

**On Results of CIS Central (National) Banks Roundtable
'Bilateral comparisons of statistical data on remittances'
Tula, March 15-16, 2011**

1. Representatives of the central (national) banks of Armenia, Belarus, Kazakhstan, Kirghizia, Moldova, Russia, Tajikistan and Ukraine, and of the IMF's Statistics Department have participated in the roundtable on remittances among CIS countries.

2. The discussion has been focused on the practice of compiling statistics on cross-border remittances in the CIS countries, represented by the participants at the meeting. All speakers have noted that the International Transaction Reporting System (ITRS) has been the main information source for these statistics. In addition, Armenia, Kazakhstan, Moldova and Tajikistan conduct sample surveys of households receiving money transfers and acknowledge their high effectiveness, although some problems arise with practical use of their results. Moldova's representatives drew attention to the need to coordinate such surveys and provide them with relevant methodological standards.

3. Countries use different ITRS to compile statistics on remittances. Kazakhstan, for example, draws this information from its unified internal and external economic transactions' system, which comprises around 1,000 payment identification codes. Belarus, Kirghizia, Moldova, Tajikistan and Ukraine operate closed ITRS. Armenia and Russia have developed special ITRS with a limited number of codes relating to cross-border transactions of individuals with partial aggregation.

4. In the course of discussion participants have identified money transfer operators (MTOs) as the most important remittances' channel. However, while Russia collects the data directly from MTOs, Armenia, Belarus, Kazakhstan, Kirghizia, Moldova, Tajikistan and Ukraine receive these data from banks' regular reports, as banks are the agents of MTOs. Experts from Belarus, Moldova, Kirghizia and Tajikistan have noted problems with identifying the transfer-originating counterparty's country because the clearing centres are located in Russia and other countries.

5. All countries collect data on postal money orders. Their share is small in Armenia and Kirghizia, whereas other countries note their significant role. In Belarus and Kazakhstan, postal money orders' data are recorded in the ITRS. In some countries, post services act as MTOs agents.

6. Participants have pointed out the need to make adjustments to the data reported by banks, which is done mostly on the basis of data received in the course of households' surveys and, in some cases, in the course of financial intermediaries' surveys. This allows identifying the purpose-specific composition of remittances, excluding from them payments for goods and services as well as investments. In addition, remittances statistics' compilers have recognized the merits of excluding large-value transfers from time series' database.

7. Estimation of remittances' flows in cash has been declared as the most significant current problem. Cash remittances are presently evaluated in Armenia, Belarus, Kirghizia, Moldova, Russia and Ukraine. However, all speakers have noted lack of information for an accurate assessment of informal transfers' volumes.

8. Establishing the residence status of individuals in accordance with statistical standards poses a serious problem in all countries.

9. When compiling their balances of payments, some countries record all reported data as current transfers, mainly as workers' remittances. This approach does not allow compiling 'compensation of employees' item in the balances of payments.

10. A transition to the IMF methodology recommended by the Balance of Payments and International Investment Position Manual (BPM6) and Remittances Compilation Guide has been noted as a major future work objective, especially regarding the new definition of remittances and such indicators as 'personal remittances,' 'personal transfers' and 'net compensation of employees.'

11. In the course of discussing the new methodology, the participants have paid special attention to nuances. According to BPM6, the residency of individuals is established on the basis of the centre of their predominant economic interest and taking into account the period of time the individual spends in the new place of residence. Such additional factors as the location of members of the household are not considered decisive.

12. The participants have discussed in detail the differences between the employer-employee relations and the situation with self-employed persons. The former exist when there is a formal or informal agreement under which the individual works for an institutional unit resident in another country (enterprise or individual) and receives pay for his/her work. Self-employed persons themselves are responsible for the relations in the labour market, may be owners of machinery and equipment, pay taxes and social contributions. The purpose of their activity is to receive the expected result, while their incomes are recorded under the 'services provided' component.

13. Russia and Ukraine have taken a few steps forward in implementing the new standards. Their central banks have posted on their official websites data compiled using the advanced methodology and broken down by region. Experts from Armenia, Russia and Ukraine have stated that the sharing of data on a bilateral basis, using the modern international methodology, would be a major area of cooperation between these countries in the next few years.

14. The main purpose of the roundtable has been to enable bilateral comparisons of data on remittances. The results of these comparisons are provided in the Appendix. The participants have analysed the initial reporting data, balance of payments output data and the methodological aspects of the problem.

15. In some cases, bilateral comparisons of initial information have not been supported by the necessary data broken down by region. This has created even more formidable problems for the mirror comparisons of balance of payments indicators derived from initial data.

16. The main reasons for the discrepancies discovered by roundtable participants in initial data have been identified as follows:

- differences in the geographical classification of remittances: when it is impossible to identify transactions by the host country of the recipient/sender, the country where the clearing centre is located is recorded;

- different thresholds for the exclusion of large-value transactions from quid pro quo remittances;
- differences in territorial coverage, for example, as is the case with Transnistria;
- differences in the coverage of MTOs, especially local ones;
- the use by the sides of different exchange rates when converting transactions to a single currency.

17. Comparisons of balance of payments data have shown that different countries use different methods of converting initial data into balance of payments indicators;

- countries allocate initial data to the balance of payments items 'compensation of employees' and 'current transfers' in different proportions and some statistics compilers record a part of these sums to 'services' or 'investment;'
- the visible cause of divergences is the approximately calculated additions made by some countries to the amounts coming through the informal channels as cash.

18. Most of the above-indicated causes may be considered as the objective factors of current differences.

19. Specialists who have participated in the meeting have been unanimous in admitting the importance of bilateral data comparisons. Such comparisons are in full compliance with the IMF recommendations set out in BPM6 and the Remittances Compilation Guide.

