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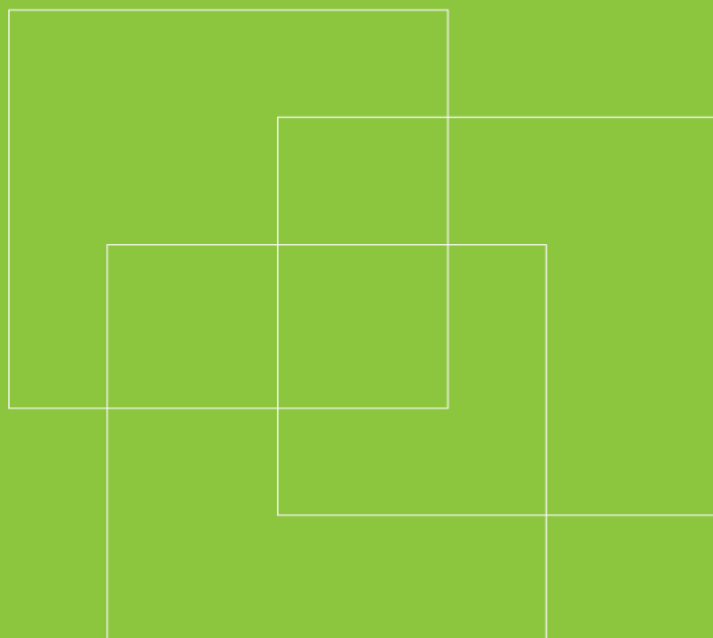


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Review of remittance-backed products in the Philippines

Ildefonso F. Bagasao



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First published 2013

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Bagasao, Ildefonso

Review of remittance-backed products in the Philippines / Ildefonso F. Bagasao; ILO Regional Office for Asia and the Pacific. - Bangkok: ILO, 2013
xiv, 119 p.

ISBN: 9789221277224 (web pdf)

ILO Regional Office for Asia and the Pacific

remittance / migrant worker / labour migration / international migration / Philippines

11.02.5

ILO Cataloguing in Publication Data

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Table of contents

Executive summary.....	v
List of acronyms	xiii
Chapter 1 – Introduction	1
Chapter 2 – Locus of the study: Philippine migration and remittances	10
Chapter 3 – The need for transparency on remittance charges	19
Chapter 4 – The Philippine remittance environment	23
Chapter 5 – Remittance-backed products and services: Philippines.....	32
Chapter 6 – Telecommunications companies	50
Chapter 7 – Remittance-backed insurance products	52
Chapter 8 – An overview of the Philippine Financial Literacy Program.....	57
Chapter 9 – A Regulatory roadmap for remittances	62
Chapter 10 – Linking migration, remittances and development: The Remittance-for-Development Council	64
Chapter 11 – Next steps / Areas for future research	66
Table 1 – Stock estimates of overseas Filipinos, 2011	4
Table 2 – FGD participants’ profiles – occupation.....	8
Table 3 – Remittance channels used by OFW FGD participants.....	8
Table 4 – OFW FGD Participants who indicated charges from country of work.....	9
Table 5 – FGD beneficiaries occupations	9
Table 6 – FGD beneficiaries—Selected indicators.....	9
Table 7 – Number of deployed land-based OFWs by top ten destinations.....	11
Table 8 – Number of deployed new-hires OFWs	11
Table 9– Number and distribution of OFWs by region	12
Table 10 – Source of overseas Filipinos remittances by country.....	14
Table 11 – Household income sources of migrant households.....	15
Table 12 – Comparison of households receiving remittances	16
Table 13 – Results from the central bank’s Consumer Expectations Survey	17
Table 14 – Beneficiary - Who decides disposition of Remittances?.....	18
Table 15 – OFWs – Who decides disposition of remittances?	18
Table 16 – Overseas Filipinos’ remittances coursed through banks.....	24
Table 17 – The Philippine banking system and its outreach nationwide	30
Table 18 – Number of automated teller machines	31
Table 19 – Registered cooperatives as of 31 December 2011	38
Table 20 – Asset size of Philippine cooperatives	38
Table 21 – Examples of Philippine cooperatives’ products.....	40
Table 22 – Migrant organizations and NGOs	42

Table 23 – Graduates of the LSE course.....	49
Table 24 – Schedule of benefits for OFW members of SSS.....	53
Table 25 – Bilateral social security agreements.....	53
Table 26 – Communication access by overseas workers.....	60
Box 1 – World Bank’s remittance pricing strategy.....	21
Box 2 – Remittance providers improve efficiency and speed.....	30
Box 3 – Tailor-made rural bank products for overseas Filipinos.....	34
Box 4 – Technology for rural financial inclusion.....	36
Box 5 – Cross-border microfinancing for migrant workers.....	45
Box 6 – A Philippine-based NGO’s interventions on financial literacy.....	47
Box 7 – A migrant organization training.....	48
Box 8 – Remittance-related provisions.....	65
Figure 1 – Remittance prices across migration corridors.....	20
Figure 2 – Remittance inflows and remittance fees in select remittance corridors.....	25
Figure 3 – Comparative remittance rates across remittance channels.....	27
Bibliography.....	68
Appendix I – Philippine Central Bank’s initiatives to reduce remittance charges..	71
Appendix II – Financial literacy service providers.....	77
Appendix III– Payments and settlements systems in the Philippines.....	95
Appendix IV – Focus group discussion guide for remittance beneficiaries.....	100
Appendix V – FGDs with overseas Filipino workers.....	102
Appendix VI – Focus group discussion, participant profile.....	103
Appendix VII – List of key informants.....	105
Appendix VIII – Draft executive order creating the REDC.....	107
Appendix IX – Remittance-backed products and services, universal banks.....	112
Appendix X – Remittance-backed products by thrift/savings banks.....	116

Executive summary

This study reviewed the Philippine remittance environment in accordance with the parameters of the research objectives through the methodologies recommended, namely: (1) an assessment of remittance channels, with particular attention to rates, speed, reliability and access; and (2) an inventory of remittance-backed products and services and how such products and services are able to translate remittances into productive use for the benefit of migrants and their beneficiaries, especially with respect to savings and investments. Due to the sheer volume of products targeting the migrant market and the myriad of relationships, partnerships, procedures, regulatory environments in origin and beneficiary countries and technological aspects and modes of cross-border and domestic money transfers, the study could not have been conceived to be a thoroughly comprehensive and all-encompassing task.

Nevertheless, this study's findings and recommendations should provide the reader with what are considered current and cutting-edge in the Philippine remittance environment, how the existing industry practices and regulatory measures, tend to contribute to development gains, the gaps and hindrances that could be addressed through regulation, competition, or improvement of financial mindsets and finally efforts taken by the Philippine government, the public and private sector, including civil society, to set up a roadmap that will integrate migration in its long term development plans.

Highlights of the study

Migration

Migration is here to stay in an interconnected world. Given demographic and environmental changes, which ultimately affect socio-economic and market forces and exigencies, there will always be in the foreseeable future the economic need, as well as a demand, for the industry, skills or even just the presence of people to live or work in countries other than their own. The Philippines, as with other countries similarly situated, must come to grips with this reality and to plan accordingly, to recognize as well as exploit migration's "competitive advantage", but not at the risk of affording less protection to its nationals wherever their destination, or looking at migration as a substitute for real macroeconomic reforms that will give it self-sufficiency.

The Philippine overseas deployment system is still beset with major policy challenges revolving around the issue of whether or not labour migration should be considered a permanent development strategy for the Philippines. Experience has shown that remittance flows from contract-based workers, now estimated to be at more than 40 per cent of total Philippine diaspora, represent the more regular and frequent monetary transfers, although it has been pointed out that Filipinos migrate for reasons other than employment, such as permanent migration, marriages, family reunification and studies. Migrant work is largely contract based and, logically, their remittances are not permanent, thus, could be affected by recent economic and political upheavals such as the indigenization of the labour force of Saudi Arabia, the Arab Spring, the financial crisis and economic slump in the European region, for instance.

Migrant protection

The task of migrant worker protection has indeed become more challenging, especially with sudden and drastic repatriation of thousands of workers that could have disastrous outcomes on thousands of migrant families, not to mention on the financial standing of a migrant origin country such as the Philippines whose economy is substantially dependent on remittances. Thus the government has to set into place measures that will anticipate such contingencies that may confront contract-based workers. At the same time, the government must institute a short, medium and long term roadmap that will enable it to integrate and embed into its national and local development plans, migration's gains as one of the tools that can contribute to its long-term development.

Considering that there are now some 10.4 million Filipinos overseas (roughly 10 per cent of the population) scattered in about 220 countries and territories, ironically, Philippine diplomatic missions and

labour offices have been downsized due to budgetary constraints. The increase of cases involving trafficking and illegal recruitment activities, as well as blatant cases of substitution (by more inferior terms) of employment contracts than those agreed upon, not only add further complications to the task of protection, but also decrease the amounts that could be remitted as well as the timeliness within which these remittances could be sent to beneficiaries. While bilateral labour agreements might address gaps and abuses and there exist channels for redress available under treaties and protocols, they are in practice, merely directory and not mandatory, the reality being that migrant workers' rights have become negotiable, subject to supply and demand and governments of labour sending countries have difficulty in leveraging concessions from receiving countries. While it might be true to a certain extent that labour is subject to the vagaries of markets, human development norms still require that labour rights be protected as a minimum.

Return and reintegration

There has been a major refocus of the Philippine return and reintegration programme of the government, after its formation was legislated under RA 10022, as the National Reintegration Centre for OFWs (NRCO), an office under the Department of Labour and Employment (DOLE), but are funded chiefly by the Overseas Workers Welfare Administration (OWWA). Their programme is both social and economic and is premised upon the principle that the reintegration process begins even before the departure of the worker. Implementing social and economic programmes, its social component seeks to address the family's needs, including psycho-social counselling, stress debriefing, value formation seminars and the organization of Overseas Foreign Worker family circles and youth groups. The economic consists of livelihood assistance, emergency cash grants and business loans. The OWWA had set aside two billion Philippines Peso (PHP) as standby fund for entrepreneurial loans of migrants who are returnees or are in the process of reintegrating.

The Philippines has a return and reintegration programme that needs improvement and rationalization from the perspective of organization, funding and re-engineering, as shown by a recent assessment made by a consultant group specifically commissioned by OWWA. The review also pointed out the need to insulate the programme from being used for political gains as shown from programmes of the past. This exercise, nevertheless, indicates that the government, in a rare display of self-reflection, is aware of the problems and is seeking to identify steps to evolve a programme that is more responsive to the needs of returnees.

While the institution and system of migrant welfare protection is not perfect, the current OWWA charter is also now under strict scrutiny from constant prodding and monitoring from vigilant civil society organizations, particularly in terms of governance, reduction of inefficiencies and corruption and defining the nature of the agencies safeguarding the migrants' welfare fund in order to enable the fund to be managed as a true trust for those who have contributed to it in the first place (Centre for Migrant Advocacy, 2011).

Remittances

While the remittance environment is still characterized by partnerships, alliances or tie-ups, revenue sharing and convergence of services among different players in the remittance market that is on a much-expanded basis, this study revealed that much has changed since the Asian Development Bank (ADB) study of 2004 ("Enhancing the Efficiency of Overseas Filipinos' Remittances"). The present study indicates that more remittance products and services, financial instruments for savings, investments and entrepreneurship models are being introduced and the entry of more actors and stakeholders, such as insurance and real estate companies and grassroots and non-bank financial institutions such as cooperatives and microfinance institutions (MFIs).

The expanded application of new technology such as more automated teller machines (ATMs), bank online transfers and internet and mobile-based remittance systems show the potential for low-cost transfer fees, greater inclusion of financially unserved or underserved people, with little or no identification

required (including bank accounts or legal migration documents). Traditional providers such as commercial banks have expanded their services and networks, are able to cross-sell their core banking services and become conduits to market products of other companies (e.g. real estate, motor vehicles, financing for entrepreneurship and the franchising businesses). It was noted recently that the BSP is studying the possibility of allowing thrift or savings banks that have traditionally been restricted in cross-selling products other than their own, to offer products of other companies.

Use of technology

Automated teller machines. The use of ATMs for online banking had become more widespread even in rural areas. This is facilitated by the merger of three ATM networks (Bancnet, Megalink and Expressnet), the acquisition of such machines by rural banks and the emergence of telecommunications companies servicing payments systems, domestic as well as cross-border remittances. New players such as insurance companies, cooperatives and microfinance institutions, civil society members focused on advocating savings, investments, entrepreneurship, collective investments, as well as financial literacy, have likewise gone into programmes advocating more savings, investments and entrepreneurship options for migrants planning to return.

Mobile-based remittance technology. As predicted in the ADB study, technology has played a major part in improving access as well as cost effectiveness in both domestic and cross-border remittances. The use of mobile-based technology exploited the advantages of e-banking (thus creating the so-called e-wallets) and this helped mobile phone-owning Filipinos in the Philippines and overseas to transfer both cash and goods with the flick of a mobile phone keyboard. However, as observed recently by the World Bank, many governments refuse to authorize or license the use of mobile devices for remittance transfers, due to security reasons, such that their potential for providing a cost effective, efficient and speedy system for fund transfers may only be realized if regulatory issues could be hurdled.

Regulatory policies

Decrease of remittance charges. The *Bangko Sentral ng Pilipinas* (BSP), the Philippines central bank, had issued policies to promote transparency and enhance healthy competition among formal remittance providers as well as non-bank money transfer agencies. Through a combination of enhanced market competition, regulatory measures addressing the shift to formal channels and the advocacy for more transparency on the part of remittance providers, it appears that remittance rates had been palpably lowered by at least several percentage points from what they were 11 years ago. While remittance cost lowering and remittance pricing, is generally dictated by overseas tie ups, as well as brick and mortar costs and investments by remittance providers, in infrastructure, technology, remittance platforms, rentals, compliance and other overhead costs, the BSP has also recognized that remittance rates, like any commodity or service in the market, are subject to market forces, such that rate setting could be more of a function of enhanced competition among players, which could also lead to more efficient and reliable products that benefit the end user. Yet, the BSP had also directly intervened in remittance pricing, by the introduction of a real time gross settlement and payments systems, called PhilPaSS, which has radically reduced the domestic cost of remitting by credit to other banks, down to PHP50 from PHP150

Access to remittance channels. The improved access of remittance tie-ups both overseas and locally, aside from the introduction of more technology based systems, such as ATMs, e-banking and mobile based remittance sending and receiving modes, has likewise resulted in providing a cheaper, speedier and more reliable remittance system. Though this was not covered in detail by the study, it is a logical consequence, that other costs such as the travel expenses usually associated with sending and receiving remittances, especially for beneficiaries in remote areas, have also been reduced.

Remittances sent through unauthorized channels. The issue of unregulated or unauthorized channels of remittances is still being addressed not only by regulators but also by bank remittance providers. Quite recently the existence of such illegal channels, had been highlighted in an Asian conference of bankers as hindrances towards the channeling of remittances for development in the Asian region, including the

Philippines. While Philippine regulators led by the BSP have issued quite a number of circulars that requires registration of all types of remittance providers, including banks and non-bank money transfer agencies, as well as advocating the need for transparency by requiring banks and money transfer agencies to publish remittance costs in an OFW portal in the BSP website, informal or unauthorized modes of remittance still appear to run in parallel to formal channels, because remitters find them cheap, less formal, usually reliable, accessible and culturally acceptable.

The regulator also co-chairs a newly formed Remittance and Development Council, a multi-stakeholder council composed of key players and stakeholders on migration and remittances, with the Commission on Filipinos Overseas (CFO) and which is emerging as the government champion on migration, remittance and development-related issues and policies.

Financial literacy – overview and issues

If the shift to formal channels is primarily addressed to regulators, financial literacy is addressed to remitters and beneficiaries. Financial literacy, or the lack of it, appears to be the other weak link in harnessing migration's gains for productive use by migrants and their families who in the final analysis are the ones who make the decisions on the use of their money. It is indicated also from focus group discussions that migrants or their beneficiaries are not aware, or have limited access to, information on programmes from both the government and the private sector on how to use their resources more productively.

While data on how many migrant workers or family members have accessed websites of financial providers are difficult to determine, surveys on ownership or access to computers and the internet show that Filipino migrant workers or their families have more than sufficient means and knowledge to access such websites wherever they are and could avail of good financial advice and knowledge as well as the range of financial services if only they wanted to. However, it is likely and possible that they prioritize such knowledge mainly for communication or uses other than to improve financial knowledge or access.

Complicating what appears to be a poor financial mindset, are bankruptcies involving endowment programmes, particularly the fold-up of major educational plans, bank runs and closures of several rural banks, the loss of investments from various scams and get-rich-quick schemes targeting a gullible public, including scores of migrant worker-investors, that had resulted in a not insubstantial loss of faith on the Philippine financial market and the ability of government to regulate and protect investors.

Government must also be aware of the Filipino mindset on investments. The sad experience of planholder-investors in educational plans is quite instructive. Despite their unfamiliarity with investments and financial planning, Filipinos have basically relied on sales counsellors who were usually their relatives, friends, neighbours, former colleagues, etc., to guide and educate them on how to financially secure their future needs. A common Filipino trait is to accommodate people who are close to them and rely on them regardless whether they are experts or knowledgeable of financial planning.

The BSP (www.bsp.gov.ph) through its Financial Sector Forum has released some practical reminders (both in English and Tagalog) to protect the public's financial investments. Likewise, the Commission on Filipinos Overseas has included in its website, a section on various savings and investment instruments where migrant workers and other diaspora members could put their money (see www.cfo.gov.ph).

Financial Planners have suggested that these reminders be “pro-actively” promoted through all media/channels for the investment public. Some of these reminders include:

- Know the financial product that you plan to invest in, particularly the terms and conditions in fine print. One should not invest if he/she does not understand the product or any of its terms and conditions;

- Make sure that the actual investment product/investment, if sold in the Philippines, is registered with the Securities and Exchange Commission (SEC) or has the prior approval of the Insurance Commission (IC) in the case of insurance products; and
- Check the background of the issuing entity and the people behind it.

Grassroots financial institutions as emerging players for the migrant sector

The last five or six years had also seen the emergence and positive contribution on financial inclusion and literacy, made by grassroots financial institutions, particularly those based in the rural areas or servicing micro-entrepreneurs. Though these institutions are not formally considered part of the Philippine financial sector, they are heavily involved in financial transactions similar to what banks do, such as providing small loans, accepting savings and investment deposits and offering other programmes that build clients' asset base and credit worthiness. We are specifically referring to institutions such as rural banks and even non-bank financial intermediaries, such as microfinance institutions (MFIs), cooperatives and non-government organizations (NGOs) (particularly migrant-oriented NGOs, many of whom are also involved in financial literacy orientation for migrants, as well as the organizing of savings, investment and enterprise groups in the Philippines and overseas. This is an interesting yet logical development, given that the rural areas are the origin communities of at least two-thirds of migrants and their families, the importance of food security and dependence of the country on agriculture and the rural areas being the *situs* of much poverty and low financial access.

The potential of such institutions could be harnessed and should draw support from the BSP and Department of Finance, for more developmental impact, which might include the grant of incentives and expanded authority to go into more quasi-banking and possibly remittance related functions. These institutions are strategically positioned to mentor OFWs and their families during the last mile process of remittances, or that stage where disposition or use of remittances is decided, in short, where development happens. If the products and services of such institutions could be linked to OFWs and their beneficiaries, especially financial inclusion, access to capital and business mentoring, this could emerge as a mechanism that can produce additional developmental outcomes.

Long-festering issues affecting migrant deployment and remittances

There still are huge financial outlays associated with placement, recruitment and overseas deployment procedures and on which aspiring migrant workers originating from the richer urban regions would have more resources or access to financing than those coming from poor and marginalized regions. Overwhelming anecdotal evidence point to the fact that while under existing laws and regulations, recruitment agencies are limited to charging the equivalent of a migrant workers' one-month pay as placement fee, applicants are charged much more, aside from having to shoulder expenses for medical tests, airfare and other unauthorized charges and salary deductions.

Thus, many applicants for overseas work, are constrained to sell off or mortgage land, work animals, or procure loans from lenders under exorbitant interest rates in order to be deployed, such that remittances for the first six months to a year of overseas employment are prioritized to paying off debts instead of being earlier sent to their families for their basic needs.

Related to this are issues of contract substitution, where migrant workers are made to sign new labour contracts other than the one already signed from the origin country, containing lower wage rates, longer work hours, unauthorized deductions from salaries among other unfair employment terms. A migrant organization based in the Middle East monitoring this practice had reported that five out of eight cases monitored daily, involved contract substitution (Carcamo, 2010). Workers, who had already spent fortunes on placement costs, are thus constrained to sign these substituted contracts, either when they are already at the overseas jobsite, or just before boarding their plane. In a recent forum on trafficking and the implementation of Republic Act No. 9082, the Philippine law covering trafficking, the long persistent practice of contract substitution and its resultant effects as a form of forced labour was again highlighted.

The World Bank has stated, that if the cost of sending remittances, which at latest estimates are at US\$375 billion being sent to developing countries, were to be reduced by only five percentage points relative to the value sent, would represent savings of over \$16 billion more each year than what developing countries do now. Applying this in parallel, it would not be too difficult to calculate the additional income migrants from Asian countries could send to their beneficiaries, if only contracts were honoured, aside from the observance of migrant rights and decent work objectives, as enshrined in various international human and labour rights treaties.

Recommendations

Bilateral agreements on remittances

Formal institutions must be supported by the government as they are the principal intermediaries or channels for the efficient channelling of remittances for productive use by beneficiaries and especially considering the finding in this study that Philippine remittance providers have little control over the setting of front end charges. This might be done through

(a) Negotiations with governments, central banks and regulators overseas in top destination countries, for the establishment of bilateral agreements to enhance procedures in remittance corridors, particularly in respect of relations with tie ups with remittance agencies, transparency in the setting of remittance rates, foreign exchange commissions and the simplification of procedures.

(b) A review of laws and regulations of destination countries which could accommodate the opening of Philippine bank branches or representative offices dedicated on remittance transactions and promoting financial inclusion through assisting migrant workers in the opening of bank accounts overseas.

(c) The BSP to hold dialogues with its foreign counterparts, in order to settle compatibility issues in recording outflows that could contribute to the more accurate recording of remittances within the remittance corridor (as cited in IOM/Economic Resource Centre for Overseas Filipinos ‘ 2010 remittance corridor study covering Italy and the Philippines; and

(d) The DOLE (Department of Labor and Employment) and POEA (Philippine Overseas Employment Administration) to negotiate with labour authorities or banks in destination countries, in finding ways of sending remittances through the employers of migrant workers.

Set up an industry-wide Philippine bank database on overseas Filipinos

By their mandate, banks are generally able to cross sell through remittance links with OFWs, various core banking products such as savings, investments, enterprise loans and even other services that encourage financial inclusion, asset build-up and credit worthiness among migrant workers, a large number of whom are unbanked or underserved. Findings and interviews with bank remittance officers in the Philippines, indicate that a number of banks providing remittance services, are able to set up and identify within their information system, whether a remittance or banking transaction involves a migrant worker or a member of his/her family.

The BSP, with the assistance of the Association of Bank Remittance Officers (ABROI), could improve and replicate this practice for the whole banking industry, whether or not it is providing remittance services. In this way, banks, including the BSP would have a reliable database, upon which to design programmes or effectively cross sell core banking products to this sector. Thrift and rural banks, given their strategic locations and contacts with the rural and entrepreneurial sector, should likewise be included in this programme.

Level playing field among bank and nonbank remittance providers through dialogues

The issue of an unlevel playing field between banks and non-bank remittance providers had been revealed in FGD discussions among the relevant stakeholders and participants in the Remittance-for-Development Council (REDC), given that they are subject to different rules and regulations and that non-

bank money transfer agencies are subject to less compliance procedures and enjoy some sort of competitive advantage. To this end, it might be high time for the BSP to initiate dialogues and consultations with both sectors, with a view not only to clarify and set expectations for non-bank agencies, but also similarly to arrive at a consensus on how both sectors could function in a way that will promote healthy competition on remittance provision.

The suggestion advanced by money transfer agencies (MTAs) of forming their own association, similar to the ABROI, for self-regulation and to serve as a voice representing their interests, is a good one. Dialogues should also seek to provide a space where even non-bank money transfers could engage in programmes of the government or civil society, that may contribute to the productive use of remittances, such as more participation and sponsorship of financial literacy courses and so on.

The Remittance and Development Council, where both sectors are represented, together with other stakeholders, might be an ideal mechanism and venue for such purposes. Constructive interaction has been illustrated when both sectors sat together to discuss how to address the issue of the documentary stamp tax (DST), a levy being imposed by the Bureau of Internal Revenue (BIR) on remittances and which affects both sectors.

Improving the Pre-departure Orientation Seminar (PDOS)

Apart from working on the shift to more formal channels through regulation, the other and just as challenging option would be to try to influence the mind-set of the remitter and show through values education, about the long term benefits of financial literacy. The Philippines requires that an intending migrant worker go through a Pre-departure Orientation Seminar (PDOS) where financial literacy is taught. The PDOS however needs improvement and which might be done in a number of ways:

- Financial literacy courses (FLCs) should be administered long before the deployment period, preferably at the level of the pre-employment (PEOS) seminar, at the local government unit (LGU) level and even before the decision to migrate has been made. FLCs integrated in the PDOS administered a day or two before departure is too late;
- FLCs, should link with investment related agencies, such as Department of Trade and Industry (DTI), Technical Education and Skills Development Authority (TESDA), or the Technology Resource Center (TRC). At DTI for instance, there are daily briefing orientation sessions and small and medium-sized enterprise (SME) centres in certain localities in the countryside. The presence of such centres could be maximised if there is effective public dissemination, which seems to be lacking at present;
- An accreditation process for financial literacy training officers must be required to ensure quality delivery of financial literacy training activities;
- FLCs should cover both the migrant senders and the migrant family beneficiaries, of remittances;
- The BSP and the Department of Education must continue to institutionalize the FLC as part of school curriculum;
- Overseas, the work of Filipino Workers Resource Centre on the provision of skills upgrading, entrepreneurial and financial literacy, should be expanded to other places. The work of entities like the Ateneo School of Government, in cooperation with overseas based NGOs like Pilipinas OFSPES and OWWA, in Rome, Dubai and Hong Kong (China), training on entrepreneurial, leadership and values formation, or ASKI in Singapore, as cited in this study, could be replicated and supported;
- FLCs should be localised with LGUs by identifying types of enterprises suit their localities; and

- The Philippine government should expand the participation not only of banks, but also other institutions such as rural banks, microfinance institutions and NGOs in the conduct of financial literacy during the PDOS. At the LGU level, funds from the OFW trust fund of the OWWA, could be put to better use than simply funding loan applications of returning workers, to fund an expanded financial literacy programme both in the Philippines and overseas.

Integrate migration and remittances into Philippine development plans (The REDC)

There is need for convergence of initiatives of the various actors working through different means to accomplish the common goal of linking migration to development. The formation of the REDC, which is emerging to be the government champion on migration and development issues, is a step in the right direction as it seeks to orchestrate and harmonize all these different initiatives, through constructive dialogue and interaction among all key stakeholders, including overseas Filipino organisations as strategic partners. The institutionalisation of the REDC through an Executive Order, signals a serious move to integrate migration with an appropriate role in development objectives.

Aligning Remittances-and-Development initiatives with selected growth drivers

The National Competitiveness Council (NCC), a special group tasked with identifying certain growth drivers to support the drive towards self-sufficiency and inclusive growth, has identified overseas Filipinos' remittances and Business Processing Offices (BPOs) as having served as growth drivers in the last few years that had contributed stability to the Philippine economy despite global financial crises. This group had also pointed out that given the current administration's initiatives towards global competitiveness through dismantling corruption, cronyism and minimizing inefficiencies, had set up the country towards being business friendly, incentivizing foreign investments and a candidate for a tiger economy in the next few years. It has however been stressed that the country must work harder by implementing improvements in other growth drivers that could truly propel the country on being competitive at a global scale, providing more employment and inclusive growth and viable options for its citizens to stay in the country instead of looking overseas as an option for economic survival or improvement.

Among these growth drivers identified are agribusiness, tourism, electronic products, IT-enabled services, logistics-enabled services, health, wellness and retirement, manufacturing, mining and creative industries. Among the consortium members involved are the National Economic and Development Authority (NEDA) itself, the Philippine Institute for Development Studies (PIDS), the cabinet clusters and the private sector notably the Management Association of the Philippines and the Joint Chambers of Commerce. The group notes that when the percentage of OFWs has been cut by 40 per cent when this administration's term ends, this would be one indication of the initiative's success rate. It would thus be instructive for advocates promoting the linking of remittances to development, including the objectives being championed by the REDC, to align their initiatives with such private-public partnerships, particularly as areas for diaspora and migrant savings, investments and entrepreneurship.

Abbreviations/acronyms

ABA	Asian Bankers Association
ABROI	Association of Bank Remittance Officers, Inc.
ADB	Asian Development Bank
ASKI	Alalay sa Kaunlaran Inc.
ATM	Automated teller machine
BDO	Banco de Oro
BSP	Bangko Sentral ng Pilipinas or the Philippines' Central Bank
CFO	Commission on Filipinos Overseas
DBP	Development Bank of the Philippines
DFA	Department of Foreign Affairs (Philippines)
DOLE	Department of Labour and Employment (Philippines)
DTI	Department of Trade and Industry (Philippines)
ERCOF	Economic Resource Centre for Overseas Filipinos
FGD	focus group discussion(s)
FIES	Family Income and Expenditures Survey
FWRC	Filipino Workers Resource Centre
GIZ	German International Development Cooperation
IADB	Inter-American Development Bank
ILO	International Labour Organization
INAFI	International Network of Alternative Financial Institutions
IOM	International Organization for Migration
LGU	local government unit
LSE	Leadership and Social Entrepreneurship
MFI	microfinance institution(s)
MSMEs	Micro, small and medium-sized enterprises
MTOs	Money transfer organizations
NATCCO	National Confederation of Cooperatives
NGO	Non-governmental organisation
NRCO	National Reintegration Centre for Overseas Filipino Workers
NSO	National Statistics Office (Philippines)
OFs	Overseas Filipinos
OFCs	OFW Family Circles
OFW	Overseas Filipino Worker(s)
OWP	Overseas Workers Program of PhilHealth
OWWA	Overseas Workers Welfare Administration

PDIC	Philippine Deposit Insurance Corporation
PDOS	Pre-departure Orientation Seminar
PDP	Philippine Development Plan
PEOS	Pre-employment Orientation Seminar
PhilHealth	Philippine Health Insurance Corporation
Phil Pass	Philippine Payments and Settlements System
PNB	Philippine National Bank
POEA	Philippine Overseas Employment Administration
POLO	Philippine Overseas Labour Office
POP	<i>Pag-Ibig</i> Overseas Program of Pag-Ibig Fund
RBAP	Rural Bankers Association of the Philippines
ROSCAS	Rotating Savings and Credit Associations
RSGs	Remittance and Savings Groups
RSPs	Remittance Service Providers
RTBs	Retail treasury bonds
SMEDSEP	Private Sector Promotion Programme of GIZ
SMS	Short Messaging Service
SOF	Survey on Overseas Filipinos
SSS	Social Security System (Philippines)
TAV	total accumulated values
UNDP	United Nations Development Programme

1. Introduction

The ILO, through its Regional Office in Bangkok, desires to take a fresh look at the much-studied development impact of overseas migrants' remittances. Of particular interest is migrants' access to cost-effective, transparent and safe money transfer channels and opportunities for the productive use of remittances.

This study was commissioned in connection with a series of policy dialogues and training activities under the auspices of the ILO/Korea Partnership Programme, specifically the Korean Employment Permit System (EPS) system implemented under respective memorandums of understanding between Korea and 15 countries in South and South-East Asia. The EPS programme, now in its eighth year of implementation, has for its focus Return and Reintegration with financial services as another important concern, given that earning and sending money home are one of the major drivers for migration. Among the participating countries are China, Bangladesh and the Philippines, which are among the top ten remittance receiving countries in the world. Independent of this mandate, there are very good reasons to undertake this current study (ILO-Korea, 2012).

