

OUTCOME PAPER # 3¹

INSTITUTIONAL AND TOTAL REMITTANCES

UNITED NATIONS TECHNICAL SUBGROUP ON MOVEMENT OF NATURAL PERSONS

1. The United Nations Technical Subgroup on the Movement of Natural Persons (TSG) at its meeting in Paris (31 January – 1 February 2005), discussed Balance of Payments flows related to remittances based on the issue paper *Definition of Remittances and Relevant BPM5 Flows*. It deliberately sought to harmonize the Balance of Payments components related to remittances to the 1993 SNA transactions.
2. There was not sufficient time for the TSG at its meeting to discuss in full additional issues related to the definition of (a) institutional remittances and (b) total remittances. It was decided that deliberations on the above issues would be done electronically. UNSD prepared an issue paper for discussion among the members of the TSG. The results of the consultation among the TSG members were summarized in an intermediate outcome paper. Subsequently, the issue and outcome papers were distributed to a wider audience including participants in the International Technical Meeting on Measuring Migrant Remittances organized by the World Bank and IMF (Washington DC, 24-25 January 2005), the participants at the Workshop on Statistics of International Trade in Services for the ESCWA region (Beirut, 14-17 December 2004) and interested countries that have contacted the TSG Secretariat. The results of the consultations are presented below.

(a) Institutional remittances

3. The TSG was prompted to develop a concept of institutional remittances as a result of some countries' interest in identifying flows sent by organized groups of migrants for the benefit of the communities in the home countries. These types of flows can be significant and are linked to the movement of persons.
4. The issue paper on institutional remittances put forward a narrow and a broad definition of institutional remittances. The narrow definition covered only net receivable by households from any sectors (excluding household to household transfers, as these transfers would be covered under personal remittances²). The broad definition covered net receivable by households and NPISHs (excluding household to household transfers which are covered under personal remittances). The narrow definition of remittances was not accepted because of practical and conceptual considerations. The practical considerations included the difficulty in separately identifying flows to households and NPISHs. The conceptual considerations included the notion that receivable by NPISHs

¹ The outcome paper will be submitted to the Balance of Payments Committee (BOPCOM), the Advisory Expert Group on National Accounts (AEG) and the Inter-agency Task Force on Statistics of International Trade in Services.

² Personal remittances are defined in Outcome paper #1.

are ultimately channelled to communities and households in the home countries for their benefit.

5. During the consultation process, the following broad definition of institutional remittances was agreed:

Institutional remittances consist of current and capital transfers in cash or in kind payable by any resident sector (i.e. households, government, corporations, and NPISHs) to non-resident households and NPISHs and receivable by resident households and NPISHs from any non-resident sector and excluding household to household transfers.

6. Some members of the TSG argued against the relevance of the broad definition of institutional remittances for the measurement of the impacts of movement of persons. It recognized the importance of separately identifying transfers made by organizations of migrants versus donations made for humanitarian reasons (e.g. in response to natural disasters, war, etc.) or transfers between churches. However, it was considered difficult in practice to identify those transfers and therefore agreed to a broad approach. Further, it was noted that some transactions which would result in the benefit of households may be difficult to identify because they occur in indirect ways. This would be the case, for example, of financing corporations in the host country that provide benefits to households. Nevertheless, it was considered that institutional remittances, as defined in para 5, would still provide an indication of the transfers from abroad for the benefit of the households in the home countries.

7. It was agreed that, similarly to personal remittances, institutional remittances should also be recorded as a memorandum item³. As a result, total remittances should also be recorded as memorandum items. The consultation process, however, indicated only a narrow margin in favour of treating institutional remittances as memorandum item as opposed to supplementary item.

8. The above recommendations bring the balance of payments components in line with the 1993 SNA. The table in the Annex illustrates all transactions related to institutional remittances in the secondary distribution of income accounts derived from balance of payments components, related to institutional remittances. The 1993 SNA classification of distributive transactions (D) is used for ease of reference.

(b) Total remittances

9. The TSG agreed on the following definition of total remittances:

Total remittances consist of the sum of personal remittances, as defined in Outcome paper #1, and institutional remittances.

³ In the balance of payments, memorandum items are items that are mandatory to compile as opposed to supplementary items whose compilation is recommended but it is not mandatory.

10. Total remittances should be recorded as a memorandum item. This is the immediate consequence of recording personal and institutional remittances as memorandum items.

Questions for the Committee

- (i) Does the Committee agree with the definition of institutional remittances in para 5?*
- (ii) Does the Committee agree with the definition of total remittance as outlined in para 9?*
- (iii) Does the Committee prefer treating institutional remittances and total remittances as memorandum items or supplementary items?*

ANNEX

TABLE I INSTITUTIONAL REMITTANCES

SNA and BOP transactions	hh→ NPISH	NPISH → hh + NPISH	Government → hh + NPISH	Corporations → hh + NPISH
Services Travel (part, COE related)				
Income COE				
Current transfers				
Current taxes on income, wealth, etc. (D.5) (COE related)				
Social contributions (D.61) (COE related)				
Social benefits other than social transfers in kind (D.62)				
Social security benefits in cash (D.621)		√	√	
Social insurance benefits (D.622 – D.623)		√	√	√
Social assistance benefits (D.624)		√	√	
Social transfers in kind (D.63)		√	√	
Other current transfers (D.7)				
Miscellaneous current transfers (D.75)				
Personal transfers				
Compulsory payments		√	√	√
Transfers to NPISH (e.g. donations)	√	√	√	√
Capital transfers				
Migrants' transfers				
Other capital transfers (part)	√	√	√	√