



# **Revision to BPM5: latest proposals for definitions of remittances**

# Revision to BPM5

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- concepts and treatments
- clarification and guidance
- format and content of the new manual
- a new name
- emphasises integration with SNA and other specialized Manuals and compilation guidance

## General approach:

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- 4 separate lists of BoP Issues for Direct Investment, Currency Unions, Reserve Assets and everything else
- 4 expert groups set up to discuss each list, produce an Outcome Paper for each Issue, make recommendations
- IMF BOP Committee and UN Advisory Expert Group confirm/reject the Outcome

## Current position:

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- all Issues and Outcome papers on IMF website at <http://www.imf.org/external/np/sta/bop/iss.htm>
- not everything settled yet, but new chapters being drafted
- first drafts for IMF BoP Committee in October: full draft by end-2006
- global consultation during 2007-08
- new Manual finalised by late 2008: hard copy in 2009

# New name

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- “Balance of Payments” is out of date
- based on transactions, change of ownership
- credits and debits, as well as balance
- recognise more user focus on levels: IIP, External Debt
- emphasise the consistency with National Accounts framework

## New name

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- “External Accounts” possible
- “International Accounts” more likely
- and refer to a year of the Manual, not an edition
- International Accounts Statistics Manual 2008 (IASM 2008)
- but not yet agreed: part of the global consultation

## **Format and content of new Manual**

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- introductory Chapters on Overview, Principles, Units and Residence, Classifications
- Chapters on specific Accounts (using SNA terminology)
- Chapter on Uses of International Accounts statistics
- Appendices on specific issues, for example Remittances

## Sequences of Chapters on Accounts

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- International Investment Position
- Financial
- Other Changes in Financial Assets and Liabilities
- Goods and Services
- Primary distribution of Income (BPM5 Income)
- Secondary distribution of Income (BPM5 Current Transfers)
- Capital



# Impact on Remittances

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- most statistics on remittances will come from the Secondary distribution of Income account
- the definition of residence is expressed as “predominant center of economic interest”
- clarification rather than a change: keep one year rule

# Definitions of Remittances

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- latest proposals from UN TSG
- outcome paper on UN website:  
<http://unstats.un.org/unsd/tradeserv/meetings-m4.asp>
- includes a table showing which IA standard components contain detailed Remittances figures
- and a very helpful worked example

# Definition of remittances Outcome of TSG on Movement of Persons – Mode 4



*Prepared by the UNSD for presentation to CEMLA*

# Overview

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- Why are remittances high in the international policy agenda?
- Background of methodological development
- Personal transfers
- Personal remittances
- Total remittances
- Total remittances and transfers to non-profit institutions serving households

# Policy interest

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- Worldwide remittances are very large (up to 20% of some countries' GDP) and important for macroeconomic performance
- Estimates of US\$125bn annually are reported, possibly even higher as large as FDI and ODA
- It reflects increased international migration and globalization

## Policy interest (continued)

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### Macroeconomic management

- Flows are stable
- Flows may help countries in crisis
- Trade policy focus, in relation to GATS

### Development

- Unique flows that benefit households, including the poor
- Developmental benefits can be enhanced with right environment

### Enabling environment and financial deepening

- Formal mechanisms are preferred by sending countries
- Better data will support private sector investment in remittance and financial infrastructure

# Background

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- TSG submitted preliminary recommendations to BOPCOM and AEG in July 05. Recommendations bring new International Accounts Manual flows in line with 1993 SNA
- TSG refined its definitions of remittances in Feb 06 based on comments from BOPCOM and AEG
- TSG has submitted its final Outcome paper to BOPCOM and AEG for final deliberation

# Personal transfers

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- Definition

*Personal transfers consist of all current transfers in cash or in kind made, or received, by resident households to or from other non-resident households*

**BOPCOM:** Agreed with definition as part of standard presentation.

“Remittances of resident employees” supplementary item to maintain time series.

**AEG:** Suggested possible inclusion of capital transfers

**TSG:** Capital transfers should not be included but separately identified as supplementary item in the remittances table.



# Personal remittances

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- Definition (receiving country)  
*Personal remittances = personal transfers + net compensation of employees + capital transfers between households*
- Excludes: non-life insurance premiums and claims, investment income.
- Compensation of employees should be netted out of social contribution, taxes on income, travel and passenger transportation related to short term employment
- Essentially household-to-household transfers
- Supplementary item in new Manual

# Total remittances

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- Definition

*Total remittances = personal remittances + social benefits*

- Includes all transfers directly to households from any institutional sector
- Takes into account the recommendations of the AEG

## Total remittances and transfers to non-profit institutions serving households (NPISHs)

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- Definition (receiving country)

*Total remittances and transfers to non-profit institution serving households = total remittances + current transfers to NPISHs + capital transfers to NPISHs*

- Supplementary item: to be included in the supplementary table presenting information on remittances

## Supplementary table for remittances

	Credits	Debits
Services (AO Table 9.1)		
Travel		
Transportation		
Primary distribution of income (AO Table 10.1)		
Compensation of employees		
Secondary distribution of income (AO Table 11.1)		
Current taxes on income and wealth		
General government		
Households		
Other		
Social contributions		
General government		
Households		
Other		
Social benefits		
General government		
Households		
Other		
Personal transfers		
Other current transfers		
General government		
Non-profit institutions serving households		
Other		
Capital transfers (AO Table 12.1)		
General government		
Household		
Non-profit institutions serving households		
Other		