The World Bank's Migration Group (2012) late last year released an estimate that remittances to developing countries would reach US\$406 billion in 2012 and perhaps US\$534 billion by 2015. This would mean that since the time the World Bank's 2003 Global Development Finance report recognized migrants' remittances as a substantial source of external development finance and an economic resource and tool for poverty alleviation for origin countries – at that time reaching over US\$100 billion (World Bank, 2003) – remittances have quadrupled almost a decade after. Even under the most recent economic crises facing major migrant-receiving countries and political turbulence in traditional destination countries in the Middle East, referred to as the Arab spring, remittances to developing countries have proven to be countercyclical and are still on the rise (Dilip Ratha in World Bank, 2003). It becomes important therefore to ask whether origin countries have, in the meantime, used remittances as a sustainable source of development to improve their local economies or have instituted proper measures that will anticipate such threats. Similarly, have migrants and their families used remittances and other migration gains, in a manner that improves on their human development.¹

Regionally, remittances have been visible for South and South-East Asia. India and the Philippines are among the world's top four recipients of migrants' remittances. In 2009, for example, remittances to South Asian countries were three times larger than foreign direct investments and ten times bigger than official development aid heading to these countries (C. Vargas-Silva et al., 2009 in Ozaki, 2012).

1.1. Remittances and financial intermediation

Studies have pointed out that the links between migrants' remittances and development could typically be found in financial intermediation through formal remittance channels, as when banks are able to cross sell their core products such as savings, investments, entrepreneurial loans, insurance and other services that help migrant families build asset base and establish credit worthiness (Asian Development Bank, 2006). It is said that remittances held as deposit money in the banking system (as opposed to being withdrawn as soon as received) and its microfinance extensions have an estimated multiplier effect of between two and three times so that there are "clear development advantages" when remittances are sent through formal channels, even if remittance volumes and remittance costs remained static. "The key for remittance senders and receivers to use formal channels is to make these channels more accessible, cost effective, timely and safe. Research and action programmes to promote remittances as a development tool may also prove useful to financial integrity efforts in the region" (*Multilateral Investment Fund* in Mellyn, 2003).

¹ The term is used under the concept developed by Prof. Amartya Sen, as operationalized in the UN Human Development Reports (<http://hdr.undp.org>) and who said: "Human development, as an approach, is concerned with what I take to be the basic development idea: namely, advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only a part of it."

Remittances also provide benefits to origin countries' macroeconomic fundamentals. These include positive effects on countries' annual GDP per capita, decreases in poverty rates and amelioration of the depth of poverty. Visibly, remittances benefit migrant households receiving these since these monies help improve families' welfare, especially by "smoothing their consumption needs and providing resources for food and housing needs" (Ozaki, 2012; Rahjan et. al, 2009; Vargas-Silva et. al, 2009).

During a visit to Manila in November 2012, Christine Lagarde, Managing Director of the International Monetary Fund (IMF), was reported to have said that Asia's economies had weathered financial crises occurring elsewhere *by adapting early to an "interconnected world", mainly due to sound macroeconomic policies that enabled it to be stronger, more resilient, with enough buffers to resist upheavals*. Lagarde cited the Philippines as an example of resilience in action, primarily due to remittance inflows which account for about 10 per cent of the country's GDP (in Salazar, 2012).

1.2 Formal versus informal and unauthorized remittances

1.2.1. Unauthorized remittances.

Remittance prices have decreased a few percentage points in the last decade at least for some corridors, perhaps due to a combination of stiff market competition regulatory measures in remittance sending and some receiver countries. Decreases are also possibly due to the existence of price watchdogs and surveillance especially from among multilateral agencies. Nevertheless, the issue of formal-versus-informal and unauthorized remittances highlights an issue that still needs to be seriously addressed within this context of financial intermediation. This is particularly true for remittances sent through unauthorized, unlicensed or unregulated channels. At the moment, the size of remittances through informal channels remains difficult to estimate. Although in South-East Asia a study by the ADB in 2006 indicated the increasing patronage of formal channels (Asian Development Bank, 2006) in South Asia, however, there is said to be more remittances through unlicensed modes of remittance, with volumes estimated to reach to about 42 per cent of total remittances. (Rahjan et. al, 2009). Informal or unregistered money transfer channels continue to run parallel to formal remittance channels because they are cheaper, require less or even no identification, are quite fast and accessible and appeal to remitters who prefer informality and less stringent procedures than the strict scrutiny typical of banks and now made stricter by Anti-Money Laundering Laws.

Thus, issues surrounding remittances through informal and unauthorized channels remain and at the recent Asian Bankers Association (ABA) General Meeting and Conference held in Manila (19-20 November 2012), the ABA took a position that "informal channels dominate the global money transfers (industry)". This is because these channels offer remitters ease in terms of making a transaction, of remitters' ease of access due to limited documentation, minimal protocols and lower remittance charges (Asian Bankers Association, 2012). The ABA believes that the estimated difference between the volumes of informal versus formal remittances is by "a wide margin," at around 30 to 40 per cent.

There is obvious concern over this development, with ABA adding:

"Informal channels do not facilitate savings, lending and other related financial services or the much required financial education and entrepreneurship skills development by the segment. As such, the money remitted is purely used for consumption, completely ignoring savings, asset building and investments for future, thus leaving the migrant workers and their dependents in the never ending vicious cycle of poverty and indebtedness. It is apparent that the volume of illegal transactions as opposed to legally channeled transactions is significantly large. These illegal transactions have no or minimal contribution to the economy of a country, its development and way forward since there is no record or track of the transactions that take place. Hence, measures should be taken to reduce or rather eradicate these illegal transactions to bring about transparency and economic benefits" (ABA, 2012).

1.2.2 *Informal but authorized remittance channels.*

There are many non-bank, money transfer agencies, among them, huge multinational firms, that are registered or authorized by regulators. From the perspective of regulators, such money agents are considered as “informal but authorized” remittance channels. In fact, the BSP data on remittances explicitly stated as coursed through banks (or formal channels) includes cash transfers from money transfer agents, particularly those which maintain accounts with local banks. Transfers from these agents are captured in the reports by local banks to the BSP. These channels are convenient to many remitters who may be willing to pay a premium in exchange for a swifter and more accessible means for beneficiaries to receive remittances.

But again within the context of financial intermediation, these channels, by their very nature, do not go beyond simply facilitating money transfers. It has been pointed out that such remittances are claimed by beneficiaries in cash and are immediately consumed. Experts believe that this situation in general not only minimizes the ability of formal financial institutions to re-channel these into funds for enterprise loans, but also “fail to increase the financial responsibility and credit worthiness of receiving households” (Mellyn, 2003).

In any case, these channels could be viewed as increasing not only the access of migrant remitters to authorized channels, but likewise provides them alternative options for transferring money to their families, depending on the exigencies of the situation.

Nevertheless, the continued patronage by migrant workers for unauthorized or unregulated remittance channels and might also rather keep their money under their pillows instead of in banks, may also be traced mainly to two realities: (1) Undocumented migrant workers, who are constrained to use unregulated informal channels because they are not authorized to open bank accounts, or lack the identification required by regulated channels; and (2) they fear exposing their status. A UN report described informal money transfer systems as “the poor man’s private banking vehicle and a market response by economic agents who are constrained by the level of financial development and government policies.” (Buencamino and Gorbunov. 2002 in Asian Development Bank, 2005).

1.2.3. *The last mile.*

In any case, it remains arguable, that at the end of the day, the productive use of remittances, also depends on the financial mindset of migrants and their beneficiaries, thus efforts of government and nongovernment agencies to advocate for financial literacy and savings and investment consciousness among migrants and its population, are proper steps in that direction. It must also be mentioned that while big commercial banks, money transfer and money changing agencies may dominate the local remittance market, there is a growing interest in the migrant sector on the part of grassroots financial institutions and non-bank financial intermediaries, particularly in the countryside. These include cooperatives, microfinance institutions and NGOs, offering products, services and programmes such as financial literacy, entrepreneurial courses and possibly links to remittance providers, which would link remittances to development. In the Philippines where at least two-thirds of migrant workers and diaspora members, originate from the countryside or rural areas, such financial relationships between migrant families and these institutions who would be in a position to know the specific needs of households in their territories, are not only logical and natural. It is also precisely at that point, often referred to as “*the last mile*” in the remittance process, where remittance disposition occurs, that development also happens (see *Chapter 5 on cooperatives, MFIs and civil society*).

1.3. **Impacts of migration and remittances**

The *Bangko Sentral ng Pilipinas* (BSP) has estimated remittance flows to the Philippines from 1975 exceeding US\$180 billion that are recorded through formal channels. According to the Commission on Filipinos Overseas (CFO), as of December 2012, the Philippines currently has

10.4 million overseas Filipinos composed of temporary migrants, permanent migrants and irregular migrants) working or receiving income in 220 countries and territories. Among these are a visible number of migrants who are domestic workers, particularly women and seafarers who comprise about 3 per cent of the total.

Table 1: Stock estimates of overseas Filipinos, 2011

Type of migrants	Number
Permanent	4 867 645
Temporary	4 513 171
• Seafarers	369 104
Irregular	1 074 972
<i>Total</i>	10 455 788

Source: Commission on Filipinos Overseas, 2013

Amidst this remittance bonanza are positive and negative views.

- *Positive.* Remittances to the Philippines have improved the country’s net dollar receipts, thus improving the Philippines’ external payments position (as indicated by the Balance of Payments² or BoP, particularly surpluses in the current account, and the volume of the country’s Gross International Reserves or GIR), now standing at about \$83.6 billion as of end February 2013. Overseas Filipinos’ remittances have also proven to be steadier compared to the export of goods and services, enabling the country to buy more foreign goods and services, particularly raw materials needed by exports. This is why from a macroeconomic standpoint, overseas Filipinos’ remittances have helped the Philippines make a “transition” – from one of perennial deficits to one of surpluses (Sicat, 2012).

More importantly, for the recipient families of these remittances, remittances supplement recipient family members’ existing income that has led to increased family incomes for consumption/daily needs, plus some disposable incomes for savings and investments. These remittances also have multiplier effects especially in the communities of origin of overseas migrants and which include increased local demand for goods and services, or more employment, generated by migrant activities such as entrepreneurship and construction of houses (Lucas, 2005), or even consumption itself.

- *Negative.* Negative views on remittances have been usually identified with the social costs of migration, experienced by both families of migrant households (micro-level impact), as well as the country itself (meso- to macro-level impacts). To families, these social costs include the breaking of family bonds due to parental absence, juvenile delinquency or even early marriages by migrant children; to the country there is brain drain that depletes the origin country of its best skilled workers and which also serves as a disincentive to foreign investors (Aldaba and Opiniano, 2008). It is said that migration also perpetuates a culture of dependency or what economists call a “moral hazard”, not only among families receiving remittances, but also on the part of a migrant-origin country which finds remittances more economically convenient, beneficial and stable than developing its export, agriculture and manufacturing sectors. Simply stated, continued dependence on remittances finds a migrant-origin country postponing basic macroeconomic reforms that could make it more productive and self-sustaining in the long term. This leads to a situation where migration overseas, for many of its citizens, becomes one of necessity, not a choice (Bagasao, 2008).

Some see remittances as abetting “conspicuous consumption” over value-added activities and investments or even entrepreneurship (Ang, 2007; Ang, Sugiyarto and Jha,

² BoP is the summary of a country’s transactions with the rest of the world. Remittances are among those monies that the BoP records. The IMF mandates reporting formats for remittances given latest versions of the IMF’s BoP Manual.

2009). Remittances have also not seemed to provide beneficial economic changes especially since the origin country continues to experience weak governance, low investor confidence, poor infrastructure and sluggish investment flows (Paderanga, 2011). It has been pointed out that the country should work on measures that will result in providing an efficient remittance process and a conducive investment and business climate in migrants' origin communities (Pernia, 2008).

- *Warning signals.* The Philippine overseas deployment or labour migration system is still beset with major policy challenges that revolve around the issue of whether or not labour migration should be considered a permanent national development strategy. Nevertheless, economic and diplomatic advisers and planners should consider that migration's gains, including remittances, are *not permanent*. As earlier stated, the impermanence of migration gains have been eloquently evidenced by economic and political upheavals such as the growing indigenization of the labour force of Saudi Arabia, the Arab Spring, the financial crisis and economic slump in Europe, resulting in either decreases in migrant stock, or increase in irregular workers.

For instance, the number of Filipinos in Japan decreased by 69,476 or 24 per cent mainly because of the natural calamities (earthquake and tsunami) which affected that country in March 2011. There was a 90 per cent decrease in the number of Filipinos in Libya from 27,349 to 2,724 and a 79 per cent decrease of temporary migrants in Syria from 13,869 to 2,890 mainly due to the Arab Spring. Similarly there was an increase in irregular migrants in 2011 which could be traced mainly to Malaysia's 124 per cent increase of irregular migrants from 200,000 in 2010 to 447,590 in 2011; and the United States' 67 per cent increase from 156,000 in 2010 to 260,000 in 2011 (CFO, 2013).

These cases necessarily involve disastrous outcomes for migrants and migrant families' welfare due to the sudden and drastic repatriation of thousands of workers from strife- or disaster-torn receiving countries. The political, social and economic implications attached to migrants' irregular status mean migrant protection has become very challenging (Philippine Senate Planning Office, 2012).

- *Other issues that affect remittances.* While issues surrounding the provision of safe, reliable and less financially burdensome remittance services continue to be addressed, there are other basic challenges that must be hurdled which, although not directly related to the remittance process, could affect the amounts as well as the timeliness within which migrants could send these to their families for their subsistence. These issues have to do with high and unauthorized placement fees that drive applicants without needed resources to sell or mortgage assets and work animals or borrow at exorbitant interest rates. In short, overseas migrants are already overburdened by financial obligations even before they start overseas work. Contract substitution or the practice of substituting work contracts with employment terms inferior to what had already been signed between employer and principal and approved by the origin country's authorities, recently highlighted as a form of forced labour, also remains a festering issue affecting migrant workers' rights.

1.4 The current study and its parameters

This study is by no means a comprehensive, detailed and all-encompassing task of taking stock of the Philippine remittance industry. There are just too many players in this industry to do so. The procedures surrounding remittance transactions are too technical and complicated and the interrelationships between and among remittance industry players too complex to map out, as this would involve the type of information on revenues and financial and banking procedures remittance players will rather keep to themselves for reasons of confidentiality or market strategy.

Migration and remittances represent cross-cutting issues that could only be addressed by a study of greater magnitude than the present review which is focused on reviewing remittance-backed products as a means of enhancing the development value of remittances in the Philippine setting. It must be pointed out that understanding the social and economic impact of international (labour) migration and remittances is complex, thus requiring an interdisciplinary approach to appropriately define the scope of its impact (Orbeta and Zosa, 2009).

This study will describe current changes and improvements in the Philippine migration and remittance environment, the key stakeholders in the banking and non-banking sector which provide remittance and financial services as part of or their main or core business, on a daily or regular basis, including new players and the innovations they bring towards harnessing remittances for productive use. This study will outline the various issues and challenges that need to be addressed or models that need to be supported, particularly emerging (good) practices that show potential to be used for translating migration gains into local economy development, particularly of financial literacy. All these objectives will hopefully lead to providing workable recommendations³ and the study⁴ proposing a further research agenda on remittances and development.

There are certain sectors in the Philippine economy that the BSP had identified as possible options for capital investments that could be made by migrant workers, which include, Human Resources (education and health maintenance), Physical (agricultural and residential properties), Financial (bonds, pension funds, bonds, stocks, etc.) and Business Ventures (small and medium-sized enterprises). (Golda Roma, 2011, Mapid Training Programme in Spain) In this connection, large real estate developers that are in a construction and development frenzy have migrant workers as their market targets, organizing from time to time foreign roadshows to market real estate, particularly residential condominium units of various levels of price and suited to different income levels. The capital markets including those for stocks, pension funds, retail treasury bonds, government securities and other financial instruments, have likewise been visible and targeting more skilled or professional workers, although the pre-need market where at least eight companies offering educational plans went bankrupt or were unable to provide promised benefits, have resulted in millions of dollars invested by migrant workers on providing college education for their children, irretrievably lost. On the entrepreneurship side, there have been efforts to offer franchising as a means of shortening the learning curve for a business start-up, perhaps a viable option for reintegrating migrant workers with sufficient savings, but who are not entrepreneurial or are not prepared to start a business.

Many of these financial instruments have also been identified in the diaspora investments section of the website of the Commission on Filipinos Overseas (www.cfo.gov.ph). While these activities definitely have targeted remittances as a market and are briefly described elsewhere in this paper, it is felt that the parameters of this study could not effectively cover these activities in more detail, but would be proper for a future study.

³ It was quite providential that during the course of this study's conduct, the lead author participated in some forums that address important issues relevant to this study. These include: 1) a National Conference on Improving Philippine Migration Data, sponsored by the International Organization for Migration (IOM) and the Commission on Filipinos Overseas (CFO); 2) a roundtable discussion and assessment of the Philippines' program on return and reintegration, sponsored by the Overseas Workers Welfare Administration (OWWA); 3) a consultative forum on social security programs for overseas workers, organized by the Philippines' Social Security System (SSS); and 4) meetings of the Remittance and Development Council, (REDC), which is being co-chaired by the CFO and the Bangko Sentral ng Pilipinas (BSP). The insights and data gained from such forums have truly enriched the outcomes of this study.

⁴ Initial findings were presented at the ILO/Korea multi-country dialogue on "Good practices in Return and Reintegration and Financial Services for Remittances" and an "Update on the Employment Permit System" (3-4 December 2012 Bangkok). This study also coincided with a separate, ongoing study on return and reintegration by an ILO commissioned expert. In relation thereto, this study looked at the area of "best practices" in remittance provision and use, particularly public and private sector programs that promote a formal, safe and cost effective remittance environment and those that promote savings, investments and entrepreneurship among migrant workers, as part and parcel of good practice on return and reintegration.

Nevertheless, this study proposes to take off from the perspective of recognizing migration's costs and benefits, but notes that there is some evidence that the Philippines is apparently trying to put together, albeit gradually, a roadmap towards making the links between migration, remittances and development operational and workable. The success of such efforts depends on whether all the key stakeholders from both the public and private sector, including civil society and especially migrants and families themselves, could come together and sustain the momentum. Complementing these measures – indeed a key to success – will be the emergence of moral leadership and the political will to attain the objective of making the country self-sustainable and no longer overly dependent on overseas migration or labour migration.

The programme should likewise involve the transformation of mindsets of key stakeholders, particularly policy-makers and migrants themselves: for policy-makers to integrate remittances as a strategic development tool in its medium- and long-term economic plans and providing the suitable environment for entrepreneurship, savings and investments to flourish; for migrants and their families, by finding more productive use to their remittances and other resources, other than for consumptive or less productive use.

1.5 Research questions and methods

The study reviewed the current state of remittance-backed products in South Asia (to cover Bangladesh) and South-East Asia, including the Philippines. This particular study is on the Philippines, which as conceived, attempted to answer two research questions:

1. How remittance channels and services can be made more cost-effective, accessible, reliable, quick and transparent?
2. How the development potential of remittances can be enhanced?

Accordingly, this paper will present a report-cum-inventory that describes and assesses remittance-backed financial products (deposits, loans, insurance) in the Philippines. Specifically, the outcome of this paper is based on the following:

1. A literature review on remittance use in the Philippines, highlighting the use of remittances, including proportions thereof directed to savings and investment. This literature review will also consider remittance services and describe them in terms of cost (fees and exchange rates), speed, reliability and access. Among remittance service providers, the study must include government financial institutions (GFIs) and private commercial banks, micro-credit, thrift banks and community-based financial entities such as cooperatives, rural banks and microfinance Institutions (MFIs), whenever applicable.
2. A list of financial awareness modules in pre-departure orientation programmes (PDOS).
3. An inventory of savings, loan and insurance products tailored to overseas migrants/migrant workers and remittance receivers in the Philippines.
4. A description and coverage/use of such products and constraints, if any.
5. Recommendations for increasing financial awareness among migrants and development/use of remittance-backed financial products.
6. A description of the regulatory aspects of remittance services– mapping of regulatory policies, laws and practices.
7. A list of existing and emerging best practices that promote use of remittance-backed financial products and use of remittance services among migrants and beneficiaries.

In order to achieve the desired outcomes for this project within the allotted time, the following methodologies and research tools were utilized:

1. *A desk review* of researches, studies and literature or materials available on Overseas Filipino remittances to the Philippines relevant to the desired outcomes;
2. *Interviews and discussions* with relevant key stakeholders were conducted. One-on-one or email interviews, attendance in forums or multi-stakeholder councils dealing with migration, remittances and development and consultations with experts were done. Websites of stakeholders were also accessed when appropriate and necessary, or whenever key informants are not available⁵; and
3. *Focus group discussions* were conducted, with three groups of remittance receiving households in Metro Manila and in two towns in Bulacan province (some 30 kms north of Manila). Though not included in the terms of reference, but in order to obtain insights from the remitting side, focus group discussions were also conducted with three groups of remitters sourced at Balik-Manggagawa Centre of the Philippine Overseas Employment Administration (POEA) (*see Appendix 3 for the FGD questions*). Participants in the FGDs were the following (*see Tables 2 to 6*).

Table 2: FGD Participants' profiles – occupation (all overseas contract workers)

FGD group	Domestic workers	Service workers	Professionals	Total
1	0	7	2	9
2	10	0	0	10
3	0	6	4	10
Total	10	13	6	29

Source: This study's focus group discussions with migrant families

Table 3: Remittance channels used by OFW FGD participants

FGD Group	Bank	Western Union	Cebuana Lhuillier	Padala
1	9	0	0	0
2	10	0	0	0
3	10	0	0	0

Source: This study's focus group discussions with migrant families

⁵ These stakeholders are financial institutions such as commercial banks, government financial institutions (GFIs), thrift banks, rural banks, local and international money transfer agencies, microfinance institutions, cooperatives, insurance companies, government line agencies engaged in migration and development (SSS, Home Development Mutual Fund and Philippine Health Insurance Corporation), including those which provide financial products, or offer OFW financial services and civil society organizations.

Table 4: OFW FGD participants who indicated charges from country of work

Currency	SAR	PHP	US\$	AED	HKD	QAR
FGD group	5	0	2			
1	3	1	0	1	3	
2	5	1	0			2
3	3	2	2			

Source: This study's focus group discussions with migrant families

Table 5: FGD beneficiaries' occupations

	Housewife	Self-employed	Government employee
Caloocan City	5	0	0
Paombong, Bulacan	13	2	1
Hagonoy, Bulacan	2	4	7
Total	20	6	8

Source: This study's focus group discussions with migrant families

Table 6: FGD beneficiaries – selected indicators

Beneficiaries	With business	Real estate	Vehicle	Credit card
Caloocan City	2	2	0	2
Paombong, Bulacan	2	0	0	0
Hagonoy, Bulacan	3	2	2	2
Total	7	4	4	4

Source: This study's focus group discussions with migrant families

2. Locus of the study: Philippine migration and remittances

2.1 Filipinos' overseas migration

There were an estimated 10,455,788 Filipinos in more than 220 countries and territories as of December 2011 (*see Table 1*). Labour migration is a prominent mode of migration, especially given lack of jobs with satisfactory income in the Philippines and the demand, especially in less skilled occupations, in foreign countries. In the Philippines, overseas contract based workers are popularly known as “Overseas Filipino Workers” (OFWs). Labour deployment has consistently shown strong performance with OFW deployment increasing by an annual average of 9.6 per cent from 2004 to 2011. Economic slowdowns had no substantial negative effects on migrant worker deployment. In 2011, the Philippine Overseas Employment Administration (POEA) estimated that a total of 1.319 million land-based and sea-based OFWs were deployed abroad and even now, an average of about 3,800 Filipinos are being deployed daily for overseas work.

Destinations. From 2004 to 2010, Saudi Arabia, United Arab Emirates and Hong Kong (China) were the top three destinations of newly hired and re-hired (or repeat) OFWs. In 2011 however, there were more OFWs deployed in Singapore than in Hong Kong and Qatar, making Singapore the third major destination of OFWs. Moreover, in the same year Malaysia became a major destination, out-pacing Canada (*see Table 7*).

There is a changing pattern of the profile of newly-hired OFWs over time (*see Table 8*), based on their skill/occupation and country of deployment, as indicated by the change in demand for overseas workers. Employment of women in household service, nursing and waiting/bartending is now largely more prominent than manual or skilled industrial work. This is a major shift away from the 1970s when mostly agricultural workers were sent to Hawaii and construction-related professionals were deployed to oil-rich Middle East countries (Senate Economic Planning Office, 2012).

Table 7: Number of deployed land-based OFWs by top 10 destinations, new hires and re-hires: 2004-2011 (in '000)

Country	2004	2005	2006	2007	2008	2009	2010	2011
All Destinations - Total	704.6	740.4	788.1	811.1	974.4	1 092.2	1 123.7	1 318.7
Saudi Arabia	188.1	194.4	223.5	238.4	275.9	291.4	293.0	311.6
United Arab Emirates	68.4	82.0	99.2	120.7	193.8	196.8	201.2	225.7
Hong Kong, China	87.3	98.7	96.9	59.2	78.3	100.1	101.3	108.6
Qatar	21.4	31.4	45.8	56.3	84.3	89.3	87.8	96.4
Singapore	22.2	28.2	28.4	49.4	41.7	54.4	70.3	119.5
Kuwait	36.6	40.3	47.9	37.1	38.9	45.9	53.0	65.0
Taiwan, China	45.1	46.7	39.0	37.1	38.5	33.8	36.9	41.9
Italy	23.3	21.3	25.4	17.9	22.6	23.2	25.6	31.4
Bahrain	8.3	10.0	11.7	9.9	13.1	15.0	15.4	17.8
Canada	4.5	3.6	6.5	12.4	17.4	17.3	13.9	16.6

Source: POEA, Overseas Employment Statistics, 2011

Table 8: Number of deployed new-hire* land-based OFWs by top 10 occupations and gender, 2011

Rank	Occupation	Male	Female	Total
1	Household Service Workers	3 204	135 877	139 081
2	Nurses, Professional	2 054	13 814	15 868
3	Waiters, Bartenders & Related Workers	5 866	6 082	11 948
4	Caregivers & Caretakers	565	8 858	9 423
5	Wiremen Electrical	9 341	37	9 378
6	Plumbers & Pipe Fitters	8 789	29	8 818
7	Welders & Flame-Cutters	7 800	28	7 828
8	Labourers/Helpers General	6 520	491	7 011
9	Charworkers, Cleaners & Related Workers	2 999	3 701	6 700
10	Cooks & Related Workers	3 040	2 051	5 091

Source: POEA, Overseas Employment Statistics, 2011

* Combined total number of OFWs-new hires with occupational disaggregation (covers at least 95 per cent of the total deployed land-based new hires).

Demographic profiles. Citing data from the annual Survey of Overseas Filipinos (SOF) in 2010, there were more OFW males (52.3 per cent) than females (47.7 per cent). Female OFWs are also generally younger than males as more than half (52.3 per cent) are between 25 to 34 years while 43.4 per cent male OFWs come from the same age group. These OFWs predominantly came from the Cavite, Laguna, Batangas, Rizal and Quezon (CALABARZON) region (16.4 per cent) and the peripheral regions of Central Luzon (14.7 per cent) and Metro Manila (13.9 per cent).

Regional origins. Citing also the same SOF data, the top three regional origins of OFWs are Calabarzon or the Cavite-Laguna-Batangas-Rizal and Quezon region that is south of Manila (16 per cent), Central Luzon and Metro Manila (National Capital Region). The regions with the least number of OFWs are Caraga, MIMAROPA (Mindoro Oriental and Occidental, Masbate, Romblon and Palawan) and the Cordillera Administrative Region (*see Table 9*). Similar findings were indicated in terms of membership with the Overseas Workers Welfare Administration (OWWA, the welfare fund of migrant workers). NCR and CAR were identified as “high migration” areas, Region 6, or Western Visayas, is a “medium migration” area and Regions 8 (Eastern Visayas), 10 (Northern Mindanao) and Caraga (found east of Mindanao island in southern Philippines) as “low migration” areas.

Table 9: Number and distribution of OFWs by region, 2008 to 2010

Region	2008		2009		2010		Average	
	Total (000s)	%	Total (000s)	%	Total (000s)	%	Total (000s)	%
Philippines	2 002	100.0	1 912	100.0	2 043	100.0	1 986	100.0
National Capital Region	280	14.0	265	13.9	282	13.8	276	13.9
Cordillera Administrative Region	38	1.9	40	2.1	37	1.8	38	1.9
I - Ilocos Region	156	7.8	164	8.6	194	9.5	171	8.6
II - Cagayan Valley	110	5.5	109	5.7	125	6.1	115	5.8
III - Central Luzon	290	14.5	281	14.7	294	14.4	289	14.5
IVA - CALABARZON	368	18.4	313	16.4	327	16.0	336	16.9
IVB - MIMAROPA	44	2.2	33	1.7	35	1.7	37	1.9
V - Bicol Region	62	3.1	57	3.0	63	3.1	61	3.1
VI - Western Visayas	156	7.8	174	9.2	170	8.3	167	8.4
VII - Central Visayas	112	5.6	117	6.1	135	6.6	121	6.1
VIII - Eastern Visayas	58	2.9	55	2.9	41	2.0	51	2.6
IX - Zamboanga Peninsula	36	1.8	42	2.2	47	2.3	42	2.1
X - Northern Mindanao	56	2.8	53	2.8	61	3.0	57	2.9
XI - Davao Region	56	2.8	53	2.8	57	2.8	56	2.8
XII - SOCCSKSARGEN	90	4.5	81	4.2	86	4.2	86	4.3
XIII - Caraga	24	1.2	25	1.3	29	1.4	26	1.3
Autonomous Region in Muslim Mindanao	66	3.3	46	2.4	63	3.1	58	2.9

Source: National Statistics Office, Survey on Overseas Filipinos

2.2 Starting point: An ADB study on overseas Filipinos' remittances

The Asian Development Bank (ADB) conducted and published in 2005 a study on remittances titled “Enhancing the Efficiency of Overseas Workers Remittances”. This study, conducted in partnership with the BSP, was one of the earliest to examine remittance transfers by Filipinos, with focus on Singapore (covering contract-based workers) and the United States⁶ (involving permanent residents or immigrants). The study also carried out a nationally representative market survey of remittance receiving families. It covered all the critical aspects of the remittance industry, including payment and regulatory systems in both sender and destination country, a brief history of the remittance industry, how it started and evolved into partnerships, alliances and the convergence of services among banks, non-bank money transfer agencies, courier and cargo companies and ethnic stores, evidencing a pragmatic preference for the sharing of revenues in an industry which, as of 2004, were estimated to be in the range of from US\$250 to \$500 million.

This study also included an inventory of the key actors engaged in remittance services: banks (commercial, thrift/savings and rural banks), international and Philippine money transfer agencies, host country banks, the postal office, online companies and computer companies, civil society organizations and microfinance institutions. In terms of remittance use for savings and investments, the study featured migrant investment instruments and retirement/pension packages by the Social Security System and the *Pag-ibig* Fund (or the Home Development Mutual Fund), which also marketed programmes that enabled overseas Filipinos to access housing loans or treat contributions as a savings instrument. It was also at this time that Philippine telecommunication companies such as Smart and Globe were just starting to develop low-cost technology now being widely used for domestic and international remittances through mobile phones, predicted by the ADB study to be the remittance method of tomorrow.

While the remittance environment has revealed partnerships, alliances or tie-ups by remittance players and has also described revenue sharing measures and the convergence of services among

⁶ The choice of countries was based on the assumption that contract based workers and immigrants were two distinct types of remitters, each with their respective remittance behavior, motivations, frequency of sending and remittance amounts and including propensities for supporting development projects in the Philippines.

different players in the remittance market as cited by the ADB study, this current review revealed that much has changed since 2005. These changes were made evident by the introduction of more remittance products and services, financial instruments for savings, investments and entrepreneurship models, the application of new technology and mobile-based remittance systems showing the potential for low-cost transfer fees, with little or no identification required or the possession of bank accounts or legal migration documents. Traditional providers such as banks have expanded their services and networks and are able to cross-sell their core banking services and become conduits to market products of other companies (such as real estate, motor vehicles, financing for entrepreneurship and the franchising businesses). On the other hand, a number of Philippine banks providing exclusively remittance services have closed their offices in some key countries of destination such as Italy and the United States but have opened new offices or established tie-ups in other countries. According to industry informants, these developments were the result of business decisions and, in some cases, an inability to meet new, stricter or costly compliance requirements (C. Paras, ABROI President, key informant interview).

