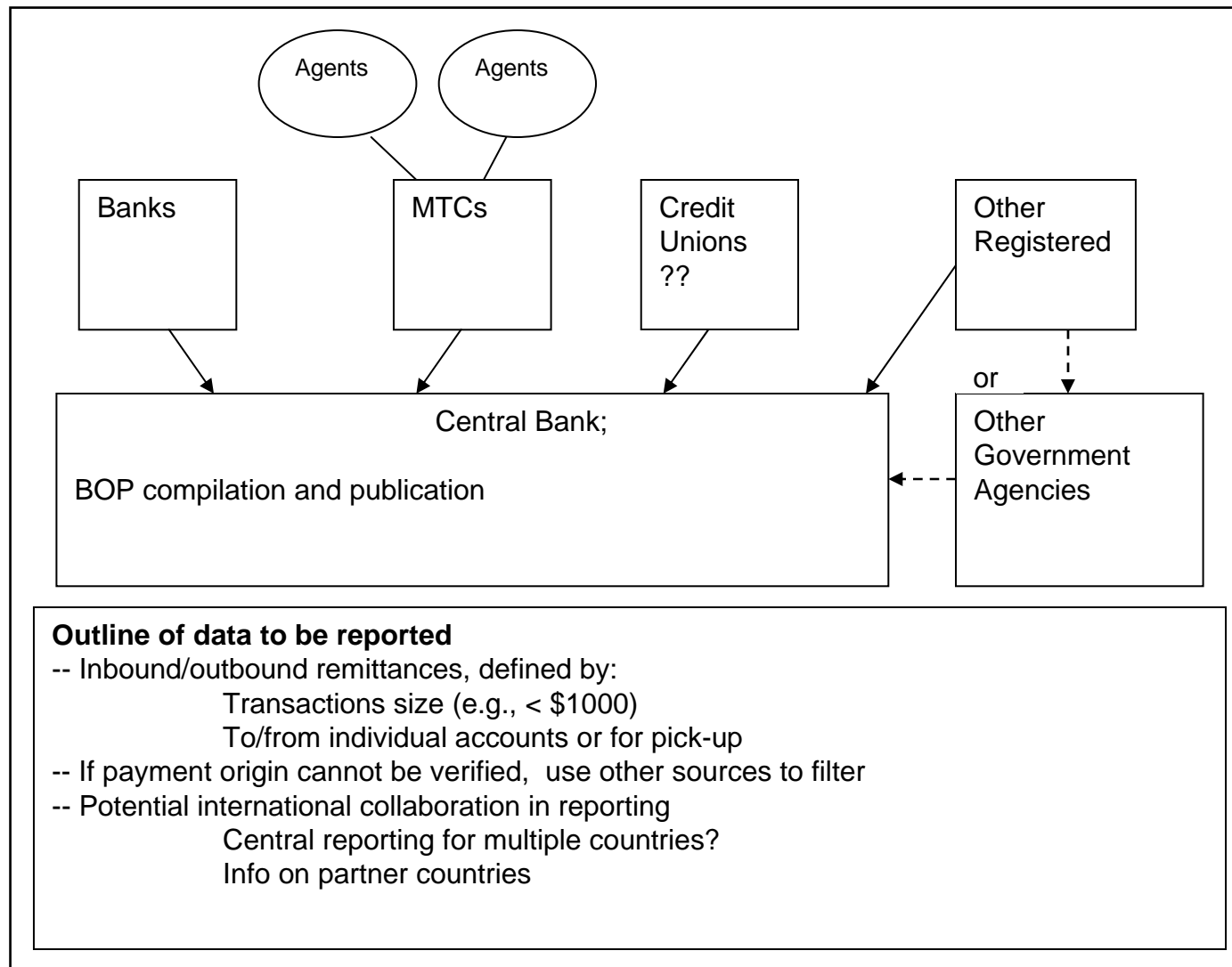
- ❑ Assumptions on data availability; Computer and IT capacity; message contents (technical feasibility?)
 - ❑ Data processing and data access
 - ❑ Filtering: Probabilistic identification of remittances
 - ❑ Gaps in institutional knowledge, therefore.
-

Household Remittance Surveys

- Needed to profile and quantify flows via noninstitutional channels
 - Cash
 - Checks, drafts by mail
 - Other channels (hawala type */)
- Connect with existing HH surveys, or separate
 - Fill gaps in bank and MTC reports
 - Limited data requirements
 - In most cases, better for credits (cf. IADB surveys of Latino remittance debits from US)

*/ El Qorchi, Maimbo, Wilson, *Hawala Informal Remittance System*, IMF, 2003.

Potential Reporting Structure for Remittances in LAC Countries (Input from HH surveys not shown)



Reporting Considerations

- **General aspects**
 - Cross border payment
 - Individual recipient
 - Value filtering (absent full ITRS detail)
- **Banks**
 - All receipts to individual accounts?
 - Exclude agency disbursements (e.g., HSBC in Mexico)
- **MTCs**
 - Same MTC originates transaction