Results of Bilateral Comparisons of Statistical Data on Remittances among CIS Countries

Pair of bilateral comparisons	Initial data		Balance of payments data	
	discrepancy	possible causes of discrepancies	discrepancy	causes of discrepancies
Armenia - Belarus	Yes	Armenia's statistics is mostly oriented at recipient/sender country classification, while Belarus tends to identify counterparty by the host country of a clearing centre. Experts assume that some other undetected causes may exist.	...	When compiling their balance of payments, neither country breaks down the data by counterparty country.
Belarus - Kazakhstan	Yes	Kazakhstan accounts for transfers by recipient/sender country, whereas Belarus records transactions by the location of a clearing centre irrespective of the beneficiary country.	...	Not available.
Kazakhstan - Kirghizia	Yes	1. MTOs: in reports by Kirghizian banks and Kirghizia's Post Office, ITRS data are recorded under the host country of the clearing centre, in Kazakhstan these data are recorded under recipient/sender country of residence. 2. Correspondent accounts: Kirghizia has a ceiling of \$3,000 and records amounts that do not exceed it as quid pro quo remittances. Kazakhstan takes into account all remittances.	...	Not available.

Pair of bilateral comparisons	Initial data		Balance of payments data	
	discrepancy	possible causes of discrepancies	discrepancy	causes of discrepancies
Belarus - Ukraine	Yes	In Belarus MTOs operate via clearing centres in other countries. Ukraine uses a special banking statistics form to break down information geographically.	Yes	Different methodologies of evaluating quid pro quo remittances and compensation of employees are used. Therefore, Belarus, for example, has no information on amounts of compensation paid by Ukraine to residents of Belarus.
Moldova - Russia	Yes	Russia's figures are higher as they include transfers to the territory of Transnistria, which are unaccounted for by Moldova.	Yes	Countries use different methods of evaluating compensation of employees' and quid pro quo remittances' indicators. There are significant differences in relative weights in their methodologies of such ratios as cash and non-cash transactions.
Russia - Tajikistan	No		Yes	Major differences relate to the compensation of employees' indicator, which Tajikistan does not compile, recording the entire amount as current transfers. Current transfers' data of the two sides are virtually equal.
Tajikistan - Ukraine	Yes	In Tajikistan remittances via MTOs are carried out by clearing centres in third countries. For geographical breakdown of information, Ukraine in addition uses a special bank reporting form.	Yes	Differences in indicators relate to initial information sources and to the reclassification by Tajikistan of 30% of the sum of remittances as payments for commercial activities.

Pair of bilateral comparisons	Initial data		Balance of payments data	
	discrepancy	possible causes of discrepancies	discrepancy	causes of discrepancies
Ukraine - Kazakhstan	Yes, minor	National Bank of Kazakhstan data cover remittances via all MTOs, while National Bank of Ukraine data exclude data on MTOs set up by Ukraine's residents.	...	Not available.
Russia - Kirghizia	No		Yes	Major differences relate to the compensation of employees' indicator, which Kirghizia does not compile, recording the entire amount as current transfers. Current transfers in Kirghizia's balance of payments may be overstated.
Belarus - Moldova	Yes	Belarus takes into account data relating to the territory of Transnistria.	Yes	When compiling remittances' statistics, Belarus does not segregate data for counterparty country. Moldova calculates cash component under remittances and compensation of employees' data and compiles its bilateral balance of payments with Belarus.
Kazakhstan - Russia	Yes	Russia's data do not include remittances via FASTER (Kazakhstan's MTO)	...	Data not available in Kazakhstan's balance of payments. Russia does compile the information by country.
Ukraine - Armenia	Yes	Experts believe that in part this is related to transactions via MTOs with clearing centres located in third countries.	Yes	Not available.
Kirghizia - Ukraine	Yes	Data of the National Bank of Kirghizia are not available.	Yes	Kirghizia only includes in current transfers amounts under \$3,000.

Pair of bilateral comparisons	Initial data		Balance of payments data	
	discrepancy	possible causes of discrepancies	discrepancy	causes of discrepancies
Moldova - Ukraine	Yes	Comparisons have been made only between money flows from Ukraine to Moldova. The National Bank of the Republic of Moldova does not include data pertaining to the territory of Transnistria.	Yes	When compiling bilateral balance of payments, the National Bank of the Republic of Moldova makes considerable allowances for compensation of employees' and incoming remittances. Ukraine evaluates only incoming flows.
Russia - Armenia	No		Yes	Differences most likely relate to the use of different methods in making assessments and allowances; underestimation of 'travel imports' item in Armenia's balance of payments and the exclusion from remittances of the amounts received by non-residents and of direct investments.
Tajikistan - Kazakhstan	Yes	Tajikistan receives information on remittances from the clearing centres in Russia, without taking into account data on the recipient/sender country, while Kazakhstan takes into account recipient and sender data by countries.	...	Not available.
Ukraine - Russia	Yes	National Bank of Ukraine data are presented without data on MTOs set up by Ukrainian residents.	Yes	Differences exist in methods of evaluating the compensation of employees' indicator. Primarily reported data are structured as indicators under balance of payments' items differently.

Pair of bilateral comparisons	Initial data		Balance of payments data	
	discrepancy	possible causes of discrepancies	discrepancy	causes of discrepancies
Kazakhstan - Armenia	Minor	Counterparty countries have common principles of geographical classification by recipient/sender country, but part of transactions are conducted via MTOs with clearing centres in third countries.	...	Not available.
Kazakhstan - Moldova	...	Kazakhstan provided to Moldova's experts data for subsequent review and analysis. Reciprocal data are not available.	...	Not available.