The use of automated teller machines (ATMs) for online banking has become more widespread even in rural areas, facilitated by the merger of three Filipino ATM networks (Bancnet, Megalink and Expressnet) and by the acquisition of such machines by rural banks, contributing to the improved access and a more cost-effective and reliable remittance procedure. There are emerging new players such as insurance companies, cooperatives and microfinance institutions. With funding support from international donors, a number of civil society organizations have also now focused on advocating savings, investments, entrepreneurship, collective investments and financial literacy also operate programmes that direct remittances to more savings, investments and entrepreneurship options for migrants (including those planning to return and reintegrate, with funding support from international donors).

As predicted in the ADB study, technology has played a major part in improving access as well as making remittance transfers cost-effective in both domestic and cross-border modes. This is given the use of mobile-based technology that exploited the advantages of e-banking and created the so-called e-wallets. These mobile money platforms have contributed in some way to the widespread ownership and use of mobile phones by Filipinos in the Philippines and overseas, to transfer both cash and goods with the flick of a mobile phone keyboard. However, as observed by the World Bank, many governments have refused to authorize or license the use of mobile devices for remittance transfers, so that their potential for providing cost effective, efficient and speedy system for fund transfers may only be realized if regulatory and security issues could be hurdled.

Philippine government agencies had similarly expanded their programmes. Among the agencies playing a prominent role are the Social Security System, the *Pag-ibig* Fund, the Philippine Health and Insurance Corporation (PhilHealth), the Overseas Workers Welfare Administration (OWWA), the *Bangko Sentral ng Pilipinas* (BSP) and the Commission on Filipinos Overseas (CFO).

OWWA itself, starting in 2010, set aside PHP2 billion as standby fund for entrepreneurial loans of migrants who are returnees or who are in the process of reintegrating and intending to open or expand existing businesses.

The BSP had also issued policies to promote transparency and enhance a healthy competition among formal remittance providers as well as non-bank money transfer agencies. The BSP had also directly intervened in reducing domestic remittance charges, by at least five times less than its previous costs, through the setting up of a real-time gross settlement system called PhilPaSS (Philippine Payments and Settlements System). The regulator also co-chairs with the Commission on Filipinos Overseas (CFO) a year-old Remittance and Development Council (ReDC), a multi-stakeholder council that is emerging as a government champion on remittances-and-development issues and policies. Aside from this initiative, the CFO has in the past two years been focusing on encouraging investments from the Philippine diaspora through the holding of what it terms diaspora

dialogues in the Philippines and Europe, apart from including on its website a chapter on how and where to invest in the Philippines.

2.3 Current situation of overseas Filipinos' remittances

The Philippine banking system received more than US\$200 billion in remittances from overseas Filipinos (Bangko Sentral ng Pilipinas, 2011) from 1975 to 2012 and US\$21.6 billion in 2012 alone. On the average, from 2003 to 2011, remittances comprised about 7.6 per cent annually of the country's gross national income and grew at an annual average of 13.14 per cent over the past eight years. In particular, remittances grew by about seven per cent from 2010 to 2011, owing to the increase in demand for skilled migrant workers in more diversified destinations and to a larger bank network in host countries.

Traditionally, more than half of remittances recorded by the BSP are from the Americas, including Canada. Europe and the Middle East appear to be the next top remittances sending regions. The BSP however advises caution in interpreting these figures, since some of these remittances may have come from other countries. This is due to the fact that most of the principal offices or branches of transmitting banks and facilities (which is what is reflected in the records) are located in this region and are therefore attributed by the BSP to have come from North America.

In any case, BSP reports that the largest chunk of remittances in 2011 was received from the United States of America (42.2 per cent), followed by Canada (10.3 per cent), Saudi Arabia (8.0 per cent), United Kingdom (4.8 per cent), Japan (4.5 per cent), United Arab Emirates (4.4 per cent), Singapore (3.9 per cent), Italy (2.7 per cent), Germany (2.4 per cent) and Hong Kong (1.8 per cent) (*see Table 10*).

Table 10: Source of overseas Filipinos remittances by country, 2010-2011
(US\$million)

Country-level remittances	2010	2011	2012
Global Total	18 763	20 117	21 391
United States of America	7 862	8 481	9 116
Canada	2 023	2 071	1 972
Saudi Arabia	1 544	1 613	1 728
United Kingdom	889	957	1 072
Japan	883	914	1 009
United Arab Emirates	775	878	961
Singapore	734	789	865
Italy	551	551	427
Germany	448	479	541
Hong Kong	363	368	420

Source: *Bangko Sentral ng Pilipinas (2011)*

It has been accepted that worldwide interest in migration and more specifically remittances, stems from the realization of it being a substantial and stable source of development finance, a tool for combating poverty and developing the economies of migrant origin countries and a primary if not the main source of income for millions of low-income remittance receiving households in developing countries. This is also especially true for the Philippines, which has emerged as one of the major migrant-sending countries, next to China and India. With more than US\$21 billion of remittances (as of 2011), the Philippines became the fourth-largest remittance receiver according to the World Bank, next to India, China and Mexico. However, a 2012 estimate by the World Bank showed that said money sent home by overseas Filipinos could reach \$24 billion, making the Philippines the world's third largest recipient of remittances (in a tie with

Mexico). The lender's forecast is, in fact, higher than the Bangko Sentral ng Pilipinas' estimate of US\$21.5 billion for the entire 2012.

2.4. Recent surveys on the uses of remittances

Asian Development Bank. The ADB study by Ang, Sugiyarto and Jha (2009) utilized data from the triennial Family Income and Expenditures Survey (FIES) of the National Statistics Office to determine how overseas migrant households use their remittances. These data are then juxtaposed to data on the other sources of income of these remittance-receiving families.

Data show that low-earning migrant households get more income from entrepreneurship, while high-earning families had more incomes from investments and on savings. Those low-earning migrant families had posted negative savings levels. Not surprisingly, high-earning migrant households had more annual incomes on average (*see Table 11*).

Table 11: Household income sources of migrant households

	Quintiles				
	1	2	3	4	5
<i>Year 2000</i>					
% of Households receiving cash from abroad (18.05% Overall)	4.30	9.19	15.81	24.48	35.23
Average Annual Income (PHP)	32 242.00	57 835.00	90 244.00	148 270.00	374 621.00
<i>% share to Annual Income</i>					
Cash Received from Abroad	1.10	2.29	4.36	7.87	11.63
Agricultural Wage	12.11	9.10	4.80	1.80	0.42
Non-agricultural Wage	13.61	24.61	37.19	47.61	50.44
Domestic Remittances	8.21	4.93	3.83	2.57	1.54
Entrepreneurial Income	40.13	39.35	31.79	22.88	18.35
Income from Investments*	2.05	3.19	4.20	5.85	9.92
Savings	-4.89	3.02	8.89	14.54	23.73
<i>Year 2003</i>					
% of Households receiving cash from abroad (20.72% Overall)	4.98	11.48	19.79	30.86	43.79
Average Annual Income (PHP)	34 696.00	62 357.00	95 857.00	154 811.00	392 382.00
<i>% share to Annual Income</i>					
Cash Received from Abroad	0.86	2.06	4.51	8.47	13.76
Agricultural Wage	14.60	11.15	5.99	2.51	0.69
Non-agricultural Wage	12.49	24.83	36.63	45.16	47.33
Domestic Remittances	6.93	4.97	4.11	3.22	1.62
Entrepreneurial Income	40.53	37.44	30.76	23.56	19.21
Income from Investments*	1.74	2.80	4.29	5.72	9.91
Savings	-5.87	2.39	7.19	12.73	20.80
<i>Year 2006</i>					
% of Households receiving cash from abroad (23.30% Overall)	7.08	13.86	22.69	33.46	44.09
Average Annual Income (PHP)	41 543.00	72 802.00	111 324.00	180 580.00	455 481.00
<i>% share to Annual Income</i>					
Cash Received from Abroad	1.30	2.72	5.49	9.75	14.74
Agricultural Wage	14.51	10.95	6.04	2.27	0.47
Non-agricultural Wage	12.11	23.47	36.11	44.74	46.70
Domestic Remittances	8.31	5.74	4.83	3.75	2.11
Entrepreneurial Income	38.71	37.37	29.35	22.10	18.33
Income from Investments*	1.90	3.04	3.81	5.49	10.06
Savings	-7.06	1.03	6.16	10.94	20.49

*Investments is the summation of interests from deposits, dividends, rental income and pensions
Author's estimates from Family Income and Expenditure Surveys, 2000, 2003 and 2006

Source: Alvin Ang, Shikha Jha and Guntur Sugiyarto (2009)

ADB also compared migrant and non-migrant households' income sources. The comparison showed that migrant households' entrepreneurial incomes are incrementing slowly from 2000 to 2006. However, there is also a slow decline in investment incomes and a visible decrease in their savings (*see Table 12*).

Table 12: Comparison of households receiving and not receiving remittances from abroad⁷

	2000		2003		2006	
	With cash from abroad (n = 7 154)	Without cash from abroad (n = 32 454)	With cash from abroad (n = 8 729)	Without cash from abroad (n = 33 365)	With cash from abroad (n = 8 971)	Without cash from abroad (n = 29 512)
<i>Average share to Total Expenditures %</i>						
Food	44.92	54.50	44.24	54.16	43.31	52.65
Education	4.49	2.67	4.11	2.20	4.39	2.31
Health	2.26	1.42	2.45	1.58	2.97	1.91
Durables	2.15	1.19	2.60	1.38	2.20	1.38
Transport and Communication	6.17	4.24	6.92	4.70	7.20	5.59
Housing Operations	2.04	1.80	2.05	1.74	2.09	1.82
<i>Average Share to Total Income %</i>						
Wage (agricultural)	1.53	6.42	2.31	8.87	2.61	8.63
Wage (non-agricultural)	27.03	36.80	27.98	33.01	25.57	33.54
Domestic Remittance	2.74	4.45	3.47	4.57	3.80	5.48
Entrepreneurial Income	17.29	33.22	19.46	34.15	19.28	32.95
Investment Income	7.46	4.57	7.07	3.99	6.51	4.12
Savings	13.66	8.33	10.56	5.52	9.45	4.52
<i>Characteristics of Household Head (Mean)</i>						
Age	51.32	48.37	48.76	45.62	50.57	47.78
Highest Educational Attainment*	3.62	2.88	3.70	2.83	3.87	2.98
Marital Status	2.16	2.14	2.15	2.12	2.00	2.13
<i>Characteristics of Household (Mean)</i>						
Family Size	4.98	5.15	4.78	4.85	4.75	4.84
No. of Employed Family Members	1.50	1.77	1.55	1.75	1.59	1.82
Type of Household**	1.32	1.22	1.29	1.18	1.34	1.22
Quintile Position	3.88	2.85	3.79	2.61	3.69	2.65

Source: Alvin Ang, Shikha Jha and Guntur Sugiyarto (2009)

United Nations Development Programme (UNDP). Citing a UNDP study, CFO Chair Imelda Nicolas (2012) remarked that remittances are used mainly for debt payment (36 per cent), daily household operation (32 per cent), acquisition of consumer durables (13 per cent) and children's education (10 per cent). After footing the bill for household essentials, the surplus is used for business capital (5 per cent), home purchase (3 per cent) and savings (1 per cent) (Nicolas, 2012).

Bangko Sentral ng Pilipinas (BSP). Through a quarterly Consumer Expectations Survey (that also has non-migrant and migrant households as respondents), the BSP had also kept track of remittance uses on a regular basis. Migrant household-specific results showed that these households spend more on education, then allocate at least a third to a fourth of their remittances to repay debts and are increasingly but slowly saving. It can also be noticed that respondents' allocations for investments are in low levels compared to their allocations to purchase durables and purchase houses or make home rental payments (*see Table 13*).

⁷ Also in this table, it can be noticed that migrant households have smaller family sizes and lesser numbers of employed family members. The migrant households' heads are also more educated and are older.

Table 13: Results from the PHL central bank's consumer expectations survey

Type of expense (entire PHL)	2007				2008				2009				2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Food	91.6	92.6	94.9	97.6	98.0	95.9	97.2	93.9	94.0	95.4	92.6	94.5	96.4	95.8	95.8	96.0	98.0	96.2	96.6	94.1	94.3	95.8	96.4	94.3
Education	2.8	50.6	56.8	60.4	63.2	67.1	67.0	62.2	67.3	72.3	70.4	62.5	60.9	63.2	72.5	74.7	69.0	68.7	63.0	68.8	64.0	67.2	73.8	65.1
Medical expenses	1.1	29.5	27.8	27.8	38.2	45.5	46.0	57.0	52.2	67.4	60.9	63.6	51.4	59.0	63.6	65.2	55.2	54.6	58.5	64.9	63.3	58.0	61.3	62.3
Debt payments	-	19.9	25.6	33.0	32.4	30.5	42.8	50.4	51.4	58.2	53.0	55.3	45.5	48.5	50.0	48.0	44.0	43.1	46.4	52.4	43.2	45.4	48.4	39.6
Savings	10.7	16.5	23.9	21.2	17.6	32.5	29.8	32.2	35.9	37.9	35.2	36.4	33.6	31.4	32.2	41.8	32.5	34.0	30.6	36.5	33.7	38.7	24.4	26.4
Purchase of Appliances/ Consumer	6.7	11.9	14.2	7.1	7.4	19.1	12.1	18.3	20.7	23.5	20.0	21.7	21.4	24.7	22.9	26.7	23.4	26.3	26.4	17.7	20.5	17.6	22.7	20.3
Purchase of House	2.8	3.4	1.1	0.9	2.9	19.1	7.4	12.2	10.0	8.1	4.8	9.1	8.2	9.6	11.9	8.8	10.7	9.9	6.4	6.6	9.1	8.4	6.7	6.1
Investment	3.9	6.3	6.3	6.6	2.5	2.0	5.6	5.7	4.0	6.7	6.5	8.7	8.2	5.4	4.2	9.5	5.2	8.4	6.0	5.9	6.1	5.5	5.8	4.7
Purchase of vehicle	2.8	2.8	2.3	1.4	0.5	4.1	3.7	5.2	4.4	5.6	4.3	5.5	6.4	9.2	8.5	7.3	4.0	9.9	7.2	7.3	6.1	3.8	11.1	7.5
Others	1.1	4.0	2.8	0.9	0.0	6.5	11.2	6.1	6.8	7.7	7.8	7.9	8.2	8.8	7.2	2.2	4.0	4.6	3.4	4.9	6.4	0.0	4.9	0.0

Notes: a) The CES has a survey sample size of over-5,000 respondents. OFWs make up at least 8 to 10 per cent of the total sample size, or around 400 to 550-plus respondents; b) While the CES started in 2005, BSP included OFWs beginning in 2007; c) From Q2 to Q4 in 2008, "purchase of house" included rentals

Source: Bangko Sentral ng Pilipinas (2010)

Italy-Philippines remittance corridor study. Migration corridor-specific findings are also instructive. This is because certain corridors have unique migration profiles as well as other patterns such as the types of occupation most prevalent in the destination, the volume of their earnings and gender profiles. An example is the Italy-Philippines corridor (Economic Resource Centre for Overseas Filipinos and the International Organization for Migration, 2011), wherein the results of that study (that implemented a 360-respondent survey) showed:

- That 71 per cent of respondents confirmed they are able to save and the rest do not. For those who saved, the average amount was EUR265 monthly and these savings are kept in banks. In addition, about 25 per cent of respondents said they also keep their savings at home and two per cent bring their savings around with them.
- There were more respondents using Philippine banks (e.g. Banco de Oro in the Philippines, 23 per cent) as repository of their savings than Italian banks (e.g. Banca Sella, six per cent). Also, despite the presence of formal channels, three per cent still opt to save in an informal rotating savings and credit (ROSCA) scheme called paluwagan, which is popular among Filipinos.
- Respondents also have more savings and investments in the Philippines than in Italy. These were placed in various products of Philippine banks and in asset accumulation such as real estate and agricultural land (IOM and ERCOF, 2011).

2.5. Who decides on the use of remittances: for basic expenses or investments?

One factor that bears emphasis at this point is who between the remitter and the beneficiary makes the decision on the use and disposition of remittances. There appears to be a distinction, depending on the subject matter of the remittance use, whether or not it is for spending of basic needs or on investment matters. Since the efficacy of the decision-making process depends largely not only on the education and skills of the decision-maker, but also on the existence or presence in media or the internet, of the range of savings and investment options available, this distinction is important in choosing when, where, how and to whom to allocate the limited resources available and the most opportune time for such purpose.

The focus group discussions conducted in this study (see Tables 14 and 15) on both remitters (N=43 respondents) and beneficiaries (N=20 respondents) showed that *decisions on basic expenses, such as food, education, health and other items, are left to the discretion of the beneficiary. Only a few of them said spending on basic expenses is a joint decision.*

Table 14: Beneficiaries – who decides disposition of remittances?

(select locations, Oct. 2012)

	Hagonoy (n=18)	Paombong (n=17)	Caloocan City (n=8)
OFW (overseas worker)			
Beneficiary	12	12	8
Joint	2		

Source: Focus group discussions, Bulacan province and in Caloocan City, October 2012

Table 15: OFWs—Who decides disposition of remittances?

(select locations, Oct. 2012)

	Group 1 (n=9)	Group 2 (n=10)	Group 3 (n=1)
OFW (overseas worker)	1		
Beneficiary	7	10	9
Joint	1		

Source: Focus group discussions, POEA-BAMC, October 2012

However, matters on investment choices (per the Italy survey [IOM and ERCOF, 2011]), are mainly decided by the remitter. On this point, certain observations have been made by the study. The Italy-Philippines corridor survey revealed that “a few respondents (6 per cent of 255 respondents) looked, studied or made comparisons in making decisions about where to invest. Almost half (48 per cent) reported that there was no other influence bearing on their decision-making except their own appreciation of the options available when they made the decision to invest. This may suggest that migrants decide on the basis of their own perception of future needs. It could also indicate a relatively limited amount of information on a wider range of investment options that migrants have. Building the capacity of migrants through financial literacy training and improving current financial literacy initiatives might be useful intervention, especially given that many of the respondents possess high educational backgrounds.

Making migrants and migrant households direct some of their remittances to investment remains a challenge. As shown in BSP’s quarterly Consumer Expectations Survey (*Table 13*), migrant households allocating money for investment remains low.

3. The need for transparency on remittance charges

The Philippine initiative on transparency will be covered in a succeeding chapter on the Philippine remittance environment, even as there is need to look at the global outlook on the subject.

3.1 Global advocacy efforts to lower remittance costs

The Global Development Finance 2003 report took formal notice of the need for transparency (Dilip Ratha, in World Bank, 2003). Back then the report took a very conservative calculation of remittances based on official IMF balance of payments data. In 2001, global remittances by individuals were estimated at over US\$100 billion for 2001, with \$72.3 billion going to developing countries (Mellyn, 2003).

Also around that time, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank was seriously trying to address the issue of high remittance costs through stimulating competition including research and dialogues with the banking sector, credit unions and bank payments card companies (e.g. Visa, etc.). The US-Mexican Partnership for Prosperity has also helped develop programmes to increase access to banking services, especially for the large number of undocumented Mexican workers in the US. These efforts in conjunction with class-action lawsuits in California and other states reportedly pressured money transfer services such as Western Union and Money Gram to radically reduce prices for Mexico and some Central American markets over the last few years.

Average costs, fees plus foreign exchange spread, of sending \$200 to Latin America fell to \$20 in 2002, about half of what it was (US\$40) in 1999 and there is anecdotal evidence that Western Union has reduced fees to as low as \$3 in some markets to retain market share and foreign exchange spread income. The MIF's goal was to reduce remittance costs to an average of five per cent over five years. At 5 per cent, the net remittance flows into Latin America would have been \$2.4 billion higher in 2002 (Mellyn, 2003).

The World Bank started its own initiative on lowering the costs of sending remittances worldwide, given the realization that migrants' remittances have the potential of being an alternative and more stable source of development finance, such that lowering remittance charges by some five percentage points could mean substantial savings that could benefit millions of poor remittance receiving households in the origin countries of migrants. The multilateral agency stated that the final cost of transfers is determined by two elements: (1.) The fees charged at any stage of the transaction and (2.) the exchange rate used to convert the local currency into the currency of the destination country.

The impact of the cost of remittance transfers is not easy to calculate by consumers as they are in most cases low-income migrants lacking specific financial education and with limited ability to make informed comparisons. Language barriers and time constraints also affect decision-making capability. Thus remittance service providers were exhorted to provide detailed information about their services and the information should be easy to obtain and displayed in a comprehensible form. If price transparency is practiced, it enables migrants to acquire all the information needed to make informed decisions about available services. At the same time, it helps push actors competing in the market toward efficiency and lower costs.

3.2. Remittance databases

In September 2008, the World Bank launched its online Remittance Prices Worldwide database (<http://remittanceprices.worldbank.org>), which shows costs for remittances in 200 migration and remittance corridors. It provided a global database on the cost of sending and receiving small amounts of money from one country to another.

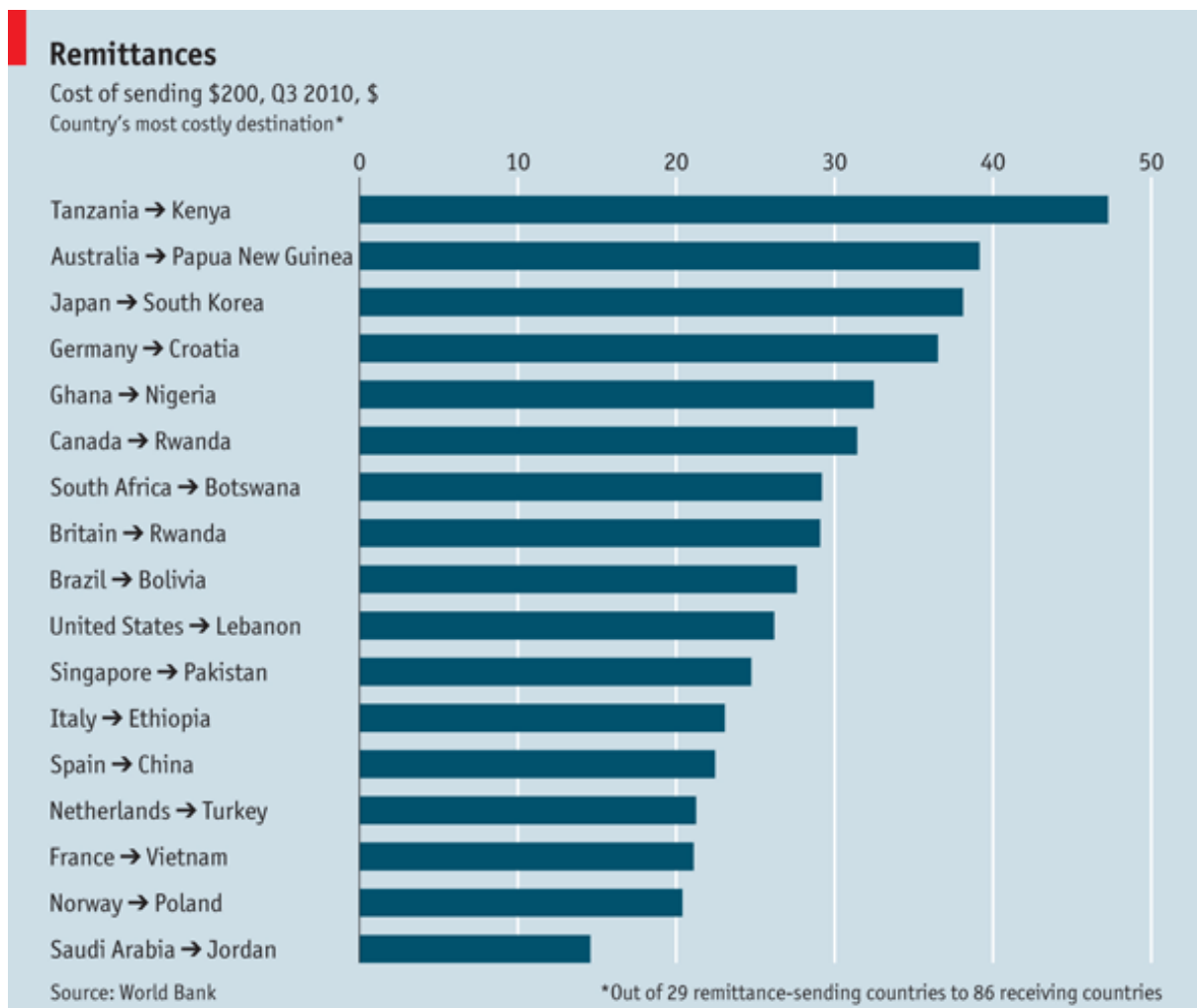
The experience of the United Kingdom between 2005 and 2009 is instructive. After setting up a remittance transparency website called Send Money Home (www.sendmoneyhome.org) the costs of remittance from the UK to six migration corridors decreased by an average of 48 per cent (World Bank-Global Remittances Working Group, 2010). Possible factors which could have led to such a decrease are the introduction and promotion of price comparison database, new companies entering the market, increased consumer understanding of remittance pricing, new products and other factors.

Some countries also set up their own remittance prices online portals, among them Germany, www.geldtransfair.de; Italy, www.mandasoldiacasa.it; the Netherlands, www.geldnaarhuis.nl; and the Pacific Islands region, www.sendmoneypacific.org.

As mentioned earlier, bearing the costs of remittance charges across remittance corridors gives subtle-to-direct messages to remittance players to lower their costs, since they can see the remittance charges of other players. The geographical distance also matters and probably owing to these remittance prices portals, it is revealing that remittance costs in corridors that are geographically proximate are more expensive than migration corridors that are geographically distant (*see Figure 1*).

Figure 1: Remittance prices across migration corridors

(World Bank, in *The Economist*: <http://www.economist.com/blogs/dailychart/2010/12/remittances>)



Box 1

World Bank's remittance pricing strategy

World Bank collects data by having its researchers pose as customers and contacting individual firms within each corridor. Researchers collected data within each corridor on the same day, in order to control for fluctuations in exchange rates and other changes in fee structures. It should be noted that data in this database is intended to serve as a snapshot of a moment in time and that pricing may vary over time.

The latest data release was in September 2012, the ninth update since the database was launched in September 2008. Users can still retrieve the remittance prices shown in the previous iterations of the database by clicking on the relevant collection period. In subsequent updates of this site (approximately every six months) prices shown in previous collections will continue to be displayed.

Additional details on the methodology used for collecting data are as follows:

1. *Firms data.* These were collected for eight-to-ten major service providers in each corridor, including both the primary money transfer organisation (MTO) and banks active in the market. In some markets very few banks or MTOs operate. In these cases, the sample may include more MTOs than banks, or vice versa. In corridors where there were fewer market participants, efforts were made to survey as many providers as possible. Companies surveyed within each segment were selected to cover the maximum remittance market share possible;
2. *Amounts.* For the original database, two amounts were surveyed per corridor: the local currency equivalent of US\$200 and the local currency equivalent of \$500. For the information collected in the first quarter of 2009, the original amounts in local currency were kept for comparability purposes; hence, some of the local currency amounts may differ from the \$200 and \$500 benchmarks due to currency fluctuations. In the third quarter of 2009, the local currency equivalent amounts of \$200 and \$500 were adjusted in order to reflect foreign exchange fluctuations. As a result, send amounts in local currency may differ from the ones surveyed in the previous iterations.
3. *Transfer fee.* This is the most visible cost component and can differ significantly among market players. This fee usually represents the charge the sender pays at the initiation point and usually varies with the amount sent, within set bands. In some cases, there may be fees and taxes charged at the destination that have not been detected in this database.
4. *Exchange Rate Fee:* An important portion of the remittance cost is the exchange rate spread, which is not quoted in the transfer fee. Even though remittances can be paid in US dollars in some countries, the majority of remittance transactions are paid in local currencies and, thus, an exchange operation is required. In this database, where remittances are paid in dollars, or where exchange rate information was not provided, this information may not be available. In these cases, the actual total costs might be higher than indicated in the database.
5. *Product.* The database covers different forms of transactions. For each firm the type of product(s) offered is noted within the following categories: door to door, cash to cash, account to account (same bank), account to account (other bank), account to cash, cash to account, cash to account (same bank), credit/debit card service, pre-paid card service, online service, mobile service, USD service, local currency service, euro service.
6. *Speed of transfer.* The speed of transfer is the time needed for the remittance to be available for the receiver. The transfer speed is noted for each product. Since the First Quarter 2009 the speed of transfer has been standardized in six broad categories: less than one hour, same-day, next day, two days, three-to-five days and six days or more.
7. *Network coverage.* Since the first quarter of 2009 the database also includes (for each company surveyed) a description of the network coverage in the receiving country. This additional variable complements the overall picture for price and convenience of the service offered by each remittance service provider. The following categories are used to describe remittance service provider coverage: nationwide, urban only, rural only, main city, major cities.

It was cautioned that the pricing data provided in this database are intended to serve as a snapshot of the cost of remittances on specific dates and time. Actual costs may vary. The World Bank provides no warranty, expressed or implied, as to the accuracy or completeness of the data furnished. The data and information provided herein should not be used as a substitute for actual pricing information that consumers should obtain directly from service providers.

Source: The World Bank

3.3 Why remittance prices remain high?

The UK-based nonprofit Consumers International earlier this year released a report analyzing why remittance prices have remained high amid the years of advocating for lower remittance costs. CI is the only independent global group that is campaigning the “voice of consumers” that has a membership of more than 220 organizations scattered across 115 countries.

Three reasons are evident as to why remitters continue to pay high charges (Consumers International, 2012): one, remitters lack a real choice of remittance channels. Two, there is a lack of transparent pricing by remittance service providers. Three, consumers do not have ample and accessible information about remittance services. CI explains these major reasons further (Consumer International, 2012):

1. *Opaque pricing.* Remittance services providers (RSPs) earn from transfer fees but these providers also make a “secondary profit” through purchasing foreign currency at one rate and then re-selling this foreign currency to the remitter at a less favourable rate. Given that, the difference between currency prices in wholesale currency markets and the price at which these RSP’s sell the currency to consumer – what is called the “exchange-rate spread”. This is something that is not communicated to the consumer.
2. *Uncompetitive markets.* Not surprisingly, a few money transfer companies dominate the remittance market. There is also very limited information about the market share of particular companies. But as also revealed in Figure 1, the level of competition in specific migration corridors is important for the consumer. So in this regard it may be possible in certain migration corridors: there is limited involvement from mainstream banks, there is limited involvement from other financial providers, that MTOs continue to have these exclusivity agreements which could limit the choices of remitters and stifle competition and that not even technology (e.g. card-based transfers, Internet, mobile phones) has reduced remittance costs.
3. *Lack of consumer information and support for financial inclusion.* There is an observation that many migrants switch service providers. But migrants are also busy in their work overseas and spare time is being used to rest, fulfil religious duties or recreation. So these occasions may have to be used for remitters to spread the word around on which remittance service provider is best for them, this being a complement to the promotion of competition.

4. The Philippine remittance environment

4.1 The formal financial system

Briefly, the Philippine financial system is comprised of formal and informal sub-systems. The formal system consists of banks and non-bank financial institutions (NBFIs) while the informal sub-system is comprised of those that are not included in the published statistics of the *Bangko Sentral ng Pilipinas* (Central Bank of the Philippines).

Universal and commercial banks. Banks are financial institutions regulated and supervised by the *Bangko Sentral ng Pilipinas*. They are categorized into universal and commercial banks, thrift banks and rural and cooperative banks and are classified according to the amount of capitalization required and the type of services allowed. Universal banks have the highest capital requirement. Together with commercial banks they are authorized to provide a wide range of financial services such as underwriting of investment houses and investments in equities of non-allied undertakings. Universal banks usually operate in cities and major urban areas. Universal and commercial banks represent the largest category in terms of bank resources. They offer the widest selection of financial services. They are authorized to engage in underwriting of investment houses and to invest in equities of non-allied undertakings. These banks usually operate in cities and major urban areas.