Remittance Innovations: Card Channel

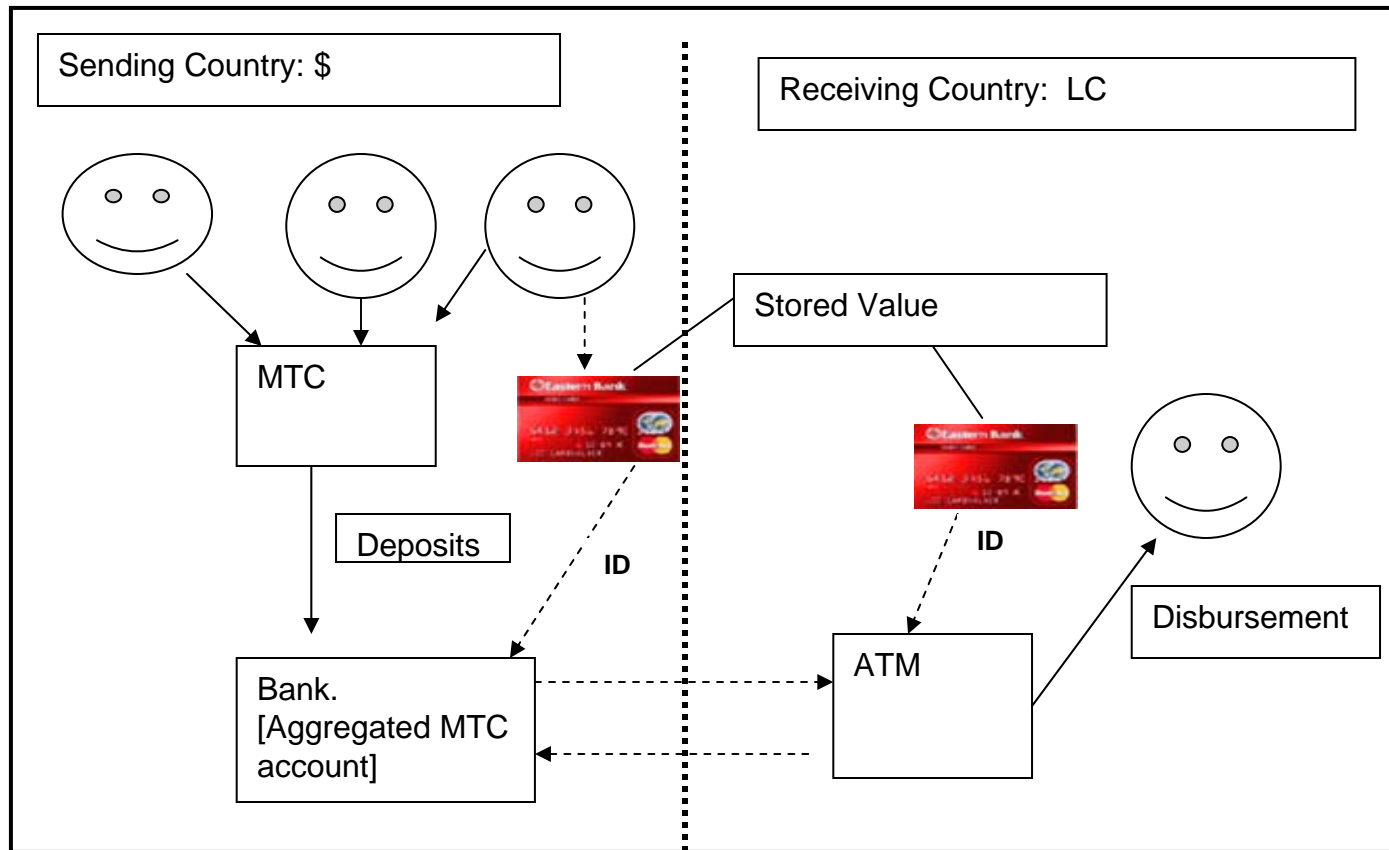
Stored Value Cards (SVCs). Debit card functionality

- Recipient needs no bank account
- Sender's "SVC account" value is *ad hoc* connected to card,
But note FDIC insurance coverage in U.S.A.
- Several permutations
 - Bank sponsor (special "account")
 - MTC sponsor: aggregated accounts with banking system
 - ATM withdrawals/disbursements
- Compilation possibilities?
 - Assumptions about detail from ATM transactions
 - Considerable info embedded in electronic channels!
 - Same reporting as for traditional remittance flows
- Other electronic channels, e.g., PayPal coming along

Standard cross border ATM withdrawals

Feasible (perhaps cheapest!) remittance channel, but how to identify?
Presently usage *de minimus*

Innovations: SVC with MTC Sponsor



Some Prioritized Recommendations

- 1. Reporting responsibility for all institutional participants. Include banks and MTCs (exception for agents?) licensed to operate. Provision for appropriate enforcement mechanisms.
- 2. Ensure cooperation among government agencies to acquire timely and sufficient flow of data to the central bank.
- 3. Focus reports on entities' own remittance activities: MTCs and individual banks transacting remittances on their own account
- 4. Household surveys for details on informal remittances not obtainable through institutional reports.
- 5. Common definitions to measure remittance flows. Align definitions with international practice in BOP measurement.
- 6. Coordinate discussions with multinational MTCs, so as to obtain joint reports on remittances to/from each of the LAC countries.
- 7. Implement similar designs, to help promote comparable transactions coverage, including bilateral detail on partner countries
- ...Others

Other possibilities

- With coordinated MTC reporting and common design:
 - Compilation efficiencies
 - Usable intra-LAC partner country data?
 - Example: Coordinated Western Union (and/or Vigo, MoneyGram, etc.) reports for all LAC countries (unprecedented multilateral compilation).

Why not?

- Extra-LAC area data useful only if
 - Bilateral detail available
 - Confidence in compilation methodology

Next Steps

- This meeting and following: Further consideration of proposed best practices and compilation strategies
- Manual revisions and distribution
- Missions/discussions with individual LAC countries on implementation....
- This may seem ambitious, but why not?

END

“A BOP compiler’s work is never finished, and seldom appreciated.”

--Socrates