Thrift or savings banks. Thrift banks are mostly engaged in providing short-term working capital and long-term financing to businesses. They are composed of savings and mortgage banks, private development banks, stock savings and loan associations and microfinance thrift banks. These banks usually engage in accumulating savings and using these for investments and primarily in providing short-term working capital and long-term financing to businesses.

Rural and cooperative banks. Rural and cooperative banks are banks that operate mostly in the rural and poor areas have relatively lower capital requirements than thrift banks. However, they provide much needed financial services to rural communities such as farmers, fisherfolks and microenterprises. Rural banks are privately owned and managed while cooperative banks are organized or owned by cooperatives. These banks are likewise classified into microfinance banks, where the total loan portfolio is 100 per cent microfinance, or microfinance-oriented banks, which are those that have at least 50 per cent of microfinance loans in their gross loan portfolio.

4.2 Philippine remittance players

Formal channels. According to the BSP, from the period of January to September, 2012 (*see Table 16*), there were 24 universal/commercial banks, including two government financial institutions (GFIs), nine thrift banks, two foreign exchange (forex) corporations and one overseas banking unit (OBU) that provided remittance services. Commercial banks dominate the formal remittance market (*see Table 16*), whose remittance heads have formed an association called Association of Bank Remittance Officers (ABROI) that engages the BSP and other regulatory authorities on issues affecting the remittance industry. ABROI has currently 13 members.

Table 16: Overseas Filipinos' remittances coursed through banks

(January-September 2012)

Total remittances	% to total
By major players	100.0
• Commercial banks	94.1
• Thrift banks	0.1
• Foreign exchange corporations	5.8

Source: *Bangko Sentral ng Pilipinas*

Non-Bank Money Transfer agencies. (Informal authorized channels). The BSP has a 726-page list of non-bank money-transfer agencies in the Philippines that are involved in remittance services. Their number (head offices and branches) is estimated to total more than 5,000. Western Union continues to be the leading MTO serving Filipinos abroad. Western Union has more than 6,400 agent locations across the Philippines which includes commercial/thrift/rural banks, cooperatives, microfinance institutions (MFIs), pawnshops and Western Union-operated branches).

Western Union's nearest competitor, MoneyGram (also the world's second-biggest MTO), has more than 1,000 money-transfer locations (mostly the outlets of a Filipino pawnshop, M. Lhuillier Financial Services) and plans to have 900 bank locations nationwide. Aside from their wide networks, it is also obvious that the high migrant patronage for MTO services could be attributed to their easier accessibility to migrants and recipients, longer working hours including weekends and holidays and possibly less-tedious paperwork compared to banks. MTOs offer a service focused on remittances, which are not the core business of banking institutions. Non-bank money transfer agents, particularly key players – usually have established partnerships and fund deposits with local banks. It may be said that local banks profit as well from remittance transactions of money transfer agents.

Competition for the remittance market between bank and non-bank remittance providers has been noted by some key informants and which may have benefitted consumers in terms of lower pricing, greater access and quality service. However, some money transfer agents have informally commented in some forums, that their transactions had declined over the years partly because clients had shifted to banks that offer a broader range of products.

Limitations of remittance recording. The BSP's International Transactions Reporting System (ITRS) captures only the value of remittances that pass through banks, except rural banks. However, the number of remittance transactions reported by banks could be generated only through a bank survey. Since most rural banks act as payout agents of non-bank money transfer agencies, resort was made to obtain these data from rural banks, which proved unsuccessful, due to the fact that recording of this data by rural banks was not in the industry's system of data banking.

As to non-bank money transfer organizations (MTO), only the aggregate values of remittances processed by MTOs that pass through banks are captured in the ITRS. Remittance transactions by MTOs are typically in bulk, the number of which is not provided by the banks to the BSP. However, BSP data on formal remittances includes cash transfers from money transfer or non-bank remittance agencies, particularly those which maintain accounts with local banks. Transfers from these agencies are captured in the reports by local banks to the BSP.

4.2.1 Remittance rates

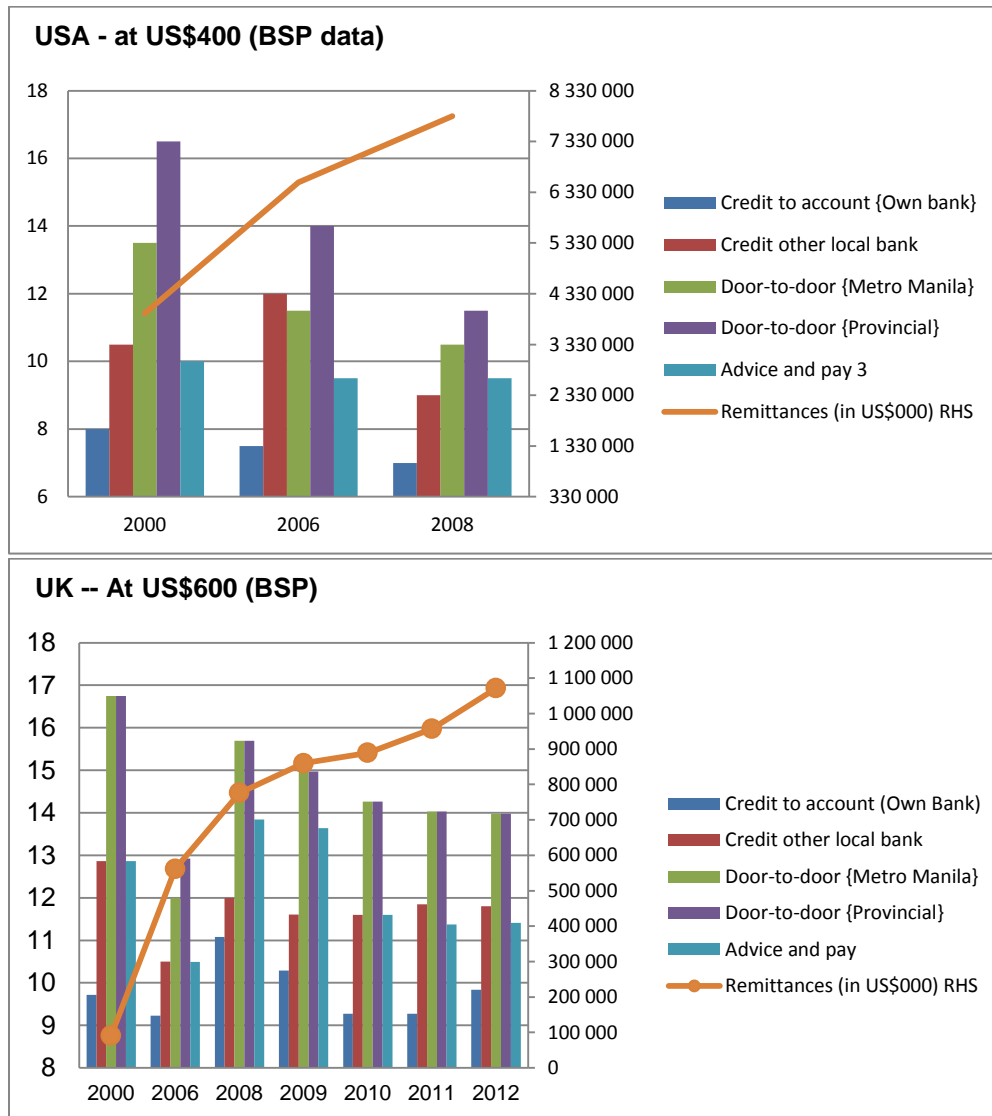
The BSP provided this study with a comparative year-on-year remittance rates⁸ culled from selected member banks of the Association of Bank Remittance Officers (ABROI), a 13-member

⁸The figures from ABROI represent comparative remittance rates from the United States, United Kingdom, Hong Kong Special Administrative Region, Singapore and Italy, which are among the top destination countries of migrant workers and immigrants. The table of rates also contains

association representing bank remittance providers. Then the rates estimated by the World Bank's Remittance Prices website were then used.

This current paper made a graph of remittance rates data from ABROI (covering five countries) and from the World Bank (covering three countries, with these being compared to the information of ABROI) to the annual remittance volumes from overseas Filipinos in the identified countries. It appears that remittance rates have generally and palpably decreased over the years, while remittance volumes also increase (see Figures 2 and 3). The chapter on the Regulatory Roadmap discusses the possible factors from the regulatory standpoint that may have contributed to the decline in remittance charges.

Figure 2: Remittance inflows and average remittance fees in select remittance corridors



Source: Bangko Sentral ng Pilipinas and Association of Bank Remittance Officers, Inc.

detailed front-end rates of formal remittance modes, charged per country at different remittance amount levels, from year 2000 to 2011 and including the rate of increase/decrease to the average amount of remittance.

Figure 2: Remittance inflows and average remittance fees in select remittance corridors--continued
 Sources: Bangko Sentral ng Pilipinas and Association of Bank Remittance Officers, Inc.

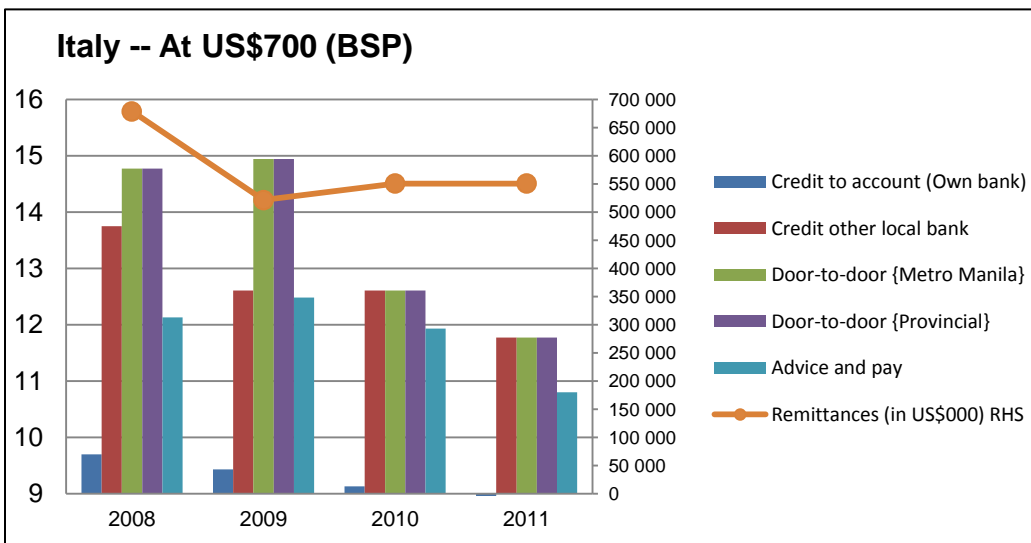
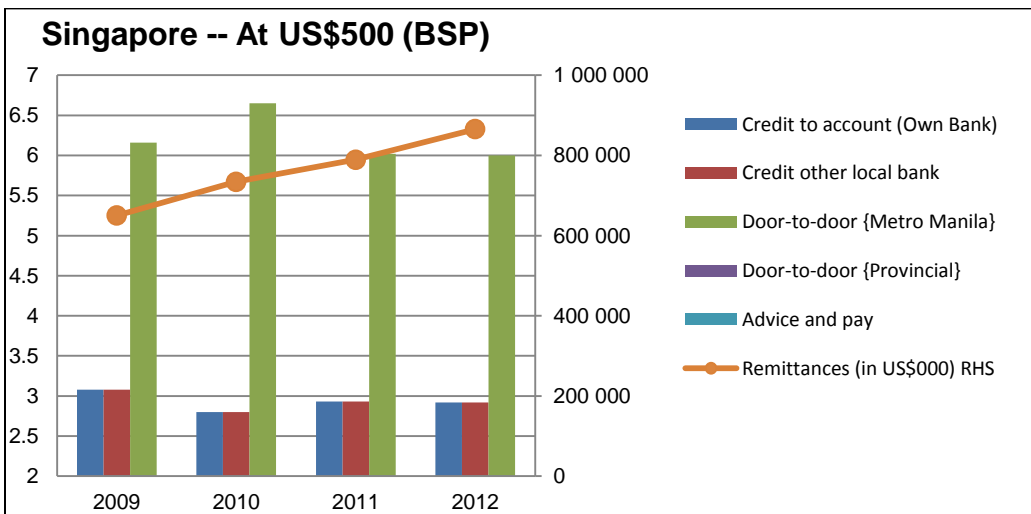
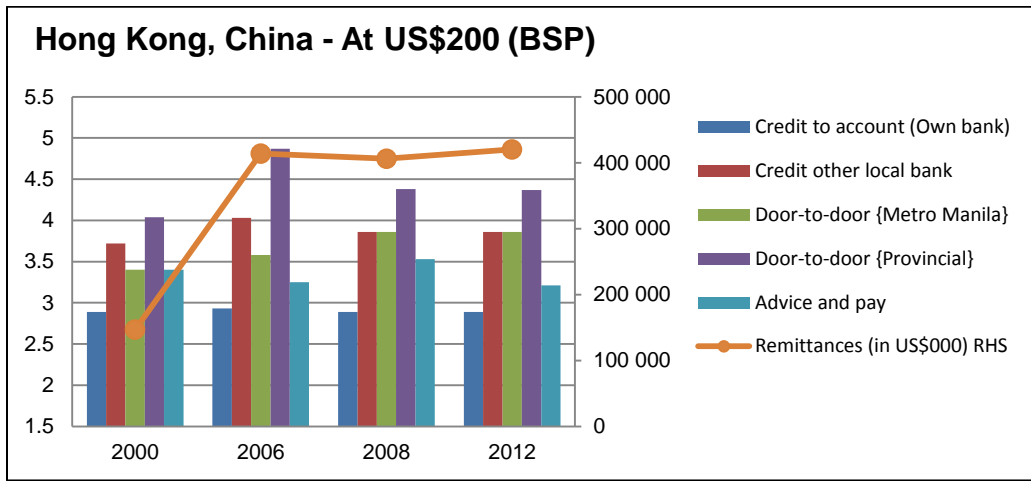


Figure 3: Comparative average remittance rates across remittance channels

Source: Philippines-Association of Bank Remittance Officers, Inc. and World Bank

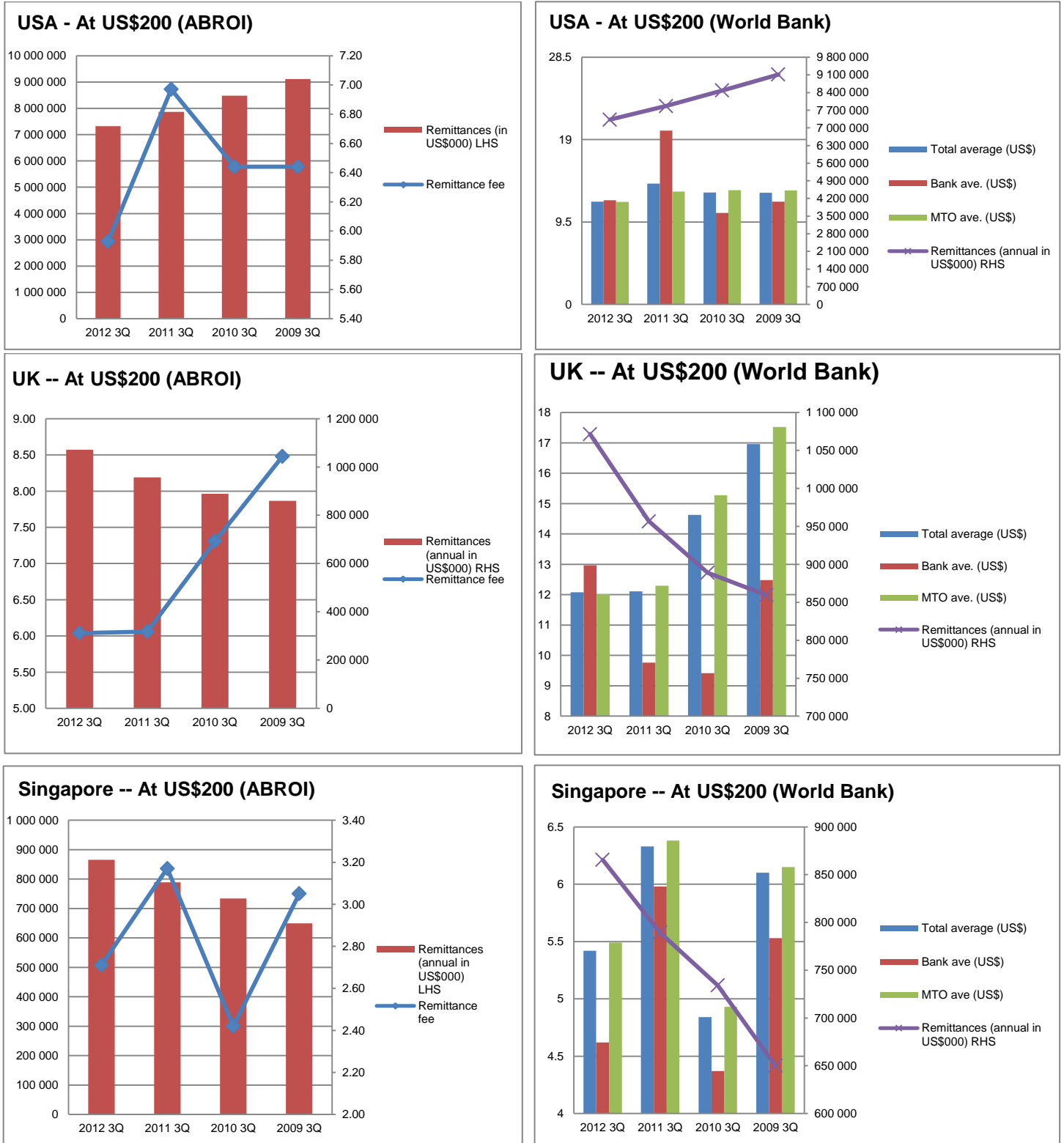
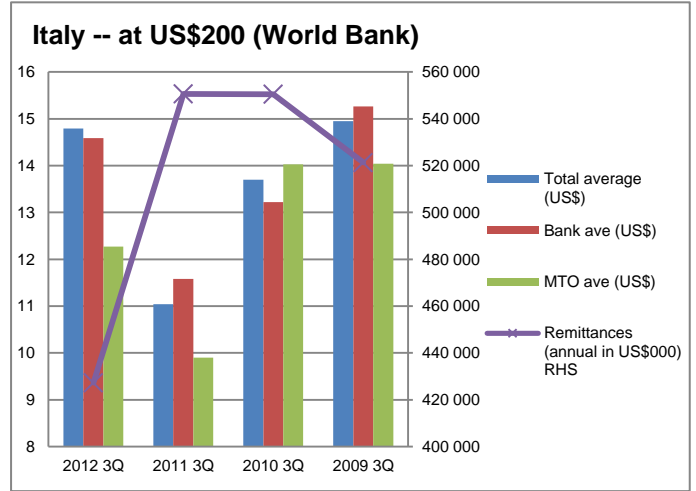
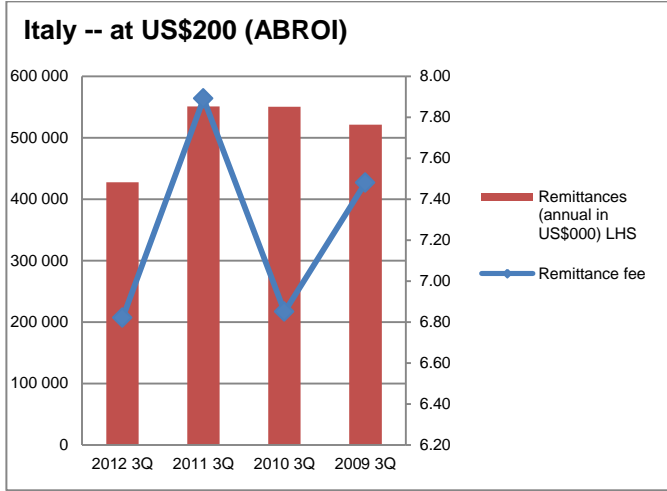


Figure 3: Comparative average remittance rates across remittance channels—continued

Source: Philippines-Association of Bank Remittance Officers, Inc. and World Bank



The Philippines has been traditionally quite sensitive to the need of addressing the high cost of remittances as well as supporting the shift of remittances to the formal channels, given their impact to national development, the regulator's commitments to enhance a safe, reliable and cost-effective remittance environment, as well as lessening the financial burdens of Philippine overseas workers. These objectives are sought to be achieved through regulations issued by the BSP (Appendix 1 contains the most important issuances by the BSP on remittances and overseas workers).

While recognizing that setting remittance prices is determined largely by brick-and-mortar costs associated with remittance provision, such as investments in technology and infrastructure, costs of compliance and host country auditing and monitoring requirements, costs on rentals, expatriate and local employment and others, the regulator also considers that like any commodity or service in the market, remittance price setting is also influenced by market forces, particularly competition which usually results in the lowering of prices and efficiency in the provision of services.

In any case, the BSP has advocated for transparency in the remittance pricing through the opening of its OFW portal in its website, required all Philippine remittance providers, both for banks and non-bank remittance providers registered with it, to conspicuously post in all their outlets domestically and overseas, applicable remittance charges, including corresponding foreign exchange commissions, to enable remitter clients to make informed decisions or choices on which remittance channel to choose.

Thus, while BSP initiatives seek to balance regulation with initiatives that enhance competition in the remittance industry, this can be a challenging task as not all remittance players are subject to the same rules, the most illustrative of which are those pertaining to non-bank remittance players, whose operations are exclusively on remittance services and on the other hand, banks, where remittance provision is only part of their services, but whose compliance requirements as banks are subject to stricter regulation.

4.2.2 Access to remittance centres

Overseas, as of the end of March 2012, there were a total of 4,732 tie-ups, remittance centres, correspondent banks and branches/representative offices established by Philippine commercial banks. In the Philippines, recipients of remittances could claim proceeds, depending on the mode of remittance, from the Philippines offices or branches of these banks, which number 9,207 all over the country (see Table 17). The Philippine banking system, as of September 2011, also has 10,109 ATM machines (see Table 18).

4.3 Remittance speed and reliability

Remittances, whether through banks or non-bank remittance providers, could be claimed by beneficiaries in a matter of hours, the longest being typically in one day. Non-bank money transfer agencies such as Western Union offer remittance and receipt of proceeds, in real time, or in a matter of minutes. Remittance through banks also depends on the mode of remittance used, the fastest as well as the cheapest being "credit to account in the same bank". Most remittances coursed through formal channels, including money transfer agencies, are considered reliable.

Box 2

Remittance providers improve efficiency and speed

A review of various bank remittance channels also showed that their remittance services invariably include an SMS notice to recipient that remittance proceeds have arrived and could be claimed in authorized centres. The service also enables remitters or beneficiaries or allottees the ability to monitor remittances. Gone are the days when banks could delay the release of remittances for days, to enable them to additionally earn from the “float” of the remittance proceeds. These have been addressed through regulation (BSP) and self-regulation within the Bankers Association of the Philippines (key informant interviews with members of the ABROI).

Commercial banks, or at least ABROI members, as a practice, require their foreign tie-ups to make a deposit in a (*nostro*) account an amount equivalent to their expected remittance transfers (usually estimated from the last three days). Because of this practice, banks could start processing the release of proceeds for the beneficiary as soon as the remittance notice is received, enabling the release of proceeds on the same day, or even within minutes (C. Paras-Santos, key informant interview).

Table 17: The Philippine banking system and its outreach nationwide, as of June 2012

All banks by type (Head office and branches)	Total	Head Office	Other Offices
All Banks	9 207	712	8 495
• Philippine-based	9 173	712	8 461
• Overseas-based	34	0	34
Universal banks	4 965	37	4 928
• Philippine-based	4 931	37	4 894
• Overseas-based	34	0	34
Thrift banks	1 522	69	1 453
Rural banks	2 720	606	2 114
All banks by regional location			
<i>Philippines</i>			
National Capital Region (NCR)	2 907	86	2 821
Region I (Ilocos Region)	408	47	361
Region II (Cagayan Valley)	282	34	248
Region III (Central Luzon)	960	94	866
Region IV-A (CALABARZON)	1 381	131	1 250
Region IV-B (MIMAROPA)	196	25	171
Region V (Bicol Region)	294	34	260
Region VI (Western Visayas)	535	65	470
Region VII (Central Visayas)	598	47	551
Region VIII (Eastern Visayas)	176	24	152
Region IX (Zamboanga Peninsula)	190	17	173
Region X (Northern Mindanao)	338	38	300
Region XI (Davao Region)	347	16	331
Region XII (SOCOSKSARGEN)	195	15	180
Region XIII (Caraga)	198	18	180
Cordillera Administrative Region (CAR)	149	19	130
Autonomous Region in Muslim Mindanao (ARMM)	19	2	17
<i>Overseas</i>			
Asia-Pacific	20	0	20
Europe	5	0	5
Americas	5	0	5
Africa	4	0	4

Table 18: Number of automated teller machines

All banks by type	Total	Head Office	Other Offices
All Banks	10 109	6 381	3 728
<i>Universal and Commercial Banks</i>	8 805	5 447	3 358
• Universal banks	7 942	4 913	3 029
○ Private Domestic Banks	6 792	4 216	2 576
○ Government Banks	1 122	669	453
○ Branches of Foreign Banks	28	28	--
• Commercial Banks	863	534	329
○ Private Domestic Banks	758	444	314
○ Subsidiaries of Foreign Banks	85	70	15
○ Branches of Foreign Banks	20	20	-
<i>Thrift Banks</i>	1 188	818	370
<i>Rural and Cooperative Banks</i>	116	116	-

Source: Bangko Sentral ng Pilipinas

5. Remittance-backed products and services: the Philippines

5.1 Universal and commercial banks

Most or all of the Philippines' commercial banking institutions have available specially designed banking products and services that are offered and are able to cross sell to OFWs and their family members. This is aside from providing remittance services or acting as payout agents. These products and services range from ordinary and special savings accounts, current accounts, peso and foreign currency deposit accounts, various loans, for business and enterprise use, housing, cars and appliances and even pre-departure loans. There are also several commercial banks providing and sponsoring financial literacy courses during pre-departure orientation courses for deployed overseas workers (or referred to as overseas Filipino workers, OFWs). The general features concerning these different products and services of commercial and thrift banks, general terms and conditions, including the features of remittance services, have been attached as appendices to this report (see Appendices 9 and 10). The various features of these remittance products indicate that they are specially designed to suit or appeal to overseas Filipinos' financial needs. Examples include: low or no maintaining balance on savings accounts; housing; appliance and car loans; promotional activities such as special raffles; patronage discounts; special membership cards that could be enjoyed at certain shopping malls; ability to track remittances through inquiry or SMS advice, food gifts and other benefits. Many of the banks likewise feature the use of ATM machines for withdrawal of remittances, through Internet or mobile remittances, in partnership with the consortium of three ATM companies, known as the Bancnet network.

Standing apart from the rest of bank remittance providers are the two government financial institutions (GFI), the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines. Aside from providing remittance services through their countrywide branches and in partnership with overseas and local tie-ups, the two GFIs are also involved in the Philippine government's migrant worker reintegration programme. It is to be noted that in 2010, the Philippine government set aside the amount of PHP2 billion as a standby fund to underwrite a programme for business and enterprise loans specifically for returning and reintegrating OFWs. Memorandums of agreement (MOA) were signed to cover the various terms and conditions of the partnerships and Implementing Rules and Regulations (IRR) have been issued. The Land Bank is now implementing the programme. However, while the DBP had signed the MOA, it is still negotiating as of December 2012, for the amendment of certain provisions of the IRRs, in order to conform to its mandate.

5.2 Thrift and savings banks

A number of thrift or savings banks offer remittance backed products and services, through their branches or local and overseas tie-ups with banks and money transfer agencies. These products likewise include multi-purpose loans to both land based and sea-based workers and their beneficiaries and including vacationing Filipinos usually referred to as *balikbayan* (returnees to homeland) (see Appendix 10). These services might be said to be tailor-made and are specially offered to encourage patronage from migrant workers. Those without such "tailor-made" remittance products, however, are also able to offer their core banking products such as savings, current or time deposit accounts and even loans. While thrift or savings banks are not allowed to cross sell products or services other than their own, the BSP is currently considering to allow them to include in their services, products of other companies, such as insurance, real estate, appliances, franchises and others, in view of their strong financial performance.

5.3 Rural and cooperative banks

Rural and cooperative banks are banks that operate mostly in the rural and poor areas. They provide much needed financial services to rural communities such as farmers, fisherfolk and microenterprises. Rural banks are privately owned and managed while cooperative banks are organized or owned by cooperatives. These banks are likewise classified into microfinance banks, where total portfolio is on microfinance, or microfinance-oriented banks, which are those that have at least 50 per cent of microfinance loans in their gross loan portfolio.

Rural banks aiming to effectively compete in an increasingly liberalized and market-driven financial services industry opted to merge and consolidate with other banks to strengthen their market position and viability. This, together with a number of closures during the year, resulted in the decline in the number of operating rural banks to 577 as of end-December 2011 (from 607 last year). The Rural Bankers Association (RBAP) is the biggest federation of rural banks in the Philippines with an active membership of 569 rural banks as of September 2012. The rural banking industry sustained its growth momentum as total assets as of end-September 2011 reached PHP169.2 billion (Attorney Francis Ganzon, key informant interview).

The majority of rural bank offices are located in the National Capital Region (NCR) and the adjacent regions of Calabarzon (Region IV-A, or Cavite-Laguna-Batangas-Rizal-Quezon provinces) and Central Luzon (Region III) with 950 offices or 37.5 per cent of the total rural bank offices in the country. The Mindanao region had 564 rural banking offices and it took up the second biggest share at 22.2 per cent, while 422 rural banks are in the Visayas region, comprising 16.6 per cent. The Northern Luzon area (Regions I, II and the Cordillera Administrative Region) had 353 rural banks or equivalent to 13.9 per cent of total rural banks nationwide while the remaining 247 offices were located in and around the areas of Bicol, MIMAROPA and Mindanao.

5.2.1 Rural banks and overseas Filipinos

The rural banking system entered the remittance market in 1998, as payout and domestic transfer partners to international money transfer agencies, such as Western Union, Moneygram and Uniteller. In 2004, it was estimated that about 340 rural banks facilitated the release of remittance proceeds of beneficiaries with a total of some 180,000 transactions.

For more than a decade, several rural banks had supported migrant workers about to be deployed abroad with loans to help defray pre-departure, recruitment and travel expenses (including a temporary emergency fund to tide over the household until remittances come in). In a presentation before the Asian Development Bank in December 2004, then RBAP President Senen Glorioso stated that an increasing portion of the amounts remitted was being used to support payment of loans to migrant families, such as agricultural inputs, microfinance, education, housing and commercial loans. In addition, some rural banks also handled funds donated by overseas Filipino hometown associations and individuals in connection with their medical missions, donation of hospital supplies and equipment and funds intended for the renovation of churches, school facilities, small infrastructure and skills and technology transfer programmes (Glorioso, 2004).

It appears, however, that the rural banking industry has not considered remittances, or offering rural banking products to migrants and their families as part of their core business. This might be traced to their traditional lack of connectivity to settlements systems due to the high costs associated with connectivity requirements and the lack of reach-out overseas. These reasons may have deprived them of a more intimate knowledge of the financial needs of overseas migrants, some two-thirds of whom, according to studies, originate from the rural areas where rural banks are located (Asian Development Bank, 2005).

However, more recent developments show that a number of rural banks have cautiously but surely moved in reconfiguring their portfolios and strategies and had seriously set up initiatives to offer rural banking services to migrants and their families.

Box 3

Tailor-made rural bank products for overseas Filipinos and their families

Starting in 1994 in a sixth-income class municipality called San Leonardo in Nueva Ecija (Luzon island), the New Rural Bank of San Leonardo (NRBSL) now has established 12 branches in three provinces. As of June 2010, its total resources stood at PHP650 million from PHP32 million in 1994. Of total loans outstanding of PHP436 million, 13.41 per cent is lent directly to overseas migrants and 38.10 per cent granted to migrants' family members, for a combined exposure of 51.51 per cent of the bank's total loan portfolio.

Of its total 9,902 depositors (with a total deposit base of PHP325 million), 40 per cent are from overseas Filipinos and their relatives. Indeed, NRBSL has made the overseas Filipino clientele part of their core business, offering them regular rural banking and microfinance product. This endeavor is guided by a vision of accelerating the development of local economies through the support of microenterprises (Panganiban, 2002). Among their remittance-backed products and services are the following:

- Regular deposits (savings, short- and long-term time deposits, current accounts, foreign currency deposits, Special Savings Deposits, Guarantee Deposit, Philanthropic savings, loans to families of departing OFWs, educational and retirement plans);
- NRBSL's so called "Preventive loans" or financial services that will provide income to minimise their desire to do overseas work. These include:
 - Solidarity Lending, or group loans of up to PHP30,000;
 - Salary loans of up to PHP150,000;
 - Individual enterprise loans of from PHP150,000 up to PHP200,000; and
- "Reintegrative" loans for returnees of up to PHP2 million.

Ercof/Alliance of Rural Banks. The Economic Resource Centre for Overseas Filipinos (Ercof) is a Philippine registered non-government organization, was first formed in Geneva, Switzerland by Europe-based Filipinos and registered in June 2003 in the Philippines where it is now currently based. Its activities are centered on advocating the productive use of remittances through savings and investments by overseas Filipinos in the rural areas. Given its countryside bias, it is quite natural that its advocacies and current partnerships are with grassroots financial institutions such as rural banks and microfinance institutions, as well as with rural-based agricultural industries, such as initiatives to grow the Philippine dairy industry through collaboration with its focal organizations in Europe, on the promotion for migrant investments, of a dairy investment fund with a leading Philippine dairy processing plant (see www.ercof.com).

At one point, it also advocated for the participation of overseas Filipinos in the purchase of local government bonds. However, the programme never got off the ground due to limitations on private ownership of these LGU bonds, which were mostly purchased by banks, which in turn sold them in the secondary market. Unfortunately, migrant workers, who would have been interested in these bonds which could improve infrastructure in their origin communities, were not the target market for these bonds.

In 2006, Ercof partnered with the Rural Bankers Association of the Philippines (RBAP) in an effort to link overseas Filipinos with the products and services of rural banks. Finding it unwieldy to deal with large numbers of banks, it decided to pilot relationships with 15 rural banks selected on the basis of their outstanding record on asset size, capital adequacy ratios and prudential practices. Ercof provided their partner rural banks (which did not have a presence overseas unlike commercial banks), a voice and reach-out overseas through its focal organizations in Italy, Switzerland, Germany, the

Netherlands, Luxembourg, Italy, Belgium, Singapore, Malaysia and the United States. In addition, Ercof provided orientations to its partner banks on migration issues and migrants' and migrant families' financial needs to assist them in designing products and services tailor-made to migrant needs. Their rural-biased advocacy was based on the finding by major studies that the seat of poverty is in the countryside, while its decision to partner with rural banks is the latter's tradition of reinvesting their portfolios and deposits in the communities where they are earned.

As an outcome, the banks set up their own migrant desks and appointed bank staff as focal points for overseas Filipinos. Ercof then set up a dedicated website (www.bayananingbayanihan.com) with links to the rural banks' individual websites — enabling the public, including overseas Filipinos, to access information on their services and directly communicate to bank officers through dedicated hotlines. These 15 partner banks have at least 219 branches and offices in 49 out of the 75 provinces of the Philippines.

The three-year-old partnership is currently making an evaluation and assessment of this programme, with the active assistance of the RBAP on the conduct of evaluation surveys on rural bank involvement on remittance-backed rural bank products. Thus, indicators of performance are not immediately available. The only outcomes that have so far been recorded are collective investments in the form of long-term time deposits of five years and one day, in two of the partner microfinance banks in Northern Mindanao and Negros Occidental, made by three different groups of Filipinos based in Luxembourg and in the Netherlands (with a guaranteed rate of return of eight per cent per annum). Total investments were valued at about PHP1.2 million and this approach of the two microfinance banks was once cited as “best practice” in an ILO paper (Schuttler, 2008).

5.2.2 Use of technology in rural banking operations

The advent of technology, specifically on the use of ATMs and partnership with a major telecommunications company on mobile banking and mobile-based remittance systems, had set up the rural banking industry as a potential key player in servicing cross-border remittances. To the local economies, this is also significant because: (1) rural banks are in those places where big commercial banks are not found; (2) they are able to provide access to financial services for unbanked and traditionally underserved sectors in the countryside; (3) the use of technology in financial payments and in domestic and overseas remittances, effectively lowers the cost of such remittances, sparing the public from travel and other costs usually attendant in claiming remittances or making payments; and (4) Rural banks, by their mandate, re-invest their deposits and other resources in the same communities where these are made.

Automatic Teller Machines (ATMs). As of December 2011, rural and cooperative banks had deployed 233 ATMs (199 onsite and 34 off-site) from 147 units (129 on-site and 18 off-site) in December 2010. Similarly, a total of 56 rural banks were providing electronic banking services such as the Electronic Fund Transfer Point-of-Sale system and mobile banking. Based on the three major geographical regions, most ATMs were installed in Mindanao with 147 units (63.1 per cent) while the rest can be found in Luzon (including NCR) with 63 units (27.0 per cent) and in Visayas with 23 units (9.9 per cent).

Box 4
Technology for rural financial inclusion

Globe Telecoms is a major player in the use of mobile banking for the payment of goods and services. A G-cash ATM card can be used for withdrawal of remittances received from Filipinos overseas, domestic money transfers, or for web-based entrepreneurs transacting online. In short, G-cash subscribers can perform banking activities through a wide number of ways, 24 hours a day, seven days a week.

A collaboration between Globe Telecoms and the RBAP-MABS (Microfinance Access to Banking Services) resulted in more than 70 rural banks enrolling in the system, translated into 950 rural bank branches acting as cash-in, cash-out centres. About 2,000 branches comprise the total branch network of rural banks, which means that almost half of the rural banks' network can service G-cash subscribers. There are over 3,000 traditional Globe partners such as pawnshops, Shoemart malls and Globe's own stores. With another 15,000 Globe sub-dealers that originally sold airtime (more popularly called "load" in the Philippines), there are in effect 18,000 cash-in, cash-out locations. G-cash subscribers can also tap all the 10,000-plus ATMs nationwide. For the unbanked and the under-banked populations, this outlet to join the financial system is empowering. Where there are not enough ATMs, the card serves as a valid ID, critical in making transactions with the thousands of cash-in, cash-out centres. Money transfers may also be received using GCASH Remit wherein a sender may choose to send remittance from abroad through international partners that allow beneficiaries to pick up the remittance at any accredited GCASH Remit local outlet using a unique reference code.

5.3 Non-bank financial institutions (NBFIs) and overseas Filipinos

NBFIs are entities that are engaged in financial services but may or may not have quasi-banking functions. These include the investment houses, financing companies, investment companies, securities dealers or brokers, fund managers, lending investors, pension funds, pawnshops, credit card companies, venture capital corporations and non-stock savings and loan associations. Among these are credit and multi-purpose cooperatives and microfinance NGOs that are not considered part of the statistics in the Philippine financial system.

While NBFIs which are generally not registered or are supervised by the BSP, except for some transactions in the exercise of quasi-banking functions, they are still subject to regulation by other government agencies, such as the SEC (Securities and Exchange Commission), or the Cooperative Development Authority (CDA). Being so, remittance transactions they generate are not reflected in the Philippine formal financial system, unless they pass through banks. It is difficult if next to impossible to identify these transactions and segregate them as part of the overseas remittance figures. However, it bears stressing that a number of them such as large pawnshops that have wide geographical presence, act as payout agents of big money transfer agencies such as Western Union and Moneygram.

5.3.1 Cooperatives

Characterized as voluntary and self-help organizations, cooperatives are recognized as a main pillar of people or popular empowerment and sometimes referred to as the poor man's self-redemption (Jayoma, 2010). Though belonging to the non-profit sector (Caucus of Development NGOs, 2010), there are already a handful of billionaire cooperatives and hundreds of millionaire cooperatives in the Philippines. In pursuit of the social and economic good of its members and expected to generate and distribute profit (or surplus) to them, the pioneering work of cooperatives

since the 1900s has given birth to a multitude of success stories. In the past decade, cooperatives have been engaged pro-actively in political constituency building through party-list organizations and in member client-expansion through micro-finance lending.

Philippine Republic Act 9520 defines a cooperative as “an autonomous and duly registered association of persons with a common bond of interest, who have voluntarily joined together to achieve their social, economic and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.”

As of 31 December 2011, there were 20,792 registered cooperatives in the country according to the Cooperative Development Authority (see Table 19). Some 69.29 per cent of them (14,406) are multi-purpose cooperatives that are engaged in savings and credit operations. The currently 2,268 credit cooperatives, while not licensed as banks, are legally permitted to offer loans and take deposits from its members. The country’s 20,792 registered cooperatives also have PHP209.84 billion in accumulated asset size (see Table 20). Noticeably, the “micro-level” cooperatives are the most in the number but have the least assets; the large cooperatives have the fewest number but the most assets.

Table 19: Registered cooperatives as of December 31, 2011 (total=20,792)

Registered cooperatives by region	
National Capital Region (NCR)	2 129
Region I (Ilocos Region)	1 269
Region II (Cagayan Valley)	755
Region III (Central Luzon)	2 005
Region IV (CALABARZON and MIMAROPA)	2 450
Region V (Bicol Region)	793
Region VI (Western Visayas)	1 332
Region VII (Central Visayas)	1 523
Region VIII (Eastern Visayas)	666
Region IX (Zamboanga Peninsula)	741
Region X (Northern Mindanao)	1 438
Region XI (Davao Region)	1 653
Region XII (SOCOSKSARGEN)	1 006
Region XIII (Caraga)	1 042
Cordillera Administrative Region (CAR)	711
Autonomous Region in Muslim Mindanao (ARMM)	1 214
Registered at CDA central office	65
<i>Registered cooperatives by type of cooperative</i>	
Credit	2 268
Consumer	950
Producer	949
Marketing	753
Service	1 160
Multi-purpose	14 406
Advocacy	5
Agrarian reform	11
Dairy	15
Fishermen	18
Housing	6
Electric	2
Workers	21
Transport	31
Financial service	2
Health service	2
Water service	2
Cooperative banks (secondary)	45
Cooperative federation (secondary)	188
Cooperative federation (tertiary)	6
Union (secondary)	47
Union (tertiary)	1
Insurance (secondary)	4

Source: Cooperative Development Authority

Table 20: Asset size of Philippine cooperatives

Cooperatives by asset size	Number of cooperatives	Amount of assets (PHP)	% to total number of cooperatives	% to total number of assets
Micro cooperatives (P3M and below)	15 694	8 902 960 133.99	75.48	4.24
Small cooperatives (P3.001 –PHP15M)	3 360	22 465 034 342.33	16.16	10.71
Medium cooperatives (P15.001 –PHP100 M)	1 401	51, one 98 557 833. one 3	6.74	24.40
Large cooperatives (more thanPHP one 00M)	337	one 27 273,7 one 2 497.58	1.62	60.65
Total	20 792	209 840 264 807.02	100.00	100.00

Source: Cooperative Development Authority

A study in 2005 showed that while cooperatives and cooperative/rural banks mobilized a relatively small proportion (2.61 per cent or US\$1.27 billion) of total deposits in the Philippine financial system compared to universal banks (90.13 per cent or \$43.99 billion), they have an important weight in terms of client served (9.44 million or 30.84 per cent). Their low average account balances (of \$354 and \$219 respectively) indicate co-op banks serve poor clients (Deshpande et. al, 2005).

A significant development also in the cooperative sector is the increase of viable cooperatives with the increase of billionaire and millionaire cooperatives. There are already 161 large cooperatives and 859 medium cooperatives with combined assets of PHP91 billion. In 2008, the total assets of the top ten cooperatives in each of the nine regions reached PHP28.4 billion.

5.3.1.1 Links between cooperatives and the Philippine migrant sector

A recent ADB study published in 2012 (Ozaki, ADB), notes that governments of the South Asian countries “do not allow unlicensed semi-formal financial institutions such as microfinance institutions (MFIs) and cooperatives to become agents of the authorized remittance dealers. The use of MFIs and cooperatives as remittance intermediaries is effective especially reaching out the poor and low income populations”. It cites the example that Bangladesh, where MFIs serve more than 17 per cent of the total population, or about 35 per cent of the poor population, could significantly expand the formal remittance service outreach if this legal constraint is addressed.

The Philippine MFI and cooperative sector seems to have taken the stride by starting to set up links with migrant workers, particularly advocating programmes that encourage overseas workers and their families to set aside part of their income to go into savings and investment options. In the past two years and with the assistance and guarantee mechanisms of international development agencies and overseas Filipino associations, scores of OFWs and their associations based in Europe, Hong Kong (China), Singapore and Malaysia, have invested with large agricultural-based cooperatives (see the nonprofit group Atikha on section 5.3.3 about “Civil society organizations”) and availed of services such as pre-departure and entrepreneurial loans.

A review of pertinent literature and key informant interviews indicated the presence of programmes offering products and services tailor-made to the needs of migrant workers and their families. These range from savings and investment programmes, microfinance, entrepreneurship and pre-departure loans. The stakeholders are mainly Philippine based, with a few based overseas, with Philippine links. The Philippine Government had also figured prominently in promoting the organization of OFW Family circles and encouraged such circles to register with the CDA as cooperatives. Some “cooperatives” in host countries of overseas Filipinos are formed as such but have restrictions in operating as cooperatives since some members have already acquired foreign nationality. However, these groups of migrant savers operate like a cooperative. The following (*see* Tables 21 and 22) are examples of these initiatives, whether run by actual cooperatives or by migrant organizations or migrant civil society organizations resembling cooperative-like operations:

Table 21: Examples of Philippine cooperatives' products for overseas Filipino workers

Name of cooperatives	Theme of work	Specific
Claveria Grassroots Multi-Purpose Cooperative (Cagayan)	Investment advice	<ul style="list-style-type: none"> • Had a project that provided members with OFW relatives with webcam access in the premises of the cooperative • While the spouse or child left behind talks with the relative abroad, a staff of the cooperative is also in the room. • The cooperative's staff then informs the OFW relative and the left-behind cooperative member of the coop's financial products. If decisions are readily made, the staff will talk to the left-behind relative
Kooperatibang Likas ng Nueva Ecija (KOOL-NE)	OFW-specific investment product	<ul style="list-style-type: none"> • In 2007, KOOL-NE started encouraging Novo Ecijanans abroad to invest in its Adopt-a-Client Investment Programme (ACIP) • ACIP is a two-year, locked-in investment offering 11%, with a minimum placement of PHP5,000. Investments used as loans for farmers' agri-enterprises
Abra Diocesan Teachers and Employees Multi-purpose Cooperative (ADTEMPCO)	Trust-building to OFW members	<ul style="list-style-type: none"> • Has members in other countries (e.g. Hong Kong). • Ran a remittance facility where the cost of sending money from Hong Kong to the family members in Abra is free. The breadwinners send money through the account of manager of the cooperative, who had been trusted by members in Abra to receive remittances. • This even led the Abra Tingguian Ilocano Society (ATIS) to be oriented on cooperatives that made them become members of ADTEMPCO. Now, breadwinners abroad send money through the account of the cooperative at no cost.
Santa Cruz Savings and Development Cooperative (SACDECO) Cooperative Bank of Benguet	Savings programme	Savings programme especially designed for Overseas Filipino Workers.
	Loans	With rider (Glad Benefit) Overseas Filipino Workers (Active and former member-OFW of the OWWA) Loans Lending services offered to active and former member-OFW of the OWWA and their immediate family members; and to legally organized group of OFWs (i.e. OFW partnerships/ corporations, OFW organizations/ cooperatives/federation).

Table 21: Examples of Philippine cooperatives' products for overseas Filipino workers (continued)

Name of cooperatives	Theme of work	Specifics
Paglaum Multi-Purpose Cooperative	Loans	OFW loans
Oro Integrated Cooperative	Loans	OFW loan
Nueva Segovia Consortium of Cooperatives	Deposits from abroad	Allotment loan (OFW / Seaman), A loan product that provides financial assistance to OFW or Seafarer's wives or relatives who are members of the cooperative Accepts investments from OFWs working abroad.
Barangka Credit Cooperatives	Loans	LADE programme (loan assistance for OFWs and Displaced Employees)
Family circles of returned OFWs	Self-organizing, capital build up	<ul style="list-style-type: none"> • OFCs organize to meet members' economic needs and be given assistance (although not automatic) for their returning OFW-cum-members' social and economic reintegration. • There are at least 2 246 OFW family circles and 179 federations of OFCs as of 2008, with about 47 518 members nationwide. These are composed of former OFWs, beneficiaries and current OFWs. • Of the 27 OFW circles registered as cooperatives, 6 are in Eastern Visayas, 5 in CAR; 3 in Central Luzon and Western Visayas; 2 in Zamboanga Peninsula, Northern Mindanao and Davao regions; 1 each in Ilocos, Mimaropa, Bicol and Central Visayas regions, with a total membership of 433 males, 857 females, totalling 1 290 in all. • Many OFCs, including the OFW cooperatives, have been beneficiaries of OWWA's PHP50 000, zero-interest OFW Groceria loans.

Sources: Jeremaiah Opiniano (2009); websites of some cooperatives;

Overseas Workers Welfare Administration (OWWA)

Table 22: Migrant organizations and NGOs resembling cooperative-like operations

Name of cooperatives	Theme of work	Specifics
Samahan ng mga Manggagawang Pilipino sa Belgium	Savings	<ul style="list-style-type: none"> • 25-year-old group that protects fellow Filipinos from abuse and exploitation and even supports homeland projects • Its over-20 members are required to save 5-10 Euros a month and Samahan designates its treasurer and other members to be in-charge of this paluwagan scheme • Group now has over-P1.5M in savings, yet is still deciding where to invest it that benefits them and a community in the Philippines
Remittance and Savings Groups (RSGs) in Hong Kong <ul style="list-style-type: none"> • Formation prodded by the Unlad Kabayan Migrant Services Foundation, a Philippine-based migrant NGO 	Savings, entrepreneurship and investment	<ul style="list-style-type: none"> • NGOs form Filipinos into informal savers' groups and imbibe unto them the value of saving leading to their eventual return to the Philippines • Upon their return, Unlad Kabayan provides business development services (BDS) to the OFW RSG member when she/he sets up a business. Unlad Kabayan even prods these RSGs to invest in social enterprises (e.g. rice mill, coco-coir, biodynamic farm, coconut husk) • Unlad Kabayan is an NGO pioneer in using remittances for development through its Migrant Savings and Alternative Investment (MSAI) programme operative in host country
Samahang Impok Bayan (Malaysia)	Savings	<ul style="list-style-type: none"> • Has over-400 members compelled to save RM10-20 a week; SIB now has RM83 193 (PHP1.06M) in resources • Exercises highest levels of trust so that members' savings are not duped (e.g. wallet-sized passbooks, reports)
Letzebuergesch-Philippinesch Aktion fir den Development (Luxembourg)	Social investments in the home country	<ul style="list-style-type: none"> • Members are Filipinos and Luxembourgisch people married to Filipinos • Mission: Stimulate interest to invest in microfinance, cooperatives and rural banks • Filipino members of LPAD have already opened five-year time deposit accounts with three microfinance rural banks in Bukidnon, Misamis Occidental and Negros Occidental these past three years (over-P300K)

Sources: Jeremaiah Opiniano (2009); websites of some cooperatives;

Oversea Workers Welfare Administration (OWWA)

5.3.2 Microfinance institutions and overseas Filipinos

According to an Asian Development Bank study (“Microfinance Development Strategy 2000”), the Philippines is one of the more developed microfinance markets in the world and among six countries account for about a third of the world’s global microfinance portfolio. As of June 2010, there were approximately 14,934 microfinance institutions (MFIs) in the country, servicing around 4.9 million active borrowers and with cooperatives engaged in savings and credit operations comprising a sizeable number of the total MFIs: 1,444 credit cooperatives and more than 13,000 multi-purpose cooperatives, about 80 per cent of which were engaged in savings and credit operations and are significant MF players (Microfinance Council of the Philippines, 2010).

Microfinance is closely tied to the poverty situation in the Philippines. In 2009, official statistics indicated that 20.9 per cent of Filipinos are living below the poverty threshold, translating to about 3.9 million families or 23.1 million poor Filipinos. To stay out of poverty, a family of five must earn a daily income of about PHP231. This huge number of Filipinos living under the poverty threshold comprises the market for microfinance services, in addition to those living just above the poverty line, but who do not have access to formal financial services, are also included in the potential market for microfinance products and services. The formal financial sector was reluctant to lend to this low-income sector due to perceived costs and risks associated with lending to the poor. Thus, this sector had always turned to the informal sector such as traders, private moneylenders and relatives or friends, typically at high interest rates, or were beneficiaries of subsidized credit from the government. Government credit directed programmes resulted in huge losses to the government and were eventually abandoned.

With the formation of the National Credit Council (NCC) and the subsequent consultations that followed to find solutions to the poor's access to credit, led to the crafting of a National Strategy for Microfinance. Essentially it was a strategy for the provision to the poor of access to a broad range of financial services, which include savings, credit, insurance, transfers and remittances. Microfinance providers are rural, thrift and cooperative banks, cooperatives and microfinance NGOs, as retailers and with government entities such as the PCFC, DBP and Land Bank as wholesalers.

Microfinance operations has not only been confined to savings and loans, but had been reconfigured to apply in housing, micro-insurance and agriculture, to benefit the poor sector needing financial services in these areas of human development. International donors such as Oikocredit, International Fund for Agricultural Development (IFAD), United Nations Development Programme (UNDP) and United States Agency for International Development (USAID), had subsequently entered the picture in introducing funding and resources to improve microfinance practices, capability building and other services. As a case in point, the Microfinance Access to Banking Services (MABS), a USAID-supported project, assisted rural banks through technical assistance and training. Since its inception, MABS has helped more than 230 rural banks and branches in the Philippines. Aside from this, MABS partnered with Globe Telecoms, a major mobile phone telecommunications company in using their G-Cash platform, with the use of SMS messages to deposit, bills payment, remittance and transfer of funds, loan payments for mutual fund amortizations and withdrawals. As of June 2007, there were 37 accredited rural banks and 87 accredited rural bank branches with cumulative G-Cash transactions of 110,000, totaling PHP380 million.

It was recently reported that Smart Communications, one of two major exponents of mobile banking technology, had announced that in partnership with local and foreign financial institutions, that it is already piloting of the use of mobile banking to serve the millions of people owning cellular phones but are largely unbanked, are already piloting services consisting of the delivery of savings and loan products on a mobile platform to Filipinos with little or no access to the formal banking system. It was understood that mCompany, a non-government organization that is piloting these services, would spin off into "mBank Philippines", as soon as an application for banking license is approved. If this were to be believed, then mobile phone subscribers would be able to open and maintain savings accounts, as well as acquire loans and make payments, through a mobile phone. The advantages related to the use of mobile or mobile-based technology are actually nothing new as the MABS-Globe-RBAP partnership has been exploiting these advantages for years. What is unique though is that it will be the first time that a Philippine bank will be set up by a telecommunications company dedicated to the use of the mobile platform.

5.3.2.1 Desirability of linking microfinance to the migrant sector

What about microfinance's links with overseas Filipinos and their families? Given the roots of microfinance and the common rural origin of microfinance institutions and overseas Filipinos, it appears logical to have links between MFIs and overseas Filipinos. While it is still difficult to ascertain whether most overseas remittances end up in the rural areas, it might be said that beneficiary families of migrant workers would benefit greatly from being able to be connected to financial services such as small enterprise loans, as well as business mentoring from MFIs, in order to augment remittance income, establish credit records, build assets and be financially included. Receiving remittance proceeds might also be enhanced if their MFI providers are also accredited as payout agents. There have been initiatives that have attempted to explore this link, with interesting results.

There was a previous study (Eversole, 2008) on the links between microfinance and overseas Filipinos, particularly to explore the demand for remittance-linked financial services by MFIs. A survey of 153 remittance-receiving households, as well as 20 in-depth interviews with microfinance clients in three provinces (Pangasinan, Batangas and Quezon) yielded the following major findings:

- Savings and business investment were smaller but still significant. 45 per cent had saved some proportion of their last remittance, while 26 per cent had used them for a business related expense. Debt repayment was also significant for a small number (16 per cent).
- About 22 per cent of remittance receiving households had started a new business since they started receiving remittances. The overwhelming majority (91 per cent) of the households that had started a business are microfinance clients.
- Given the surveys, it is argued that the largest opportunities for MFIs lie in three areas of remittance-linked services: savings and investment, lending and non-financial services (Eversole, 2008).

If MFIs were to serve overseas Filipinos and their families, the Eversole study noted that the following finance-related needs may be provided: (a) pre-departure credit; (b) facilitation needs to improve migrants' and migrant families' access to existing support services; (c) business advice; (d) availability of ATMs; and (e) possibly foreign currency products.

Below are notable examples of MFIs' dealings with overseas Filipinos and their families.

- *Partnership by a microfinance network, the International Network of Alternative Financial Institutions (INAFI) and microfinance NGO Planet Finance.* INAFI (Philippines) and Planet Finance, an international Microfinance NGO, implemented for a project titled "Remittances Building Linkage for Development of Migrants and their Families through Micro-Finance Services." Funded by the IFAD, the project aimed to improve the access to inclusive financial services and efficiency of remittance services through: a. financial education and business development training; b. partnership building for efficient and improved remittance facilities; and c. increased access to social protection and productive capital.

The project had trained 109 trainers on financial literacy and another 112 on entrepreneurs. The MFIs trained 915 individuals on financial literacy and another 683 on entrepreneurship. More importantly, new financial products developed for migrant families (such as savings/financial investment products, loans and remittance facilities). As of May 2012, there were 2,571 migrant clients for savings, 2,199 migrant clients for loans and 1,230 migrant clients for remittance transfers.

As among the lessons of this project, INAFI and Planet Finance thought that by developing quality products, MFIs could: (a) attract new clients; (b) cross-sell existing products; (c) develop new products for risk reduction and productive investment; (d) develop financial education for clients; (e) build/recognize remittance history as collateral or form of security; (f) urge MFIs to get involved in community development through partnerships with local government and other line agencies; (g)

Develop reintegration-related financial products and services; and (h) make financial literacy as a vehicle to market MFI products.

Box 5

Cross-border microfinancing for migrant workers in a destination country

ASKI¹ is a non-profit organization focused on microfinance activities and is based in Cabanatuan City, province of Nueva Ecija, in the region of Luzon. It is a member of the Microfinance Council of the Philippines (MCPI). As of December 2010, its total assets were over PHP900 million, of which more than half are loans receivable and revenues in the amount of more than PHP200 million (ASKI, 2010). Its latest initiative has to do with the financial inclusion of Overseas Filipinos, through the establishment of ASKI Global which is a registered public company in Singapore. ASKI Global provides financial literacy training to overseas Filipinos workers in that country, running in tandem with a financial literacy course in the Philippines.

ASKI Global had also partnered with the National University of Singapore (NUS), assisting and supervising its graduating students in coming out with a microfinance model for Singaporeans. ASKI also partnered with Banking with the Poor Network and had conducted a market study of OFWs in Singapore that had evolved a model for financial inclusion for OFWs. The on-going work of ASKI Global has been hailed as an “innovative microfinance model².” ASKI’s approach is through financial literacy and a basic entrepreneurship course, from which several OFWs had already benefitted, with many of them going ahead in setting up enterprises back home, in accordance with ideas they had learned from ASKI courses. ASKI’s concept of cross-border microfinancing started in 2010 showed that 81 businesses had been established by its students, with a loan portfolio of PHP8.8 million.

¹ASKI had branched into micro-insurance through the formation of ASKI Mutual Benefit Association. Another arm, ASKI Foundation, implements its social mission of helping marginalized groups, in areas such as education, community development and the environment. ASKI also has developed a trading and marketing arm, through ASKI Marketing Cooperative, assisting its clients market their goods to nearby communities and other countries. In 2010, the coop declared 38 per cent in dividends and in the meantime increased their membership to 21,000. (ASKI, 2010)

²ASKI Global was also given the opportunity to showcase its work before the Economic Development Board of Singapore, Microfinance Society, Philip Capital, among others. Its work had moved Citibank Singapore to endorse ASKI’s participation at the Financial Education Summit in Sydney.

5.3.3 Civil society organizations and overseas Filipinos

There are at least 107,163 non-government organizations registered with the Philippine Securities and Exchange Commission, as of 2009 (in Philip Tuaño, 2011). They are actually registered as non-stock, non-profit corporations. The term non-government has earlier evolved among development circles to highlight its public service role and functions as supplementary to government services. The term more recently coined as civil society, as we have come to understand, is a generic term that may include non-government organizations, trade unions and other people’s organizations, for instance.

NGOs in the Philippines exist for different objectives and advocacies and there are quite a number whose main advocacy are issues pertaining to migration, such as migrants rights, gender in migration, ethical recruitment practices, using migrant resources as a tool for development and advocating the developmental potential of migration and remittances. These NGOs usually referred to as “Migrant NGOs,” also frequently engage government in discourses on the advocacy for the issuance of policies that will ensure the protection of the human, political and socio economic rights of migrant Filipinos and their families. Many of them have been called to participate as resource persons in national and international migration forums or interagency councils.

These NGOs are by their very nature non-profit and their operations are sustained mainly on funding grants from donors, the public or the constituents they serve, or from the income or savings they derive from occasional consultancies, researches, or studies they are commissioned to conduct for different institutions. These NGOs programmes have focused on pushing, migrant workers and their families, to allocate part of their overseas income, for savings, investments or setting up of enterprise during or before they return for good. Invariably, these programmes consist of organizing migrant savings and investment groups, conducting financial literacy training for migrants and their families, including entrepreneurial training, or facilitating links or financial relationships between migrant sector and formal or informal financial institutions, including government line agencies implementing socio economic programmes for migrants.

The advocacy is based on the principles that: (1) migration is being done for the welfare of the family; (2) a sizeable portion of migrant work is contract based and therefore temporary, such that the gains and resources earned from it, must be maximized, not only to mitigate the social costs to the family, but also to ensure that the migrant will have an economic fallback position when the time to return and reintegrate arrives. While remittances may have a beneficial effect on the local economy, the public is often reminded that these benefits are on the whole incidental, as remittances and their disposition, are purely the migrant's own. However, it is also arguable that civil society owes it to the migrants, to provide them a range of options that could put them in a position to make informed choices about the disposition of their resources. This study cites a few of these who have been established and have been in operations for more than a decade, which employ different interventions or means towards the same objectives:

- *Unlad Kabayan Migrant Services Foundation.* Unlad Kabayan is a non-government organization (NGO) based in the Philippines, formed in 1996 that focuses on migrant workers and social entrepreneurship in the Philippines. Unlad Kabayan pioneered the approach of directing migrants' savings into business and enterprise development in some of the poorest areas of the Philippines. Their main programmes are: Savings and Investment Mobilization Programs and Business and Enterprise Programs, utilizing a module proprietary to Unlad Kabayan known as Migrant Savings and Alternative Investment for Community Development and Reintegration (MSAI-CDR). The module consists of MSAI orientation, managing money and enterprise development, Disaster Risk Reduction (DRR), credit programmes, asset mapping, agricultural and environmental practices. As they go about these programmes, Unlad Kabayan also engages with local and national government, to highlight migrant workers' rights and creates policies that maximize the benefits of labour migration.

The major programmes of Unlad Kabayan are the following:

- *Savings and Investment Mobilization (SIM) Programme.* Unlad Kabayan travels to destination countries in Asia and Europe to meet with groups of OFWs, to promote the benefits of saving and investing. Unlad Kabayan organizes migrant workers into Savings and Investment Groups (SIG), usually by the region in the Philippines they lived in, or by factory groups. Then the pooled savings is being invested in successful micro, small and medium-sized enterprises (MSMEs) that Unlad Kabayan had helped set up in the Philippines. These MSMEs range from small *sari-sari* stores (corner stores) to large-scale agricultural operations. Several strategies and interventions were being done, such as business incubation and establishing social entrepreneurship and enterprise development services (SEEDS) centres.
- *Microcredit programme.* Micro, small and medium-sized enterprises can borrow money from Unlad Kabayan through the Credit Assistance Program (CAP). Loans range from amounts as low as PHP3000, to above PHP1 million and are used to pay for improvements to Unlad Kabayan beneficiaries' businesses and to help them upscale their operations. The funds used by CAP come from investments from OFW investors and a PHP10 million credit line from the Development Bank of the Philippines (DBP). Unlad Kabayan also assists cooperatives and migrant

organizations to establish their own credit programmes through credit management training services.

Box 6

A Philippine-based NGO's interventions on financial literacy, mitigation of social costs of migration and reintegration

Atikha is a non-government organization that provides economic and social services to overseas Filipinos and their families in the Philippines. The organization aims to help address the social cost of migration and tap the development potential of migration. It is based in San Pablo City, Laguna Province, in Region IV-A, or Calabarzon, which is the top origin region of Overseas Filipino Workers. Their office is housed in a renovated building owned by the San Pablo City government that has allowed Atikha for a long term use, which has been developed into a One-Stop OFW Centre that implements Atikha's programmes.

Among Atikha's programmes, operated with support from international and local donors and with government collaboration, are the following:

Financial literacy sessions to overseas Filipinos and their families, as well as to trainers both in the Philippines and in overseas countries, the latter through the leaders of Filipino migrant organizations;

School-based programmes in addressing the social costs of migration;

Savings programme for migrant children;

Savings and investment programmes in cooperation with agricultural cooperatives and rural financial institutions, such as the Soro-Soro Ibaba Development Cooperative (in Batangas province) and a cooperative in Cavite;

Local governance interventions by prodding the formation of OFW centres in origin communities of migrants and their families (e.g. Batangas and Laguna provinces); and

Networking and advocacy for financial education and investment in cooperation with NGOs, government agencies and rural financial institutions. These include: a) the formation of the Philippine Consortium on Migration and Development (PhilComDev) and the co-operation of social enterprises on eco-tourism (Ekolife) and coconut products (Coco Natur) and the PinoyWISE (Worldwide Initiatives on Savings and Entrepreneurship) that promotes investments in agriculture).

5.3.4 Migrants themselves and their organizations

Being in host countries, migrant organizations are in the position to initiate savings, investment and entrepreneurship programmes for overseas Filipinos. Their advantage lies in being directly with migrants, aside from providing welfare and rights-related interventions. Migrant organizations are the usual venues for economic interventions in aid of remittances (Jeremaiah Opiniano et. al, 2012). As mentioned in Opiniano, et. al (2012):

“Migrants form volunteer organizations that serve varied purposes: assist Filipinos in the host country, especially those in distress (economic, social welfare and legal services); form bonds with fellow migrants; assist migrants in their initial entry and integration into the host country society; and donate to causes in the Philippines. As it relates to entrepreneurship, these migrant organizations can raise donations for livelihood projects in the Philippines (or directly implement these with the help of development partners in the Philippines), invest in microfinance

in the homeland, help finance homeland efforts to set up social enterprises and train migrants in host country entrepreneurship.

These organizations also have to contend with regulations in host countries as regards financial inclusion. This is why Filipinos form informal savings groups and do rotating savings and credit—even to those earning meager incomes from their less-skilled work. Actually, some of these Filipino groups do save and have their savings just stuck into their groups.”

Box 7

A migrant organization does training on entrepreneurship and skills development

The Italy-based Filipino group Associazione Pilipinas OFSPES (Overseas Filipinos’ Society for the Promotion of Economic Security) has been implementing the Leadership and Social Entrepreneurship programme (LSE). LSE evolved out of a 2005 study on the “Situation of Filipino Migrant Youth in Rome” done by Cristina Liamzon of Associazione Pilipinas OFSPES, with the Filipino Catholic Chaplaincy in Rome, where it was noted that there was a rapid number of overseas Filipino youth who had come to Rome under a Family Reunification programme of the Italian government, with their Rome-based mothers who were working mostly as domestics with Italian households. Having been uprooted mostly involuntarily from the Philippines, problems and issues had emerged with these and other Filipino youth, consisting mostly of substance abuse and school dropouts, among others. The youth were most at risk, as they did not have ready access to various information and assistance to facilitate their integration into Italian society,

The Associazione Pilipinas OFSPES (registered in Italy as a non-profit) attempted to respond to these issues through a capacity-building programme in collaboration with Philippine government authorities (Embassy, POLO, OWWA) and a local NGO registered in the Philippines-OFSPES Inc and academe, with the Ateneo School of Government (ASoG). However, from a programme initially targeting the youth, the final programme has evolved to include any migrant Filipino, with no age limit, especially those working in 3D jobs (dirty, demeaning and dangerous).

The programme called Leadership and Social Entrepreneurship (LSE) Programme for Overseas Filipino workers was thus born with the support of the Ateneo School of Government, in cooperation with various resource groups and persons, including SEDPI, Pilipinas-OFSPES, OWWA, Bangko Kabayan and other Ateneo alumni and professionals in the cities where the courses are conducted. The courses were held starting in 2008, in various Italian cities and recently now in Hong Kong and Dubai. As of April 2012, there were 318 graduates in the Basic Course and 91 from the Practicum Course (see Table 23).

Table 23: Graduates of the LSE course of Associazione Pilipinas OFSPES

Period	Basic course			Practicum course		
	Batch	Place	Graduates	Batch	Place	Graduates
Apr. 2008-Apr 2009	LSE 1	Rome	37			
July 2009-Apr 2010	LSE 2	Rome	45	LSE 1	Rome	22
Jan. 2010-Nov 2010	LSE 3	Naples	22			
Sep. 2010-Apr 2011	LSE 4	Rome	43	LSE 2	Rome	22
	LSE 5	Milan	38			
Apr. 2011-Dec 2012	LSE 6	Florence	17			
	LSE 7	Turin	30			
Sep. 2011-Apr 2012	LSE 8	Rome	37	LSE 3	Naples	12
	LSE 9	Milan	49	LSE 4	Rome	15
					LSE 5	Milan
<i>Total as of Apr. 2012</i>			318			91
<i>Total as of Dec. 2012 (estimated number graduating)</i>	LSE10	Turin	50			
	LSE11	Milan	35			
	LSE12	HK	50			
<i>As of Apr. 2013 (est.)</i>	LSE13	Rome	35			
	LSE14	Dubai	45			
	FLSE1	Baclaran	20			

Source: Cristina Liamzon, Director of Pilipinas OFSPES (key informant interview), December 2012

6. Telecommunications companies

There are two general models surrounding mobile phones as remittance channels. One is direct credit from bank accounts to the customer's 'm-wallet', which occurs through a bank or overseas money transfer office. The other is the originator mobile network initiates the transfer, in which case, the originator must have funds in the account (transferred from bank account or paid in cash to mobile network company agent).

Cross-border money transfer through mobile-based technology is facilitated for Philippine remitters by two Philippine telecommunications companies, Smart and Globe telecoms through their respective tie-ups in foreign countries. Smart is partnered with Banco de Oro which acts as the clearinghouse or settlements for its Smart Money payments system. This has enabled Smart to sidestep regulatory issues with the BSP. It is also partnered with MasterCard in the issuance of the Smart Card, which could also be used as debit cards in order for beneficiaries to obtain cash from ATMs and operable through the three ATM networks. Globe, on the other hand, has no bank partners and being a stand-alone operation, relies on its own networks of accredited outlets and is responsible by itself in honoring payments.

It is very difficult, if not feasible, to distinguish within the payments system, which amounts emanated from remittances, as in fact reports made to the BSP, through BDO, are expressed in payment transactions and not the actual origin of the money sent. However, it is possible that some estimates could be made on the number of cross border transactions (key informant interview, Smart Telecommunications). However, it is claimed in a research done by Infodev in 2006, that Smart Telecoms were processing OFW remittances an average of \$50 million per month (Trucano, 2006).

Herewith is a comparison of the two providers:

- *Access.* In the Philippines, there are 12,000 participating Smart retail outlets, using phone and all three ATM networks at 6,867 points using card or at issuing bank branches. Overseas it has a total of 11 tie-ups (four in the Middle East, Hong Kong (China), Singapore, Taiwan (China), Republic of Korea, Italy and the United Kingdom). Globe, for its part, has 4,900 participating retail outlets, using phone, while overseas it has 147 tie-ups in the same countries where Smart is present.
- *Speed.* There is instantaneous crediting of Smart Card accounts/prepaid cards or Globe virtual account, with automatic SMS notification of the crediting of account, from which funds could be withdrawn through a personal identification number (PIN) provided.
- *Reliability and Regulatory Issues.* Mobile based remittances have so far been reliable. However, there is an issue on whether the provider is bank-based or non-bank based, in terms of guarantees of payment. Pooled funds in the bank-based models are tagged as accounts payable for the bank, whose operations are monitored by a regulatory authority. By partnering with Banco de Oro, Smart has in effect sidestepped regulatory and AML issues by having BDO take care of compliance issues.

On the other hand, the non-bank based model such as Globe relies on the financial soundness of the company, but in effect there are no statutory guarantees that it will honor future payments. Thus, the BSP used its broad regulatory powers, supervises GXI, the Globe G-cash subsidiary and has limited the risk of G-Cash, by requiring, among other things, daily and monthly transaction caps, as well as a low cap on the amount customers may leave in their virtual account. Moreover, GXI submits monthly reports on its activities to the central bank, which monitors it closely.

The BSP had made an accommodation in the case of Globe and Smart that enable Customer Due Diligence / Know Your Customer (CDD/KYC) procedures to be conducted by agents (BSP Circular 471), a key characteristic of both Smart's and Globe's mobile banking models. They also allow a multiplicity of formal identity documents to be presented for verification purposes (Circular 562).

- *Rates.* The rate for *domestic* remittances is PHP1.00 or the cost of a text message. The rates charged remitters overseas are more complicated. Smart does not have any control or have knowledge of remittance pricing, their role being only the provider for the domestic highway or infrastructure used and are able to derive income only from this part of the remittance highway. According to Smart, they charge tie-ups, a range of from US\$1 to 1.50 for use of the Smart channel. The tie-ups add their margins depending on the market conditions and competition in the countries where they are located. However, it is believed they are lower than the costs charged by formal remittance providers. Apparently the same situation applies to Globe. (Kay Rimando, Key Informant Interview of Smart Telecoms)

- *Potential for financial intermediation.* Mobile-based remittance providers are “hoping to build their business model around dependable revenue streams, such as remittances, government social benefits, or wage payments that clients (particularly low-income clients) can use to fund virtual stored-value accounts or bank accounts. By channeling these flows into accounts, providers hope to offer additional profitable financial services — savings and transaction bank accounts (or their virtual equivalent) initially, but ultimately also credit as creditworthy payment histories on clients are developed” (CGAP, 2008). Policy-makers however acknowledge that the potential for more widespread use of this technology, with the advantages relating to cost-efficiency, access, speed and capacity to serve the unbanked, depends on an effective financial education programme, marketing and outreach programmes.” The piloting and proposed formal launching as a BSP-authorized bank by Smart of mBank Philippines, to engage in the delivery of savings and loan products based on a mobile platform, may be the future concretization of this potential.

7 Remittance-backed insurance products

7.1 Government-based insurance products for overseas Filipinos

There are primarily three government institutions that have been involved in the offering of remittance-backed products to overseas Filipinos and their families with regard retirement, health and housing needs, three of the most popular disposition of remittances. These products are similar to what these agencies offer to the general Filipino population, although these are the Philippine government responses in these areas.

7.1.1 Social security system

The Philippine Social Security System (SSS) has a programme for OFWs consisting of various benefits to be received upon the happening of certain events and a voluntary Provident Savings Programme whose earnings are tax free, on top of their regular membership and a housing loan facility (see Table 24 for the schedule of benefits and member loans). The programme is carried out in connection with a constitutional mandate to provide a mantle of financial protection to Philippine, whether domestic or overseas. The system implements this mandate through a two pronged approach consisting of: (1) the forging of bilateral social security agreements with different countries; and (2) the promotion of the programmes by the fielding of SSS representatives in many OFW countries of destination, in order to register or re-register contract-based members and to ensure continuing coverage through collection of contributions.

So far, forged agreements are in effect with eight countries, another two are up for ratification and are currently negotiating one (see Table 26). These agreements all contain features that are in conformity to the standards set under the Maintenance of Social Security Rights Convention, 1982 (No. 157): (1) equality of treatment with host country nationals; (2) export of benefits; (3) totalization of insurance periods; and (4) mutual administration assistance. These agreements have been forged strictly in accordance with mutual consent between the parties and compatibility of schemes.

There are 15 SSS field offices in 11 countries in Asia, the Middle East and Europe, with heavy volumes of OFWs. To expand SSS's reach-out programme, there are plans to open more offices, field roving teams, or widen territorial jurisdictions of existing field officers. Payment of contributions could be made either through their relatives in the Philippines, overseas payments through at least 18 SSS partner-banks or MTOs, auto debit arrangements through the unified ATM network, E-payment channels and E-disbursements through prepaid cards. More aggressive marketing also has taken the form of information caravans, participation in the pre-departure orientation seminar (PDOS) and social networking sites.

Of the estimated 4.2 million known stocks of OFWs, there are some 752,000 OFWs who are registered members as of June 2012. Aside from seeking to enroll more members, the SSS is also working to address the gaps on social security coverage of overseas workers, through: (1) Negotiating with bilateral partner countries on the enforcement of the "country of origin" rule (see Table 25); and (2) Proposed partnership with the POEA to require a mandatory SSS coverage before the deployment of workers, including in standard contracts of seafarers (See, 2012).

The SSS also offers voluntary and tax-free investment scheme known as Flexi-funds, exclusively for OFWs who are members of the SSS, even to those who live permanently abroad. Meant to supplement the usual benefits for death, disability and retirement, the SSS Flexi-fund encourages OFWs to set aside part of overseas income through contributions to this fund which is invested in government securities. Earnings are based on 91-day Treasury bill rate. The investment and earnings are assured transparency, high-yield and freedoms from risk. At retirement, the OFW is meant to receive additional lump sum and/or monthly pension depending on the amount of Flexi-fund contribution and its earnings. Pre-termination in case of need or death also has a graduated scheme of earnings for the Flexi-fund contribution (cited in Roma, 2009).

Table 24: Schedule of benefits for OFW members of SSS

	Minimum (PHP)	Maximum (PHP)
<i>Retirement benefits (OFW programme)</i>		
Contributions (20 years)	124 800	312 000
Pensions (ten years)	374 400	819 000
<i>Death benefits (with PHP20,000 funeral grant)</i>		
Contributions (one month)	520	44 000
Lump sum	1 560	92 000
<i>Sickness benefits</i>		
Contributions (three months)	1 560	4 680
Cash allowances	9 000	27 000
<i>Maternity benefits</i>		
Contributions (three months)	1 560	4 680
Cash allowances	5 000 or 6 500	15 000 or 19 500
<i>Partial disability benefits (plus 13th month pension and supplementary allowance)</i>		
Contributions (36 months)	18 720	56 160
Pensions (two years)	65 000	169 000
<i>Total disability benefits (plus 13th month pension and supplementary allowance)</i>		
Contributions (36 months)	18 720	56 160
Pensions (5 years)	162 500	422 500
<i>Death benefits (plus 13th month pension and PHP20,000 funeral grant)</i>		
Contributions (36 months)	18 720	56 160
Pensions (5 years)	150 000	410 000

Source: Social Security System

Table 25: Bilateral social security agreements forged / being forged by the Philippines

Status	Country	Year of effectivity
Existing	Austria	1982
	United Kingdom and Northern Ireland	1989
	Spain	1989
	France	1994
	Canada (country-wide) and Quebec province, Canada	1997/1998
	Netherlands (administrative SSA)	2001
	Switzerland	2004
	Belgium	2005
For ratification	Israel	
	Republic of Korea	
	Denmark (recently signed)	
Under negotiation	Portugal (recently signed)	
	Japan	

Source: Social Security System

7.1.2 Philippine Health Insurance Corporation (PhilHealth).

PhilHealth is a government-owned-and-controlled corporation established as an attached agency to the Department of Health, tasked to administer the National Health Insurance Programme, a mandatory programme to provide universal health insurance coverage and ensure affordable, acceptable, available, accessible and quality healthcare services for all citizens of the Philippines, whether in the country or overseas. In 1985, PhilHealth took over from the OWWA the implementation of the programme. Its operations are not funded by taxes but instead rely on the contributions and premiums of members to sustain the health programme. Active enrolment with the programme assures the member of certain medical benefits covered under the health insurance.

PhilHealth has an Overseas Workers Programme, both for active land-based and sea-based workers where coverage is mandatory prior to being deployed by the POEA. The OWP also covers OFWs who are employed overseas but who are not yet members of PhilHealth.

To be covered, the OFW must pay the one-year premium of PHP2,400. Payments could be made locally through PhilHealth's authorized agents, that include selected commercial, thrift and rural banks, *bayad* (or payment centres), selected local government units, offices of the Philippine Postal Corporation and other authorized partners overseas (e.g. I-Remit, Veterans Bank).

The OWP's basic benefit package to members and eligible dependents consists of the following:

- In-patient and out-patient benefits;
- Expansion of No Balance Billing to other member types like OFWs & employed sector when confined in government hospitals;
- Special rates for 20 identified catastrophic cases, such as cancer, etc.;
- Shift in reimbursement policies (Fee for Service to Case Rates);
- Outpatient primary care package (PHP1,000 worth of benefits per member);
- Obligated preventive and diagnostics services;
- Out-patient drugs and medicines (anti-hypertensive, anti-diabetics and antibiotics) and outpatient diagnostics and specialist care;
- Supplemental benefit package – PhilHealth Plus and Catastrophic Fund; and
- Special Benefits: rehabilitation package, vaccination package (rabies), enhanced peritoneal dialysis benefit package, health promotion (smoking cessation).

Subject to certain limits and depending on the case, (primary, secondary and tertiary care cases) the package includes room and board, drugs and medicine, X-ray, laboratory and others, operating room, professional fees and daily visits of doctors, specialists and surgeries. Expenses incurred by OFWs for confinement abroad are compensable subject to the submission of certain requirements and within the period of six months.

7.1.3 Pag-ibig (home development mutual fund)

The government-run mutual fund corporation *Pag-ibig* (which means “love” in Filipino) has a long-standing programme to help overseas Filipinos, including contract-based workers, immigrants and naturalized citizens, in implementing the desire to have a home, the *Pag-ibig* Overseas Programme (POP) was created. The programme enables active members to apply for a loan of up to PHP3,000,000. It operates as a voluntary savings programme, wherein members are given a chance to set aside money for their future housing investments.

At least 500,000 OFWs who are members of the POP programme are required to contribute monthly amounts equivalent to a minimum of US\$5. An upgraded membership is required for

members, who would like to avail of a higher loan amount. For instance, if a member wishes to avail of a housing loan ranging from PHP1,500,000 to PHP1,600,000, he or she will have to contribute monthly an amount equal to the US dollar equivalent of PHP750 at the point of availing the loan. The upgraded membership contribution will form part of the housing loan monthly amortization.

The *Pag-ibig* Overseas Programme also operates as a savings facility, as contributions are counted as savings in the mutual fund company, aiding the OFW in fulfilling her/his dreams of owning a home. As a POP member, one is entitled to variable dividends from the excess earnings of the Fund. These dividends are distributed annually to the members and are credited to their total accumulated values (TAV). Members of the programme have the option to withdraw their accumulated savings at the end of five, ten, 15, or 20 years upon membership. Foreign denomination contributions shall be converted to the Philippine peso based on the prevailing US dollar exchange rate. As such, withdrawals of savings shall be made in Philippine pesos.

7.2 Private insurance and pre-need companies.

7.2.1 Insurance companies.

In spite of massive information campaigns and education, the Philippines still has the lowest insurance penetration among ASEAN nations, with barely 1.04 per cent of the population covered in 2011, according to the Insurance Commission (IC). In the same report, the Insurance Commission disclosed that there were only about 315,000 new policies issued for the year 2010. The IC study underscored that most Filipinos see insurance as a costly added expenditure. According to financial literacy advisor Randell Tiongson, “There are not enough Filipinos with life insurance benefits. As of 2010, the Insurance Commission said that there are only 3.3 million policies that remain in-force. 3.3 million policies does not mean there are 3.3 million Filipinos covered as many of those who buy life insurance will have multiple policies (Tiongson, 2011).

Life insurance companies in the Philippines are required to register with the Philippine Insurance Commission, (IC) a government agency that licenses and monitors their activities, as well as perform powers or enforcement in case of violations. The IC lists these companies into Composite (Life and Non-Life), Life, Non-Life, Professional Reinsurer and Servicing Insurance Companies. As of August 2012, there were 74 such companies whose licenses were renewed and are therefore authorized to transact business with the public.

There are a few Philippine insurance companies who offer insurance packages specifically designed to the needs of Filipino migrant workers, who offer comprehensive financial plans that include not only protection but also savings, education, retirement, investment and health plans, for migrant workers and their families. In response to amendments introduced by Republic Act 10022, for the compulsory coverage of seafarers recruited by manning agencies, a number of local insurance companies have been accredited by the Insurance Commission to provide, in addition to performance bonds filed by the recruitment or manning agency, compulsory insurance coverage secured by the agency at no cost to the worker and effective for the duration of the contract. This coverage must include: protection for accidental or natural death; permanent total disability; repatriation cost in cases of unjust termination; subsistence allowance benefit; money claims; compassionate visits from a family member; medical evacuation and medical repatriation.

In the Philippines, migrant workers are covered by insurance but coverage excludes their family members. Often savings are used up when family members suffer from illness or die. A leading life insurance company in the Philippines created an Overseas Filipino Workers Savers and Wellness club to provide access to microinsurance and savings products. The programme offered non-life products and specialized packaged products when it re-bundled its microinsurance product to introduce to children the importance of savings and insurance from an early age. In partnership with the Catholic Bishops Conference of the Philippines-Episcopal Commission for the Pastoral Care of

Migrants and Itinerant People (CBCP-ECMI), the programme encouraged members to build enough savings to allow for the return of migrant workers and reintegrate them with their families. The programme earned a best practice citation from the ILO (ILO, 2010).

7.2.2 Pre-need companies

The most common types of pre-need plans are educational plans (these guarantee college education expenses), life plans (funeral services) and pension plans (cash benefits upon retirement). Customers pay cash (usually on installment basis) and they get guaranteed benefits in the future upon the happening of the contingency. In order for pre-need companies to keep these promises, these companies would need to invest the money received from plan holders, make a margin, plus a little profit. A pre-need plan forces one to save and is likened to a time deposit with what seemed to be better interest income or return of investment.

Unfortunately, ordinary Filipinos who are not generally savvy with financial planning failed to consider certain realities when making the investments in an educational plan, namely the inflation rate which is around 3 to 5 per cent and the average annual increase of tuition which is around 10 per cent and forgetting that a pre-need plan could only give an average return of 4 to 7 per cent per year (MoneySense, 2012).

While the numbers are not known, anecdotal evidence indicate that thousands of migrant workers had invested their hard-earned income on pre-need plans, especially on educational plans offered by companies that went bankrupt or were unable to service the benefits they guaranteed. (Studies note an average of about 53 per cent of overseas workers' income is devoted to education.)

As a reaction, the licences of about 31 pre-need companies had been revoked and which include eight companies that offered educational plans. The government also transferred the regulation of the pre-need industry from the SEC to the Insurance Commission (IC) in 2010 and it appears that stricter rules are also being implemented to ensure strong financial standing of pre-need companies, including a proposed increase emanating from the Department of Finance of a pre-need company's capitalization by five times its present levels. One of the most important changes in the pre-need industry is the enactment in 2009 of Republic Act No. 9829 ("The Pre-Need Code of the Philippines"). The objective of this Code is "to regulate the establishment of pre-need companies and to place their operation on sound, efficient and stable basis to derive the optimum advantage from them in the mobilization of savings and to prevent and mitigate, as far as practicable, practices prejudicial to public interest and the protection of planholders." As of August 2012, the IC only renewed the licenses of about 17 pre-need companies.

Although these moves from government are necessary and laudable, they come late in the day. Furthermore, as observed by some financial planners, under the Pre-need Code investment products/instruments are not provided insurance protection similar to that of the Philippine Deposit Insurance Corporation (PDIC) in the case of bank closures, where pre-need planholders are able to get their payments in case the pre-need company closes or goes under rehabilitation.

8. An overview of the Philippine Financial Literacy Programme

Government policy addresses the regulatory environment to provide an efficient and competitive remittance environment among remittance players and one conducive to the harnessing of inflows for channeling to productive use. Financial literacy specifically targets the remitter and the beneficiary by providing insights, principles, practices and a range of options, on how to use remittances and other resources in a way that will benefit the migrant and the community. The basic constraint and challenge to being financially literate depends on the level of discipline and ability to inculcate good habits, which may or may not have been part of a person's upbringing. While unwise spending habits may be present in any society, culturally Filipinos have a soft heart for others, particularly for members of their immediate family and sometimes the extended family, such that they simply could not say no to unreasonable requests. They tend to feel responsible for others when such responsibility should not exist or is not expected. It also has been observed in some studies that the reason why migrant workers shower their children and family members with gifts is to compensate for a guilt feeling of having deserted them in order to work overseas. This situation⁹ is also part of the consideration of financial literacy.

Financial literacy for migrant workers or their beneficiaries affects their ability to set aside part of remittances as savings or investments to build a nest egg. It is a component critical to the wise use of resources to prepare to return to one's country after an absence abroad. It involves something as practical as setting aside a fixed amount of say 5 per cent to 10 per cent of income. Of course, the subject matter and the manner in which the financial literacy content is delivered, depends on the level of acceptance or understanding of the target individual. While setting up a business is probably the only workable option open to returnees after a long absence, it has also been said that people are not transformed into entrepreneurs overnight as most have not been brought up to think like entrepreneurs.

8.1 Pre-departure orientation seminar

All migrant workers being deployed overseas by the POEA have to pass through a Pre-departure Orientation Seminar (PDOS) administered by the OWWA. The initial objective of the PDOS was to orient the migrant worker to living conditions, rules, practices, culture and other matters that are deemed important to know in his or her country of destination. This is usually administered by recruitment agencies. In time, a module of financial literacy was gradually introduced, designed to inculcate a mindset of wise resource management. The need for this had become obvious as workers returning after long absences kept returning to overseas work, partly because they or their beneficiaries were unable to save or properly prepare financially for their return.

The most common criticism of the PDOS is that the seminars are conducted over a few days, or sometimes a single day, before the departure of the migrant worker. At that stage, the migrant's mind is already focused or anxious about what lies ahead. Recommendations have been made to address this by scheduling orientations longer before the departure, even at the point where no decision has as yet been made to work overseas. One time suggested is at the pre-employment orientation seminar (PEOS) level, which is conducted by the various public employment service offices (PESOs) at the LGU level (PESO is the frontline office of the Department of Labour and Employment or DOLE at the local or LGU level).

The need to address the lack of financial literacy is being addressed by both public and private sector, such as banks, money transfer agencies and members of civil society, all of whom have contributed time and resources to act as resource persons during the PDOS sessions. Participating banks also use this opportunity to sign up participants for bank accounts or offer other products and services. Most member banks of the ABROI and some money transfer agencies participate in these

⁹ The Philippines was cited as the most emotional society, in a recent Gallup Poll. Please see: <http://www.gallup.com/poll/158882/singapore-ranks-least-emotional-country-world.aspx> [accessed 6 June 2013].

sessions, with some even underwriting the costs. The content of the financial literacy orientation is quite comprehensive, but then the timing and circumstances, has been the weakest link. Financial literacy could not be absorbed through such a crash course.

8.2 Filipino Workers Resource Centres (FWRC)

The Philippine Government, mainly through the Philippine Overseas Labour Offices (POLO) of the Department of Labor and Employment (DOLE) directly manages and supervises what are known as Filipino Workers Resource Centres (FWRC) in top-heavy OFW cities such as Kuala Lumpur, Singapore, Hong Kong (China) and Abu Dhabi, where financial literacy, skills training and other courses that may help OFWs upgrade their skills or status, as a strategy for higher pay, or an eventual return.

8.3 Non-government organizations and Philippine MFIs

NGOs such as Atikha which operates an OFW centre in Region IV-A, also required the presence of family members in their financial literacy courses, working under the notion that migration and its impact on family must be treated as a family matter and where proper communication and understanding is paramount. Recently, Atikha is being utilized as a resource organization by the Overseas Workers Welfare Administration (OWWA) to conduct financial literacy and investment roadshows with Filipino groups based in the United Arab Emirates. Microfinance institutions like ASKI have gone to the extent of setting up an office in Singapore to conduct financial literacy and entrepreneurship courses for OFWs in that city-state. Migrant organizations collaborated with Philippine institutions such as NGOs and the academe to initiate a leadership and social entrepreneurship programme to migrant domestic workers in two host countries (See also Section 5.3.4 on financial literacy activities of other NGOs such as Pilipinas-OFSPES and Unlad-Kabayan).

8.4 Financial literacy/wealth management counsellors

There are similarly a number of individuals or firms that offer financial literacy and wealth management courses or seminars available to the public, either through forums, seminars conducted individually, in groups or online. (A matrix of available financial literacy courses offered in the Philippines and overseas are shown and described in Appendix 2).

8.5 Links between financial literacy and return/reintegration

Financial literacy and return and reintegration are inextricably linked. Government can only do so much, but migration and development will have difficulties being linked if migrant workers do not exercise wisdom in using their resources. The main strategy of the Overseas Workers Welfare Administration (OWWA) on return and reintegration is financial aid and assistance to returning and reintegrating workers. From the corpus of the overseas workers trust fund that now stands reportedly at about PHP14 billion, the government had set aside the amount of PHP2 billion in order to fund applications for business or entrepreneurial loans from returnees.

The programme is administered by the two government financial institutions, the Development Bank of the Philippines (DBP) and the Landbank, each resourced with PHP1 billion. The National Reintegration Centre for OFWs (NRCO), coordinates and oversees work on return and reintegration, working through regional offices of the OWWA. An ongoing study is being undertaken by the OWWA to assess the Philippine return and reintegration programme through a specially commissioned study group and in consultation with civil society organizations.

8.6 Information access and financial education

BSP established the OFW portal (http://www.bsp.gov.ph/about/advocacies_ofw.asp) which pulls together links of the formal remittance players' websites and their remittance services, financial products and services. Yet there is no information within that OFW portal on the remittance and financial services provided by grassroots financial institutions (rural banks, cooperatives and microfinance institutions), migrant civil society organizations and money transfer organizations. Including information that could broaden the choices of overseas remitters sending money and the families (especially in rural communities) receiving remittances.

Most government agencies, commercial, thrift/savings banks, rural banks, major cooperatives and MFIs, including major migrant NGOs, which offer remittance products and other financial services specifically for migrants, have websites containing information and contact numbers that can be accessed by the public, including migrant workers and their families.

The Philippine results of a 2012 global survey by the market research firm TNS called the "TNS Digital Life Survey" revealed the following information on Filipinos' digital media use:

- Some 54 per cent of Filipinos use the Internet and this is greatest among Filipinos aged 34 years and under. Males access the Internet more than females (58 versus 52 per cent);
- The incidence of Internet usage is more than 50 per cent across urban areas of the country;
- About 71 per cent of Filipinos from upper-to-middle classes have Internet access, which is also the case for the 50 per cent of those belonging to the lower-class income group;
- Most online users access the world wide web through personal computers at home and Internet shops, but the advent of smartphones has also seen a number of Filipinos using mobile phones and tablets for Internet use;

- The Internet has become the second-most used communication medium (behind television) by Filipinos, outpacing radio and printed newspapers and magazines; and
- The Internet and the mobile phone are the primary communication channels of overseas Filipinos and their families. Some 81 per cent of families with overseas relatives communicate using the Internet through computers at home and 77 per cent using mobile phones. Only 24 per cent of respondents are using landline phones to reach family members abroad (TNS, 2012 in infochat.com.ph, 2012).

At the POEA-Balik-Manggagawa Centre, data on three groups of returning OFWs were sought for their ownership and use of information technology. The second group of mostly professionals has more internet use than the predominantly domestic worker first group and mixed third group (see Table 27).

Table 26: Communication access by overseas workers

Technological capacity / Group	Grp. 1 (n=8)	Grp. 2 (n=10)	Grp. 3 (n=11)
Ownership of computer	8		
Knowledge of internet, email, surfing		8	
Mobile Phone	8	10	11

Source: October 2012 Focus group discussions.

8.7 Migrant entrepreneurship

Another related matter is migrant entrepreneurship for current migrants, returning migrants, repeat migrants and transnational migrants. These migrants are most likely to become entrepreneurs since their migration – itself a form of risk – has bolstered their desire to use entrepreneurship to improve their and their families’ incomes. As stated earlier, unless they are able to find companies needing special skills acquired overseas, the setting up a business from savings from remittance income might be the only workable option for migrant workers returning and reintegrating.

The Philippines included overseas Filipinos in the 2011-2016 MSME Development Plan, which was initiated by the Department of Trade and Industry and the Private Sector Promotion Programme (SMEDSEP) of the German International Development Cooperation (GIZ) office in the Philippines (Franco, 2010).

A follow-up study (Opiniano et. al, 2012) assessed how migrant resources (cash and skills) are harnessed for entrepreneurship. It was found that while there were ongoing efforts surrounding entrepreneurship and investment for overseas migrant entrepreneurs, there was an “apparent disconnect” between the dynamics of migrant entrepreneurship and the country’s overall entrepreneurship programme. Migrant and non-migrant entrepreneurs continue to struggle doing business in the Philippines, a country that international surveys note is a less conducive environment for doing business. More importantly, it was observed that the Department of Trade and Industry has yet to develop a strategy to provide entrepreneurship assistance for overseas Filipinos, (Opiniano et. al, 2012), although to be fair, DTI’s livelihood training seminars have also accommodated numerous overseas Filipinos and their families.

While there are currently calls for the DTI to include overseas Filipinos in the 2011-2016 MSME Development Plan as part of an overall approach to dealing with migrant entrepreneurship (Opiniano et. al, 2012), this has yet to happen.

8.7.1 The Filipino mindset on entrepreneurship

The Philippine survey of the Global Entrepreneurship Monitor (GEM) project in 2007 showed that the average Filipino tends to be risk averse (*segurista*) and is not innovative or tends to 'copy others' (*gaya-gaya*). The study also showed that only about 17 per cent of respondents used remittances received to finance the business, usual sources being borrowings from friends and relatives (46 per cent) and with most remittances used for the education of their children (Cielito Habito and Imelda Madarang, 2007). The theory that migrants had previously made an inherently risky decision to work overseas does not seem to apply when making a decision whether or not to put up an enterprise.

9 A regulatory roadmap for remittances

9.1 The role of the *Bangko Sentral ng Pilipinas* (BSP)

The proactive role of the BSP in seeking to provide an environment conducive to the strategic harnessing of remittances for development has been key in ensuring a competitive remittance environment and consciously designed with economic multiplier effects and financial inclusion in mind.

To reduce the cost of remittances and enhancing their productive use, the BSP:

1. Requires banks and non-banks to post remittances charges and other remittance-related information in their respective premises and websites. This provides overseas Filipinos and their beneficiaries with competitive data leading to more informed decisions on their choices of banks or remittance channels.
2. Launched the OFW web portal (http://www.bsp.gov/about/advocacies_ofw.asp), linking to banks' relevant pages on remittance services, products, branches and remittance centres.
3. Adopted measures to improve the channels of remittances by:
 - Approving the operations of alternative mechanisms of sending money, for example through mobile phones and cash cards to achieve lower transaction cost and faster delivery time for the remitters and the beneficiaries;
 - Authorizing qualified rural banks and cooperative banks to operate a foreign currency deposit unit or FCDO. This gives OFWs and their beneficiaries an option to maintain foreign currency deposits (FCD) in these more accessible conduits in the rural areas, instead of immediately exchanging their remittance proceeds into pesos. To date, there have been 10 rural banks that have availed of the FCDO licence;
 - Facilitating interconnection of major ATM networks to provide safe and convenient banking and to reduce transaction cost or service fees for all ATM; and
 - Standardizing identification requirements of banks and allowing the use of foreign issued passports and IDs as valid identification of overseas Filipinos, including supposedly irregular or undocumented migrants.
4. Encourages migrants and their families to save and invest. This is by encouraging commercial banks to offer specialized investment products and services to overseas Filipinos. In addition, there are also approved specialized investment products which target the migrant market. An example is the release of multicurrency retail treasury bonds or Overseas Filipinos (OF) bonds, allowing overseas Filipinos to invest in the bond instrument for as low as US\$100 or EUR100.

In 2008, BSP authorized DBP and Land Bank to promote hedging instruments and long-term negotiable certificates of deposits. Microfinance has also been promoted by the BSP as a flagship programme for poverty alleviation to help channel remittances sent to rural households to investment in micro-to-small enterprises; and

5. Initiated financial education activities to overseas Filipinos and their beneficiaries. The BSP, in cooperation with other government agencies, financial institutions and non-government organizations, continue to undertake its advocacy through financial learning campaigns (or FLCs) that aim to promote a savings culture among overseas Filipinos and their families and to encourage the channelling of these savings into productive investments in financial instruments and business ventures. Lectures and multimedia presentations focus on topics such as the importance of remittances, financial planning, rewards and risks associated with various financial instruments and ways to protect

remittances and savings” (see Appendix 1 for the number of FLCs conducted in the Philippines and overseas). The Central Bank is as well coordinating with the Philippine Department of Education and Culture in gradually introducing financial literacy as a course in the elementary, secondary and college levels of Philippine schools.

The most significant initiative of the BSP towards cutting the cost of remittance charges has been the introduction of the Philippine Payments and Settlements System (PhilPaSS). According to BSP’s Ruth Gonzaga (Assistant Director at BSP’s Department of Economic Research), PhilPaSS is a joint project undertaken with banking associations to establish a local clearinghouse for credit to other banks. Local receiving banks have previously hired the services of courier firms to expedite the feedback of beneficiary banks in crediting remittance transactions. The receiving banks pay the couriers a range of PHP100-550 for their delivery service to other banks. The project involves electronic settlement of OFs’ remittances through the BSP-PhilPaSS. The BSP will only charge PHP5 for each transaction or 90 per cent lower than the current fee structure. As the banks migrate to the new system, the banks’ back-end processing fee will be reduced to PHP50.00 for each overseas remittance transaction. Philippine banks also have to apply for accreditation with the PhilPaSS (see Appendix 3 on a primer on payments systems, including how PhilPaSS works).

10 Linking migration, remittances and development: The Remittance-for-Development Council (ReDC)

The ReDC is a multi-stakeholder body with representatives from public, private, civil society and international bodies, with both advisory and policy recommending functions. It facilitates regular dialogue and feedback on issues regarding remittances, especially on measures designed to lower remittance costs, allow easier, greater and faster access to remittance channels and more innovative and non-traditional remittance conduits. It serves as a forum for issues affecting and effective Overseas Filipinos' remittances and collaborates with other groups for research and data-collection. It recommends and advocates remittance-related policies and collaborates with other stakeholders to provide financial education to overseas Filipinos and their families.

The ReDC is co-chaired by the CFO (the Commission on Filipinos Overseas, which primarily caters to immigrants) and the BSP. Its members are composed of representatives from government line agencies on migration, the Department of Finance, NEDA, Bureau of Internal Revenue, the Securities and Exchange Commission, banks, microfinance institutions, civil society, money transfer associations, international agencies and multilateral institutions. While its nature and functions within the bureaucracy are still being clarified to resolve possible overlapping of its functions with other line agencies, it appears that its role is to coordinate and support other agencies. It is emerging as the government champion on matters concerning migration, remittances and development. According to the chair of REDC, a proposed Executive Order delineating its functions and institutionalizing its functions and mandate had been positively endorsed by the appropriate cabinet cluster and is on its way to being signed by the President. (*See Draft of Executive Order, Appendix 8*)

Nevertheless, during the formulation of the Medium Term Philippine Development Plan (or MTPDP) for 2010 to 2016, the chair of ReDC, who is also concurrently head of the Commission on Filipinos Overseas, lobbied for the inclusion of remittance-related statements in the PDP along with other migration-related provisions (*see Box 2*).

The ReDC has conducted important research on migration, remittances and development, financial literacy. It has hosted presentations by key members of the council, such as banks, money transfer agencies, government agencies and statistical agencies, on different topics relevant and critical to the linking of remittances to development. It organised and conducted the first Diaspora-to-Development (D2D) conference in Manila in October 2011, gave support to the European Diaspora-to-Development conference held in Rome in November, 2012 and will hold its Second D-2-D Manila conference in Manila in February 2013 – all with the objective of mobilising diaspora interest in areas of high development potential such as domestic and medical tourism, information technology, business processing and seeking and matching partnerships between key diaspora members and local business leaders.

Box 8

Remittance-related provisions of the 2011-2016 Philippine Development Plan

- a. PDP Chapter on Macro-Economy
 - i. Policy-makers will need to focus on leveraging remittances as a tool for economic development. While remittances are private transfers, the government can ensure that the policy environment is conducive to the use of remittances for investment in well-considered financial products, in productive activities
 - ii. Local government units (LGUs) shall be supported to channel remittances to community development.
 - iii. GDP growth averaged 5.6 per cent for the period 2004-2006, while average GNP growth was higher at 5.9 per cent, boosted by transfers from overseas workers.
 - iv. Overall, consumption fuelled by remittances is the largest and most stable source of growth from the demand side

- b. PDP Chapter on the Financial Sector
 - i. Generate comprehensive data on remittances
 - ii. Encourage/develop mechanisms for maximum developmental use of remittances

- c. PDP Chapter on Social Development
 - i. Mainstream migration and development in the planning process of national and local governments.
 - ii. Utilize community based monitoring system (CBMS) in local development planning and mobilization of resources (National Economic and Development Authority, 2011).

11 Next steps – areas for further research

11.1 Share Republic of Korea's EPS (as a good practice) with other destination countries

There were many presentations during the 3-4 December 2012 conference in Bangkok regarding updates on the implementation of the EPS system from participating countries including Republic of Korea. The Korean EPS system, carried out in partnership with the ILO, is recognized as best practice involving the whole migration cycle. Lessons learned from this system must be shared especially in international forums and perhaps recommended for piloting with other destination countries.

The eight-year experience of the Korean EPS system might be instructive on the matter of migration, reintegration and even remittance pricing. It is a system based on the recruitment of foreign migrant workers by the Korean government to work in certain sectors in Republic of Korea, but institutionalizes certain components, activities and requirements, that it believes are vital to the migrant, from recruitment, arbitration on work issues and contract violations, financial literacy, remittances and return and reintegration, in order to achieve a win-win situation for all sides.

It is a unique model that looks at remittances within the context of a long term migration cycle, versus the traditional mode of recruiting workers through the accreditation of various profit-seeking recruitment agencies, yet basically leaving migrant protection and economic empowerment, including financial literacy and remittance sending, to the migrant who at the end of the day, has to fend for himself/herself and depend on redress of grievances from institutions provided by the origin country, most of which are long and tedious. Under the EPS system, work contracts, including wages and employment terms agreed upon, are generally honoured, thus contract substitution is avoided. The EPS system has been hailed as good practice in international quarters and whose apparent success is essentially the result of a partnership between the origin and destination country, as well as the migrant.

11.2 Serious research on contract substitution

It is high time that the practice of contract substitution must be addressed. While these issues may not be within the parameters of this study, it is believed it qualifies as a candidate for a more serious and purposive survey on its magnitude and evidence of hard data, upon which workable solutions could be based. An initial scan of relevant documents and media, indicate that they have been long festering, with little signs of reform from both origin and destination countries, seven of which are major destination countries for a good number of countries participating in the EPS system and where these practices continue to persist. Alternatively, affected sending countries could come together with the objective of studying how they could collectively bring this issue formally with international labour arbitration processes.

11.3 Continue exchange of information on good remittance-backed practice

There were many remittance-backed products and services cited in various presentations during the Bangkok conference, from the Philippines, India, Cambodia, Indonesia and Viet Nam, some of them in more advanced stages than others. It would be useful if the ILO could encourage the continuation of the sharing of this information between EPS member countries through email exchange and specialized forums. There is a lot to be learned from each other in seeking to provide a safe and reliable remittance environment. The experience of the Philippines, specifically the BSP, the Philippine central bank, on the setting up of a migrant portal in its website, financial inclusion and other initiatives that have supported non-traditional providers such as rural banks, cooperatives, MFIs and NGOs in the remittance market, is a case in point.

11.4. Study adoption of remittance databases in South and South-East Asia.

Lessons on the institution of remittance price databases from the experience of other countries such as the UK, Germany, the Netherlands, among others, regarding the advocacy for transparency of remittance prices to enable migrant remitters make more informed decisions and choices on remittance channels. The ILO could initiate studies and invite information sharing and guidance on the workability of these initiatives within the South and South-East Asian regions.

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Appendix I

Philippine Central Bank's initiatives to reduce remittance charges and to improve the remittance environment

(Bangko Sentral ng Pilipinas, 2012)

Date	Initiatives	Description	Status as of last update	Recent developments
1. Enhancing transparency and competition to lower remittance charges				
26 June 2006	BSP Circular No. 534	The BSP issued Circular No.534 requiring banks and non-bank financial institutions to post the charges for their various remittance products, including classification of costs, estimated delivery time to beneficiaries, product/service description and directory of remittance centres and branches. It promotes the efficient delivery of competitively-priced remittance services by banks and other financial institutions.	Fully implemented	
30 Mar. 2007	OFW portal	The BSP launched an OFW portal with specific pages in the BSP website that link the users to the financial institution's relevant information on remittances. The OFW portal contains the lists of countries where the Philippine financial institutions have market presence, while the individual bank websites update the user on locations of branches and remittance centres, profile of products and services offered, delivery time and service fees. This initiative facilitates dissemination of information on the various services offered by local banks and other remittance service providers and promotes comparability across financial institutions involved in providing remittance services.	Fully implemented	
2. Improving payments and settlements system to facilitate remittances and help further reduce remittance charges				
2003	Approval of the use of technology to facilitate remittances	The BSP approved the operations of G-Cash, Smart Padala and stored value cards or cash cards as alternative mechanisms for sending money. The alternative modes of remittances include internet-based remittance, use of mobile phones for performing financial transactions utilizing the short messaging system (SMS) or text feature of cell phones for balance inquiry, fund transfer, withdrawals (cash-out) and bills payment. Several banks have introduced other new technologies to which beneficiaries have greater access, such as card products with debit feature to facilitate remittances with financial institutions as issuers and telcos as service providers. These new modes generally cost less both for the remitters and the beneficiaries. Estimated time of delivery is also faster.	Continuing	
23 Mar. 2006	BSP Circular No. 522	The BSP issued Circular No. 522 authorizing qualified rural banks/cooperative banks to operate a foreign currency deposit unit (FCDU). The BSP also allowed rural banks/cooperative banks to open foreign currency deposit (FCD) accounts with an FCDU of another commercial or thrift bank to enable rural banks to service foreign exchange remittances as well as buy and sell foreign exchange. This provides OFs with an option to maintain FCDs instead of immediately exchanging their remittance	Continuing	As of 30 June 2012, a total of 10 rural banks were given authority to operate FCDUs.

Date	Initiatives	Description	Status as of last update	Recent developments
20 June 2006	Inter-operability of the three major ATM networks	<p>proceeds into pesos.</p> <p>The three major Automated Teller Machine (ATM) networks, namely, Megalink, Expressnet and Bancnet, formalized the inter-operability of their networks, thus unifying the operations of the country's more than 8,000 ATMs. The network sharing represents a strategic move that will allow safer and convenient banking and also reduce transaction cost. It could also translate to lower service fees for all ATM-related transactions of over 10 million ATM cardholders, including OFs and their beneficiaries. The banks' remittance network has also expanded, with more aggregators and service providers for ATMs, e.g., Nationlink, Encash.</p>	Implemented	
2008	Local clearinghouse for credit-to-other banks	<p>The BSP in coordination with the Association of Bank Remittance Officers, Inc. (ABROI) undertook a project to set up a local clearinghouse for credit-to-other-banks mode of remittances to eliminate the need for couriers employed by commercial banks and thus, reduce the corresponding charges.¹⁰ Banks pay couriers a range of PHP50-P250 to deliver remittances to beneficiaries' accounts in other local banks. By contrast, the cost of using the Philippine Payments and Settlements System (PhilPaSS) to transfer funds to beneficiaries' accounts with other banks is 90 per cent lower, at PHP5 for transactions involving up to PHP500,000.¹¹</p> <p>The MOA on the electronic settlement of OFW remittance transactions through the BSP-PhilPaSS was signed on 02 December 2009.</p> <p>Twelve banks are participating in the project which was fully implemented on end-September 2010.¹²</p>	<p>Continuing</p> <p>The 12 participating banks have successfully completed interface connectivity with the BSP for both inward and outward transactions.</p>	<p>Since the implementation of the PhilPaSS REMIT System, PhilPaSS volume of transactions on OF remittances has increased significantly by 215 per cent from 4 003 billion as of year-end 2010 to 12 629 billion for year-end 2011.</p>

¹⁰ Phil. local bank (Bank A) receives the remittances from foreign correspondent bank, for the account of a beneficiary, who maintains an account with another local bank (Bank B). Both banks can make use of a local clearing and electronic communications system called the Philippine Domestic Dollar Transfer System to transfer the account. Presently, however, Bank A hires the services of couriers to facilitate the feedback mechanism of the remittance transaction.

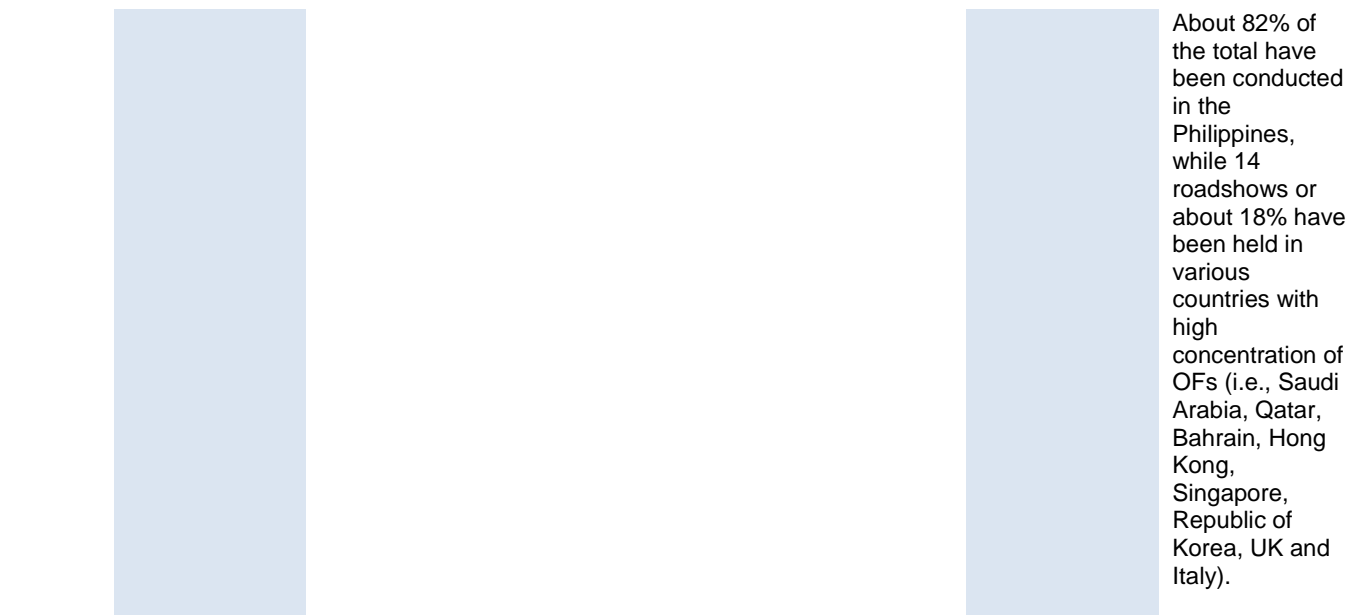
¹¹ PhilPaSS is a Real Time Gross Settlement (RTGS) system that designates the BSP as the settlement bank or central institution for the settlement of transactions that are processed through the system, with the participation of commercial banks and some thrift banks.

¹² The MOA was executed between the BSP and the member-banks of the Association of Bank Remittance Officers, Inc. (ABROI), Rural Bankers Association of the Philippines (RBAP), Chamber of Thrift Banks (CTB) and the Bankers Association of the Philippines (BAP). It embodies the project details, definition of technical terms, description/operation of the System, timelines and availability of PhilPaSS services, transaction fees, participation agreement and other supporting PhilPaSS arrangements.

Date	Initiatives	Description	Status as of last update	Recent developments
3. Channelling remittances to financial investments				
2000	Microfinance for small and medium-sized enterprises	The BSP has been promoting microfinance as a flagship programme for poverty alleviation since 2000. The BSP realizes that the vast knowledge of microfinance institutions in small-scale lending and establishment of micro enterprises could play an important part in channeling remittances sent to rural households to productive uses, e.g., to invest in small scale businesses.	Continuing	
2006	Investment products and services offered by commercial banks	Commercial banks have offered attractive investment products and services for OFs, e.g., insurance, pension and real estate through tie-up arrangements with pre-need and property development firms. The banks have also designed direct payment schemes to ensure the security and added convenience of the workers' beneficiaries	Continuing	
2008		The Monetary Board (MB) has granted authority to two specialized government banks to offer investment products to OFs and their families that will help mobilize savings and allow them to hedge against foreign exchange risks. The Development Bank of the Philippines (DBP) launched its OFW Hedging Programme in January 2008 to trade, hedge and sell derivatives products to OFs. The Land Bank of the Philippines (LBP) has offered tax-free, long-term negotiable certificates of deposits (LTNCDs) with higher yields in March 2008.	The MB's approval of DBP's OFW Hedging Programme was valid for one year.	
Mar. 2010		The Monetary Board approved the domestic issuance of up to US\$1 billion multi-currency retail treasury bonds (MC RTBs), designed to enable the small investors, particularly the overseas Filipinos and their beneficiaries to invest in foreign-currency denominated government securities at an affordable minimum denomination of US\$100 or €100.	LBP's offer of LTNCDs closed on 27 Apr. 2010. The Department of Finance, through the Bureau of the Treasury, has completed on 29 Apr. 2010 the targeted initial issuance of US\$500 million broken down into US\$400 million and €75 million.	

Date	Initiatives	Description	Status as of last update	Recent developments
4. Relaxing access of bank clientele to financial services				
03 Apr. 2007	BSP Circular No. 564	Consistent with the BSP policy to promote access of Filipinos to services offered by formal financial institutions, including those residing in remote areas, the BSP issued two Circulars (Nos. 564 and 608) to clarify existing regulations in identifying customers under the Manual of Regulations for Banks, the Anti-Money Laundering Act (AMLA) and its revised implementing rules and regulations (RIRRs). The AML Council has also issued Resolution No. 8 dated 20 February 2008, recommending to the BSP, Securities and Exchange Commission (SEC) and Insurance Commission (IC) to adopt and implement guidelines for their covered institutions to harmonize the requirements on customer identification as required under the AMLA and its RIRRs. The guidelines essentially relaxed the customer identification requirement to one valid photo-bearing ID issued by an official authority. ¹³	Fully implemented	
20 May 2008	BSP Circular No. 608			
16 June 2009	BSP Circular No.657	The BSP issued Circular No. 657 (based on AMLC Resolution No. 47) to further amend Circular No. 564, allowing the use of passports issued by foreign governments as valid identification of OFs, who have adopted foreign citizenship and are on vacation, to engage in local financial transactions.		
5. Increasing financial education of OFWs and beneficiaries				
26 Feb. 2006	Financial Learning Campaign	<p>The BSP together with the Overseas Workers Welfare Administration (OWWA) has conducted FLCs in key Philippine cities and regions since February 2006. Target participants include OFs visiting the Philippines, their beneficiaries and others who intend to work abroad. The target provinces are identified by OWWA as the origin of marginalized OFs.</p> <p>In September 2008, the BSP in coordination with an inter-agency technical working group comprised of the Department of Foreign Affairs, National Reintegration Centre for OFWs and OWWA, launched the FLC international roadshow in Hong Kong, followed by Singapore in October 2008. Target audiences are Filipino expatriates and their families and OFWs. The priority countries are those with high concentration of OFs.</p> <p>The FLC aims to: (1) cultivate financial education among OFs and their beneficiaries; and (2) promote savings and investments among OFs/their beneficiaries by informing them of alternative uses of their remittances, including savings, investments in financial instruments and business ventures. Also discussed are topics on consumer rights, various banking products and services and the resolution of consumer complaints, including those pertaining to remittances of migrants and OFWs.</p>	Continuing Conducted 58 local FLCs for 7 297 participants in key Philippine cities and regions from Feb. 2006 – Aug. 2012. Conducted 14 FLC international roadshows for 2 179 participants from 2008 to Jan. 2011.	<p>For 2012, the BSP has conducted five local FLCs in Roxas City, Capiz (129 participants), in Laoag City, Ilocos Norte (112), Ozamiz City, Misamis Occidental (153), in the BSP Main Complex (155) and in Lucena, Quezon (143). Two international FLCs were held in Florence and Bari, Italy for 310 participants.</p> <p>As of end-2012, the total no. of FLCs both here and abroad is 76, reaching 10 138 participants.</p>

¹³ The term official authority was also clarified to include the government, its political subdivisions, government-owned and -controlled corporations (GOCCs) and private entities registered, supervised or regulated by the BSP, SEC and IC.



About 82% of the total have been conducted in the Philippines, while 14 roadshows or about 18% have been held in various countries with high concentration of OFs (i.e., Saudi Arabia, Qatar, Bahrain, Hong Kong, Singapore, Republic of Korea, UK and Italy).

Date	Initiatives	Description	Status as of last update	Recent developments
2007 Q3	FLC Audio Visual Presentation (AVP)	In line with the BSP's financial education programme, an FLC AVP was conceptualized to further expand the reach of the FLC to places where the BSP will not be present. The unabridged version of the AVP was completed in August 2008 while the 15-minute version was finalized and made available for distribution in the fourth quarter of 2008. The AVP CDs are for distribution to OFs through Philippine embassies and consulate offices abroad and to NGOs involved in OFW-related projects. The AVP contains discussion on the importance of financial planning, different forms of savings and investments, success stories of former OFs who have become micro-entrepreneurs and interviews with government officials and other savings/investments experts on topics like savings, investment and entrepreneurship.	Completed The AVP was finalized and made available for distribution in the fourth quarter of 2008. The AVP and PowerPoint presentation used in the conduct of the FLCs are also posted in the BSP website. On 7 May 2009, the FLC AVP was screened in the launching of the country-specific pre-departure orientation seminar of the POEA. ¹⁴	

¹⁴ The program includes the first batch of medical service workers (mostly nurses and caregivers) for deployment to Japan, under the Japan-Philippines Economic Partnership Agreement.

Appendix II

Financial literacy service providers in the Philippines

(as compiled by Remittance and Development Council, 2012)

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Bangko Sentral ng Pilipinas FINANCIAL CONSUMER AFFAIRS GROUP 5th Floor, Multi-Storey Building BangkoSentralng Pilipinas Mabini, Manila (02) 524-7011 loc. 2584 (02) 708-7087 consumeraffairs@bsp.gov.ph</p>	<p>Financial Learning Campaign</p> <ol style="list-style-type: none"> 1. Financial Planning Savings and Investments “<i>Paano mag-iimpok at mamumuhunan?</i>” 2. Consumer Protection “<i>Maingatkabasa remittances, savings at investments?</i>” <p>Aims to promote the importance of financial planning by informing OFs and their dependents of more productive uses of remittances through saving, investment in financial instruments and entrepreneurship</p>	<p>Overseas Filipinos and their families</p> <p>Students and the academe</p>	<p>On going</p>	<p>Areas reached in the Philippines: -52 sessions conducted in cities located in 28 out of 81 provinces since 2006 conducted in 14 out of 16 administrative regions -Participated in by more than 6 000 OFs and their families.</p> <p>Areas reached: around the world: -2008-2011 Conducted in 12 cities overseas where there are large concentrations of OFs (Milan, Rome, Bari, London, Florence, Manama, Riyadh, Jeddah, Saudi Arabia, Singapore, Korea, Hong Kong and Doha, Qatar.) OWWA Manila and in OWWA regional centres and regional extension units</p>	<p>FREE</p>	<p>PPTs, videos, visual aids</p> <p>Powerpoints / Videos and leaflets</p>
<p>Land bank – Overseas Workers Welfare Administration Partnership</p>	<p>The Basic Financial Literacy Programme for OFWs, to better equip and educate Filipino workers prior to their departure, especially in the area of financial management.</p>	<p>Overseas Filipino Workers who will attend the OWWA PDOS.</p>				

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
Development Bank of Philippines	Financial literacy programme. The Financial Opportunities for Overseas Filipinos.	Overseas Filipinos workers (OFWs)		Hong Kong and Du. Nationwide.	FREE	
BancoDe Oro and SM Global Pinoy	Global Pinoy Financial Literacy Seminar. Investment Instrument, Franchising, Real State, Mutual Funds and Micro Finance. Proper formula for savings and encouraged the OFs to start saving their hard-earned money through the BDO Kababayan account. Investment advice, livelihood training programmes, legal orientation and other related activities, in assistance to the Global Pinoys and their families.	Overseas Filipino Workers (OFWs) and their families.	3 hours/not regular, one time programme	Nationwide (Philippines)		Audio-visual presentation and leaflets.
First Metro Asset Management Inc- MetroBank Group - Catholic Educational Association of the Philippines (CEAP)	“Save & Learn Fixed Income Fund” and “Save & Learn Equity Fund”	Education sector (Catholic schools and colleges)		Nationwide through Metro Bank branches. For select schools only, not nationwide All RSB Branches		
RCBC Rizal Commercial Banking Corporation Savings Bank (RSB)	May Yaman financial literacy programme. RSB personnel in community venues within the vicinity of their respective branches. The programme provides the basics of managing the family’s income and expenses, with the goal of guiding Filipino families on the road to saving and investing, thereby enabling them to lead a more comfortable and fulfilling life.	Filipino families			FREE	

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Bank of the Philippine Islands and OWWA “BPIInoy Learning Programme.”</p> <p>BPIInoy Fiesta</p>	<p>BPI provides the overseas Filipinos and their families a means to prepare themselves for financial challenges by imparting lessons on financial discipline, ways of remitting money and saving remittances.</p> <p>An initiative to educate Overseas Filipinos on matters beyond banking such as investing, growing a business and handling long-distance family communications need to take charge of their future - from the basics of saving and financial planning to managing their lives abroad and enabling them to take care of their families like they never left</p>	<p>For Overseas Filipinos and their families. Filipino expatriate workers</p> <p>The BPIInoy Learning series elevates BPI’s programme of value formation and financial literacy for the Filipinos working abroad and their families in the Philippines. It focuses on the members of the Overseas Filipino (OF) families and explores ways to help families discover their role in the ‘dream’ being sought by their loved ones abroad not only in handling their remittances and making sure it is put to good use</p>	<p>It is a series of fiesta- like caravan wherein participants will attend seminars and have games that will provide them enough knowledge about financial literacy. It last for almost 1 day.</p>	<p>Qatar (Middle East) Nationwide</p> <p>Nationwide</p>		

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Social Enterprise Development Partnerships, Inc. (SEDPI)</p> <p>Social Enterprise Development Partnerships, Inc. (SEDPI) usually conducts the financial literacy trainings in the Philippines. Abroad, it is the President and the Chairman who gives the trainings.</p> <p>Unit 303 Loyola Heights Condominium, 23 F. Dela Rosa St., Loyola Heights Quezon City (02) 433-8795.</p>	<p>The course contains sessions on savings, insurance, financial products, setting financial goals, understanding remittances and the stages of migration. It also discusses the use of remittances and the cost of dependency.</p>	<p>The financial literacy courses if SEDPI cuts across different sectors. Each session is modified according to the target market. They have already conducted financial literacy trainings to overseas Filipino workers (OFW), remittance receivers, MFI practitioners, MFI clients and young professionals</p>	<p>The training usually lasts one whole day. It starts at 8AM and ends by 5PM. Some modules are supplemented with an online course for financial literacy.</p>	<p>Our financial literacy trainings have been conducted within and outside the Philippines. To wit, it has been conducted in Batangas, Cavite, Laguna, Bulacan, Nueva Ecija, La Union, Baguio, Vigan, Quezon City, Muntinlupa, Caloocan, Cebu, Davao City, Bansalan, M'lang, Leyte, Dipolog, Sorsogon, Camarines Sur, Misamis Oriental, Zamboanga del Sur, Agusan del Norte, Catanduanes and Albay. Abroad, the trainings have been conducted in Norway, Florence, Rome, Milan, Turin, Naples, Amsterdam, Dubai, Denmark, Chicago, Luxembourg, Germany, Austria, Singapore, Hong Kong and Belgium.</p> <p>Moreover, due to our partnership with the Ateneo School of Government, there are plans to conduct financial literacy trainings in France, Singapore, Hong Kong and Dubai.</p>	<p>Fees vary depending on the participants and the partner organization. For overseas Filipino Workers, they pay \$15 dollars. For institutional clients, they pay a fixed rate of PHP50,000 professional fee for a maximum of 30 participants.</p>	<p>During the training, they use manila papers, crayons, bond papers, pens and pencils especially during workshops. The sessions are presented through a powerpoint presentation. There are also worksheets for certain exercises.</p>

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>PinoySmartSavers.com 2/F CM Plaza, 61 P. Campos Ave., Dasmariñas City, Cavite Tel.Nos.: (46) 416-1385, (0917) 502-3149 Email: message@pinoysmartsavers.com</p>	<p>GRASSROOTS FINANCIAL LITERACY PROGRAMME Personal money management and wealth building.</p>	<p>Filipino families, schools, NGOs and cooperatives</p>	<p>Depending on what topic or what module</p>	<p>Nationwide</p>	<p>Free</p>	<p>A Teacher's Guide in Economics, PPTs and other modules</p> <p>Leaflets</p>
<p>PDIC-BSE Philippine Deposit Insurance Corporation Basic Secondary Education MODULE DEVELOPMENT PROJECT The first school curriculum-based financial literacy education programme (FLP)</p>	<p>Teacher's Guides in economics and values education were developed by PDIC and DepED. To boost financial literacy levels through effective multi-sector partnerships among the government, the education and the private sector.</p>	<p>Public high school students, private high school, private high school students and colleges.</p>				
<p>PDIC</p>	<p>Financial Literacy Tips. -Knowing your bank services and transactions.</p>	<p>ALL</p>				
<p>AXA Philippines Financial Literacy</p>	<p>The basics of Financial Literacy through Education.</p>	<p>Students and Families</p>				

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>International Marketing Group</p> <p>International Marketing Group (IMG), giving people a chance is what we stand for. Our mission is to create financially independent families positioned to realize their dreams. In addition, we encourage entrepreneurship and believe that everyone has the potential to succeed. We'd like to invite you to start down the path to realizing your dreams by attending our Total Financial Solution Seminar.</p> <p>Email: chardbiz@gmail.com Website: www.img-corp.com</p> <p>3rd Floor, King s Court Bldg. 1, 2129 Chino Roces Ave., Makati City</p>	<p>THE WEALTH ACADEMY (Training series in the areas of financial literacy, discipline, investments, entrepreneurship, investment strategies and winning principles.</p> <p>SERIES 1: Financial Management How to Increase Cash Flow, The Law of Building Wealth, The Rule of Money, The Wealth Formula, Fundamentals of Investments, Putting the Wealth Allies to Work on Your Side, Overcoming the Enemies of Wealth, How Money Works? How to Get the Highest Potential of your Money? etc.</p> <p>SERIES 2: Creating Multiple Income Streams; Breakthroughs & Innovations in Financial Solutions, Be an Expert in Creating Multiple Passive Income Streams, Be Your Own Financial Expert, Investment Vehicles, New Concepts of Making Good Money, etc.</p> <p>SERIES 3: Financial Planning and Management Workshop Goal-setting, Financial Check-up & Needs Analysis, Coaching & Mentoring, The "Investible" Fund, Fortune from Small Change, Statement of Income & Expenses, Statement of Assets & Liabilities, Estate Preservation</p>	<p>For families who could readily benefit from exposure to the latest financial concepts and solutions.</p>	<p>2 days</p>			

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>ATIKHA</p> <p>Atikha Overseas Workers and Communities Initiative, Inc.</p> <p>Overseas Filipino and Women Centre Green Valley Subdivision, San Francisco San Pablo City Laguna 4000 Philippine</p> <p>Financial Planner (Remittance Investment Advocacy Programme) with IOM</p>	<ul style="list-style-type: none"> • Hands on experience on budgeting, goal setting and saving and investing • Given not only to migrants but also family member who manages the funds • Discusses not only financial issues but link these issues with social and family concerns that drain their resources through peer group counselling • Family Issues that Drain Resources • Group Sharing • Strategies in Addressing Family Issues • Duality of Migration • Saving and Investing • Goal Setting/Dream Map • Saving for Investment • Saving for Retirement • Borrowing 	<p>Overseas Filipinos and their families</p>		<p>Financial literacy Training of Trainers migrants leaders abroad Italy, UAE</p> <ul style="list-style-type: none"> -Conduct echo seminar -Training of trainers of LGUs, OWWA, cooperatives, MFIs, NGOs, rural banks, DepEd teachers, OFW returnees in the following provinces: Pampanga, Cavite, Batangas, Laguna, Baguio, Abra, Ifugao, Nueva Ecija, Antique, Masbate, Maguindanao, Agusan del Sur. 		<p>Financial Planner (Remittance Investment Advocacy Programme)</p>
<p>PINOY WISE Campaign</p> <p>Worldwide Initiative for Savings Investment and Entrepreneurship</p>	<p>Savings Investment and Entrepreneurship</p>	<p>Network of NGOs, LGUs, cooperatives, corporations, migrants organizations and hometown associations involved in providing financial literacy to migrants, seafarers and families</p>	<p>3 hours</p>	<p>www.pinoywiseoftv.com CLTV36</p> <ul style="list-style-type: none"> ✓ Best Practice of LGU, NGO, migrants and seafarers on ensuring that migration contribute to development ✓ Dear Atikha- financial literacy on TV ✓ Hawak Kamay- addressing family issues 		

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
Planet Finance and INAFI (<i>International Network of Alternative Financial Institutions</i>)	<ul style="list-style-type: none"> • Basic Financial Literacy • Savings and Investing • Borrowing • Remittance 	Overseas Filipinos				
ALALAY SA KAUNLARAN, INC. (Philippines)	Financial Education for Overseas Foreign Workers in Singapore (uses of money, setting financial goals, financial planning, budgeting, saving, investing, financial fitness/wellness, business planning for enterprise development)	Families of OFWs trained by ASKI Global Limited Singapore, and families of OFWs from other countries with funding from external sources (i.e. Planet Finance)	2 days, 8 hours per day	Nationwide	Free with external funding source	Financial Education manual developed by ASKI Global Limited with National University of Singapore (powerpoint, videos, board exercises, Interactive FinEd notebooks, coin banks) Other materials developed by ASKI as funded by external sources like Planet Finance and Opportunity International
ASKI ASKI GLOBAL LIMITED - SINGAPORE Alalaysa Kaunlaran (<i>ASKI</i>) National University of Singapore (NUS), ASKI Global Limited, one of the mutually reinforcing institutions of Alalay Sa Kaunlaran Inc. (ASKI)	Financial Education for Overseas Foreign Workers in Singapore (uses of money, setting financial goals, financial planning, budgeting, saving, investing, financial fitness/wellness, business planning for enterprise development)	Overseas Filipino/Foreign Workers in Singapore - priority: Filipino household service workers but also open to low income professional workers	5 Sundays	Provinces in the Philippines where OFWs are coming from Asia (future direction)	SGD50 per student (free if course is sponsored; some sponsors: Metrobank Foundation, Citibank)	Financial education manual developed by ASKI Global Ltd. with Nat'l University of Singapore (powerpoint, videos, board exercises, Interactive FinEd notebooks, coin banks)

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Blue Chip: Finance & Entrepreneurship Program for the Youth 0927-3565544 or 0939-1177856.</p>	<p>Finance and entrepreneurship program that aims to help participants understand and grasp the basic principles of effective money management.</p>	<p>Young adults ages 13 to 20 years of age to consider participating in Blue Chip 2011: Financial Literacy Program for the Youth</p>	<p>8 hours and 30 minutes (8:30-5pm)</p>	<p>Schools and other Private Companies This seminar has been held in various universities nationwide.</p>	<p>PHP2 000 per participant (early bird rate up to April 20, 2011); after that, participants may sign up for PHP2,500</p>	<p>Powerpoint Presentation, Videos</p>
<p>AXA Philippines Financial Literacy UNLEASH International Unleash the Highest Potential of your Money 31F Jollibee Plaza, F. Ortigas Jr. Ave. (formerly Emerald Road.) Ortigas Centre, Pasig City, 632-0148; 664-0892; 914-0018 0922-UNLEASH (0922-8653274)</p>	<p>The basics of Financial Literacy through Education. To learn the reasons why people have money problems, understand the various factors affecting one's financial situation</p>	<p>Students and Families ALL</p>	<p>1-2 Days</p>			
<p>Bankers Association of the Philippines (BAP) financial literacy programs to the beneficiaries of Overseas Filipino workers</p>	<p>Understand the value of planning one's finances for the future and how to achieve it and Learn and teach your family members how to have self-control in spending Money management tips particularly savings for the future, situation of OFWs in their respective countries of work, the social impact of the OFW Diaspora, the importance of providing appropriate guidance to the children of OFWs, the importance of regular communication between the OFW and their dependents and livelihood programs which OFWs/dependents can go into to augment their families' income.</p>	<p>OFWs/ residents of Laguna</p>				

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>International Marketing Group</p> <p>International Marketing Group (IMG), giving people a chance is what we stand for. Our mission is to create financially independent families positioned to realize their dreams. In addition, we encourage entrepreneurship and believe that everyone has the potential to succeed. We'd like to invite you to start down the path to realizing your dreams by attending our Total Financial Solution Seminar.</p> <p>Email: chardbiz@gmail.com Website: www.img-corp.com</p> <p>3rd Floor, King s Court Bldg. 1, 2129 Chino Roces Ave., Makati City</p>	<p>THE WEALTH ACADEMY (Training series in the areas of financial literacy, discipline, investments, entrepreneurship, investment strategies and winning principles.</p> <p>SERIES 1: Financial/Wealth Management How to Increase Cash Flow, The Law of Building Wealth, The Rule of Money, The Wealth Formula, Fundamentals of Investments, Putting the Wealth Allies to Work on Your Side, Overcoming the Enemies of Wealth, How Money Works? How to Get the Highest Potential of your Money?, etc.</p> <p>SERIES 2: Creating Multiple Income Streams Breakthroughs & Innovations in Financial Solutions, Be an Expert in Creating Multiple Passive Income Streams, Be Your Own Financial Expert, <u>Investment</u> Vehicles, New Concepts of Making Good Money, etc.</p> <p>SERIES 3: Financial Planning & Management Workshop Goal-setting, Financial Check-up & Needs Analysis, Coaching & Mentoring, The “Investible” Fund, Fortune from Small Change, Statement of Income & Expenses, Statement of Assets & Liabilities, Estate Preservation</p>	<p>For families who could readily benefit from exposure to the latest financial concepts and solutions.</p>	<p>2 days</p>			

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>UNLEASH International Unleash the Highest Potential of your Money</p> <p>31F Jollibee Plaza, F. Ortigas Jr. Ave. (formerly Emerald Road.) Ortigas Centre, Pasig City, 632-0148; 664-0892; 914-0018 0922-UNLEASH (0922-8653274)</p>	<p>To learn the reasons why people have money problems, understand the various factors affecting one's financial situation</p>	ALL	1-2 Days			Powerpoint Presentation, Videos
<p>Bankers Association of the Philippines (BAP) financial literacy programs to the beneficiaries of Overseas Filipino workers</p>	<p>Understand the value of planning one's finances for the future and how to achieve it and Learn and teach your family members how to have self-control in spending</p> <p>Money management tips particularly savings for the future, situation of OFWs in their respective countries of work, the social impact of the OFW Diaspora, the importance of providing appropriate guidance to the children of OFWs, the importance of regular communication between the OFW and their dependents and livelihood programs which OFWs/dependents can go into to augment their families' income.</p>	OFWs/ residents of Laguna				
<p>Institute of Financial Consultants-Philippines</p> <p>Financial Modeling Master Class (FMCC)</p>	<p>FMCC is a highly practical, hands-on program that is guaranteed to sharpen your MS Excel modeling skills. The program will teach the student how to create user-friendly valuation and simulation models faster, better and with greater accuracy.</p>	ALL	1-2 days		P18 000	

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Total Financial Solution – Financial Literacy Program (Financial Literacy, Discipline and Entrepreneurship)</p>	<p>SERIES 1: Financial/Wealth Management</p> <p>How to Increase Cash Flow, The Law of Building Wealth, The Rule of Money, The Wealth Formula, Fundamentals of Investments, Putting the Wealth Allies to Work on Your Side, Overcoming the Enemies of Wealth, How Money Works? How to Get the Highest Potential of your Money?, etc</p> <p>SERIES 2: Creating Multiple Income Streams</p> <p>Breakthroughs & Innovations in Financial Solutions, Be an Expert in Creating Multiple Passive Income Streams, Be Your Own Financial Expert, <u>Investment</u> Vehicles, New Concepts of Making Good Money, etc.</p> <p>SERIES 3: Financial Planning & Management Workshop</p> <p>Goal-setting, Financial Check-up & Needs Analysis, Coaching & Mentoring, The “Investible” Fund, Fortune from Small Change, Statement of Income & Expenses, Statement of Assets & Liabilities, Estate Preservation, etc.</p>	ALL	1-2 days	Nationwide		

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Pioneer Insurance</p> <p>The Pioneer Group has consistently charted insurance milestones for over half a century through its main arms of life and non-life insurance.</p> <p>Pesos and Sense TV SHOW GMA 7</p> <p>A weekly show that brings the world of personal finance and investments to the Filipino people. Utilizing the host's expertise, the show will tackle the who, what, when and how of the realm of stock market, personal finance, mutual funds, insurance and bank products.</p> <p>The host will also discuss the risks and rewards, as well as provide an analysis of the current market performance. Investment managers and financial literacy specialists will also be invited to showcase their strategies and offer advice to average Filipinos.</p>	<p>OFW Savers Club</p> <p>financial literacy workshops</p> <p>Pesos and Sense will give people a venue where they can improve their financial literacy, ask questions and receive guidance from an objective third party.</p>	<p>OFWs</p>	<p>Schedule Saturdays 8:30 to 9:00 am</p> <p>Hosted by Mr. Aya Laraya, Investment Advocate</p>			<p>Hosted by Mr. Aya Laraya, Investment Advocate</p>

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Philamlife's FREE OFW Financial Literacy</p> <p>500.27.89 or text 0927-9518952 or email at myphilamlife@gmail.com or myphilamlife@yahoo.com</p>	<p>The program provides a comprehensive line of products and services tailored to ensure a life of security for Overseas Filipino Workers (OFWs), their families and other dependents.</p> <p>“BALIK BAYANI”</p> <p>The Program provides aid for the following needs:</p> <ul style="list-style-type: none"> * Education * Insurance and healthcare * Savings and investment * Retirement 	OFW and families				Leaflets, powerpoint, flyers and other modules
<p>Philamlife and OWWA</p>	<p>The lecture includes a 10-minute video presentation that aims to show OFWs the importance of allotting a portion of their income on savings and why it is not wise to indulge in unnecessary spending. Will help identify important building blocks of wealth—and help chart own personal path to financial abundance.</p>	OFWs that attends the PDOS	10 minutes video and 20 minutes lecture	OWWA PDOS attendees	Free	Videos
<p>Bo Sanchez Bo Sanchez' <i>Truly Rich Coaching Program</i></p>	<p>Will help identify important building blocks of wealth—and help chart own personal path to financial abundance.</p> <ul style="list-style-type: none"> • Wealth Building Lesson #1: How To Build A Solid Financial Foundation • Wealth Building Lesson #2: How To Grow Your Money Through Mutual Funds • Wealth Building Lesson #3: How To Grow Your Money Through Real Estate • Wealth Building Lesson #4: How To Grow Your Money Through The Stock Market • Wealth Building Lesson #5 : How To Start & Grow Your Own Business 	ALL			<p>Depending on the topic and the coverage of the work to include investment advising</p> <p>(From PHP5 000 to PHP20 000)</p>	

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Chinkee Tan Personal Finance 101 seminar</p>	<p>Practical ways to approach and solve money problems through efficient personal finance management.</p> <ul style="list-style-type: none"> - Becoming more knowledgeable in handling money matters. - Knowing the fundamental finance concepts such as saving, budgeting and investing. - Applying these fundamental wealth and money principles to address financial difficulties. 		Halfday		P500 and above	Books, flyers and other modules
<p>Francisco J. Colayco Colayco Foundation for Education Financial Education is the primary advocate of financial education and wellness in the Philippines.</p>	<ul style="list-style-type: none"> • To give average income earners, assurance that wealth is within your reach; • To show the means to achieve wealth are available to those willing to learn and take action; • To help you understand the fundamental rules of wealth generation, income and debt management; • To equip you with the skills and tools which will guide you in taking control of your financial life; and • To empower you with the ability to make your own financial plan and strategy to be wealthy. 	<p>Caters to all</p> <p>Have a specific series of seminars for OFs</p>			Depending on what topic	Powerpoint, books, resource materials and events

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Randell Tiongson All About Money: Living the Life You Can Afford</p> <p>Financial Planning Investment Advisory Training & Seminars in Personal Finance Registered Financial Planner Institute Philippines Unit 505, Tektite East Tower Ortigas Centre, Pasig City</p> <p>T – 634-2204 M – 0917-8661921</p> <p>Email at randell@randelltiongson.com or randellt@gmail.com</p>	<p>-6 steps to financial security</p> <p>-Creating a financial roadmap</p> <p>-Getting out of debt and back on track with your financial goals</p> <p>-Investment basics</p>	ALL	2 hours	Nationwide	<p>Depending on the seminar organizers</p> <p>Generally free</p>	Books, Pamphlets, Powerpoint
<p>Ardy Roberto Financial Literacy seminar with Ardy Roberto</p>	<p>How to get out of debt, stay out of debt, learn stewardship and how to create wealth for your different needs, financial management</p>	For school professors to learn and share their knowledge in financial breakthrough to their students even at an early age	5 hours	Nationwide	<p>Depending on the seminar organizers</p> <p>Generally free</p>	Books, Pamphlets, Powerpoint

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Gary de Castro</p> <p>Financial Literacy Advocate</p> <p>Offers Financial Literacy Trainings</p> <p>0922-897-8077 / 0916-414-7400 / 0947-363-160</p>	<p>It is a blog with a mission of spreading awareness about Personal Financial Planning Financial Management.</p> <ul style="list-style-type: none"> • What is Financial Independence? • How to Plan for your Retirement? 	ALL			Free	

	<ul style="list-style-type: none"> • How to Plan for your Children's Education? • How to have a plan for your Health? • People's behaviour on Money • Why are most Filipinos Poor? • Fundamental of Investments • Putting the Allies of Wealth to work on Your Side • How Money Works? • How to Get the Highest Potential of your Money? • How Mutual Funds work? • How to Open a Mutual Fund Account? • Is Insurance a Good Investment? • What are the Different Types of Insurance that is best for me? 				
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Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>KUYA MONEY Kuya Money (usapang money, he makes it easy) ."Hi! Ako si Kuya Money! Isa akong practical financial adviser nahandang sumagot sa kahit anong money questions. Naniniwala ako na magkano man ang meron tayo, kaya nating yumaman. Ready din akong magbigayng financial planning tips and techniques. Don't worry, LIBRE ang serbisyo ko. Promise. Ask away!"</p> <p>http://www.kuyamoney.com</p>	<p>It is an online website that promotes financial literacy and financial freedom, the website is a forum based type that lets people interact in forums indicated for all money related questions. The Character kuya money, also acts as the administrator of the website. He is a practical financial adviser who is ready to answer questions that is related to money.</p>	<p>In the website there are multiple tabs categorized depending on its Discussions GROUPS- TEEN, CAREER STARTER, FAMILY BUILDER, WORKING PROFESSIONALS, LIFESTYLE SEEKERS, INVESTORS, OVERSEAS FILIPINOS, NEGOSYANTES and OTHERS/ KWENTO LANG.</p>	<p>There is no time frame indicated because it is an online 24 hours online website, the administrator which is kuya money sees to it that he answers all the questions by people as soon as possible.</p>	<p>The whole world wide web. But the language is Filipino. NATIONWIDE.</p>	<p>FREE</p>	<p>NO materials used. Just the advices and recommendations about practical financing.</p> <p>http://www.kuyamoney.com</p>

Who conducts? Address and contact info?	What is the major content?	For whom?	Time frame?	Areas covered?	Fees/ Expenses?	Materials used?
<p>Prudential Corporation Asia - Investing in Your Future' seminars and Insurance Education Programmes to promote financial literacy across Asia.</p> <p>The seminars are delivered by Prudential's female employees, who teach the basics of financial planning and highlight the key issues involved in making sound financial decisions for different life stages - from living as an independent single woman, to marriage, planning for a child's education and saving for retirement.</p>	<p>The principles of sound money management.</p>	<p>The 'Investing in Your Future' seminars target young working women, who are often responsible for their household's finances yet typically have fewer opportunities than men to learn the principles of sound money management</p>		<p>Prudential began the seminars in China in 2004 and has since expanded the programme to Vietnam, India and Indonesia. Around 32,000 working women have benefited from these seminars.</p>		<p>“Cha-Ching Money-Smart Kids”, a first-of-its-kind multi-platform programme in the region, sought to help parents build money-smart values for children aged 7 to 12. Through the creation series of 3-minute musical episodes (with cartoon characters), Cha-Ching aims to reinforce children's understanding of 4 core money management concepts: <i>Earn, Save, Spend and Donate</i>. The cartoon episodes are aired on the Cartoon Network in seven Asian countries. In addition to TV, the website www.cha-ching.com has interactive applications, an online game and at-home activities for parents and educators to discuss and share with children.</p>

Appendix III

Payments and settlements systems in the Philippines

(verbatim texts presented with permission from BSP)

A payment system

(copied *verbatim* from http://www.bsp.gov.ph/financial/payment_payment.asp)

A payment system is defined as an arrangement that allows users to transfer “money”. In simple terms, “money” is regarded as cash (i.e., notes and coins issued by the government or central bank) and claims against credit institutions in the form of deposits. The use of bank deposits to make payments has become an important medium in most developed countries and to make a payment, the payer must issue an instruction in the form of a paper-based instrument (e.g. a check) or an electronic instruction (e.g. using a credit or plastic card).

The effectiveness of payment activities is fully dependent on the arrangements that facilitate fund transfers between members and it is through these arrangements that constitute a “payment system”. Payment systems consist therefore of networks that link the members with existing rules and procedures for the use of this infrastructure. A payment system normally requires the following:

- Standard methods of transmitting payment messages between members
- Agreed means of settling claims within the members/participants (normally through the deposits of the members/participants with the central bank)
- Common operating procedures and rules (admission, fees, operating hours)

Payment systems are a vital part of the economic and financial infrastructure. Their efficient functioning, allowing transactions to be completed safely and on time, makes a key contribution to overall economic performance. Payment Systems, however, can also involve significant exposures and risks for members and it is for this reason that central banks have always taken into account the design and operation of payment systems additional control features to eliminate these risks.

Core principles for systemically important payment systems

(copied *verbatim* from http://www.bsp.gov.ph/financial/payment_core.asp)

The BSP adheres closely to the Core Principles for systemically important payments systems in the design and operation of the *PhilPaSS*. The report on the Core Principles was published in January 2001 by the Committee on Payment and Settlement System. The report was addressed to all central banks, other interested public sector owners and operators of payment systems. The report explicitly states that the safety and efficiency of payment systems are public policy objectives that should be pursued by central banks.

Core Principles for systemically important payments systems	
I.	The system should have a well-founded legal basis.
II.	The system's rules and procedures should enable participants to have a clear understanding of the system's impact on each of the financial risks they incur through participation in it.
III.	The system should have clearly defined procedures for the management of credit risks and liquidity risks, which specify the respective responsibilities of the system operator and the participants and which provide appropriate incentives to manage and contain those risks.
IV.	The system should provide prompt final settlement on the day of value, preferably during the day and at a minimum at the end of the day.
V.	A system in which multilateral netting takes place should, at a minimum, be capable of ensuring timely completion of daily settlements in the event of an inability to settle by the participant with the largest settlement obligation.
VI.	Assets used for settlement should preferably be a claim on the central bank; where other assets are used, they should carry little or no credit risk and little or no liquidity risk.
VII.	The system should ensure a high degree of security and operational reliability and should have contingency arrangements for timely completion of daily processing.
VIII.	The system should provide a means of making payments which is practical for its users and efficient for the economy.
IX.	The system should have objective and publicly disclosed criteria for participation, which permit fair and open access.
X.	The system's governance arrangements should be effective, accountable and transparent.

The Philippine payments and settlements system

(excerpts copied in verbatim from <http://www.bsp.gov.ph/financial/payments/PhilPaSS.pdf>)

What is a real-time gross settlement system? RTGS is an automated facility, normally run by a country's central bank, to effect high-value payment instructions between banks through the deposit accounts of the banks that are maintained with the central bank. Each RTGS System being operated by a central bank has its own unique name. BSP's RTGS System is called the Philippine Payments and Settlements System or "*PhilPaSS*".

What is PhilPaSS? The Philippine Payments and Settlements System is the system name where both processing and final settlement of fund transfer instructions can take place continuously (*i.e.* in real time). As it is a gross settlement system, transfers are settled individually, that is, without netting debits against credit. As it is a real time settlement system, the system effects final settlement continuously rather than periodically at pre-specified times provided that a sending bank has sufficient balances or credit. The settlement process is based on real time transfer of central bank money.

Who owns and operates PhilPaSS? The BSP is the owner and operator of the RTGS system commonly known as "*PhilPaSS*" and it is likewise designated as the settlement bank or Central Institution for the settlement of transactions that are processed through the system.

As owner and operator of the *PhilPaSS*, the BSP is responsible for:

- a. Providing, maintaining and upgrading the system including system hardware and software;
- b. Ensuring uninterrupted operations between the System and SWIFT (the network provider) and adequate Continuity of Business (COB) plans are in place; and
- c. Ensuring that adequate back-up files are available for continuous and efficient operation of the system;

As settlement bank, the BSP through the system is responsible for:

- a. Maintenance of a Participant's *PhilPaSS* account wherein all *PhilPaSS* transactions and other bank transactions shall be posted during the *PhilPaSS* business day;
- b. Receiving and authenticating electronic fund transfer instructions from the participants;

- c. Checking if the paying bank has sufficient balances and posting the debit entry in its DDA and credit entry in the beneficiary bank's DDA; and
- d. Providing feedback to the participants regarding their *PhilPaSS* transactions, balances and queries.

What was the system being used by the banks / financial institutions for their interbank transactions prior to the implementation of PhilPaSS on 12 December 2002? Prior to 12 December 2002, the banks/financial institutions were using the Enhanced Multi-transaction Interbank Payment System (MIPS2) for their interbank transactions. MIPS2 was an electronic net clearing system that was operated by the Bankers Association of the Philippines (BAP) and Philippine Clearing House Corporation (PCHC) in coordination with the BSP. Both counter-parties had to input their transactions through the MIPS terminal provided by PCHC.

PCHC in turn, verifies and authenticates the transactions prior to its electronic transmission to the BSP for settlement. The status of the transactions of the banks/financial institutions was being secured by the participants through the reports from MIPS2 while the balances of their demand deposits were being advised through an hourly electronic broadcast by the BSP/Comptrollership Department. Participants under MIPS2 were subjected to admission fees and a transaction fee of PHP120.00 which was being billed to the account of the debit party for every interbank transaction.

What are the participants in PhilPaSS? The original participants under MIPS2 were considered as participants in *PhilPaSS* when this was officially launched last 12 December 2002. In addition, the BSP departments/offices/units that were directly involved in MIPS2's interbank transactions were automatically listed as participants in *PhilPaSS*. The following are the participants in *PhilPaSS*:

- BSP Payments and Settlements Office
- BSP Treasury Department
- BSP Provident Fund Office
- 35 commercial banks
- Three specialized banks
- 39 savings and thrift banks
- 30 rural banks
- 13 non-banks with quasi-banking facility (NBQB)

What are the transactions processed by PhilPaSS? The following transactions (with value dates equal to *PhilPaSS* business day) are accepted for processing:

- a. High-value funds transfer among banks, non-bank financial intermediaries performing quasi-banking functions (NBQBs);
- b. Purchase and sale of government securities under outright and repurchase agreements between and among banks and NBQBs and BSP in connection with the latter's Open Market Operations;
- c. Settlement of the peso leg of foreign currency transactions via the Payment vs. Payment (PvP) System;
- d. Settlement of payments for the primary and secondary market trading of government securities via the Delivery vs. Payment (DvP) System;

- e. Settlement of payments for the public (tertiary) market trading of government securities and inter-dealer repo transactions via the Enhanced Delivery vs. Payment (eDvP) System;
- f. Customer payment instructions;
- g. Interbank settlement of Automated Teller Machines (ATM) transactions within the members of ATM network provider and settlement of inter-network transactions of ATM network providers;
- h. Cash Withdrawals with BSP-Cash Department;
- i. Results of Check Clearing operations (by PCHC);
- j. Revenue Collections (BIR and BOC taxes/duties);
- k. BSP-Treasury Department domestic transactions;
- l. e-Rediscounting deals with BSP-Department of Loans and Credit;
- m. Annual Supervisory Fees;
- n. Withdrawal of Excess Reserves with BSP;
- o. Cash deposits; and
- p. Overseas Filipinos' remittances

Future dated interbank transactions – payment instructions with value dates greater than the current value date [up to four calendar days] of the system, are accepted but are warehoused and processed only on the date indicated. Transactions with past value dates (value dates are less than the *PhilPaSS* system date) are rejected for processing. Only transactions with current value dates or future dated interbank transactions as defined above are accepted for processing and settlement by *PhilPaSS*.

What are the system components of PhilPaSS? They are the following:

- a. LOGICA Clearing and Settlement System/Central Accounting System (LCSS/CAS). The LCSS/CAS is the main application in the system. Its basic function is to process incoming SWIFT settlement instructions from participants and prompt the accounting and recording of these transactions to the participants' DDA with BSP.
- b. SWIFT Network. The existing global communication network of SWIFT is a component of the system that enables the participants to transmit their financial transactions to their counterparties electronically. The participants are required to enrol to SWIFT FIN Copy Service to allow them to transmit directly their *PhilPaSS* transactions to BSP's LCSS/CAS for processing and settlement.
- c. Data Communications. The existing data communications service provider (ORANGE BUSINESS UK LTD) by SWIFT is also a major component of the system that serves as the communication link between the *PhilPaSS* and the Participant's Computer-Based Terminals (CBTs).
- d. Philippine Payment System – Front-End System (PPS-FES). For non-SWIFT member banks (thrift/savings banks, financial institutions or non-banks with quasi-banking facility and rural banks), the PPS-FES was developed by the BSP's Information Technology, Infrastructure and Operations Department (ITIOD) to enable these participants to transmit their financial transactions to their counterparties through the BSP's LCSS/CAS.

PhilPaSS (RTGS) COMPONENTS

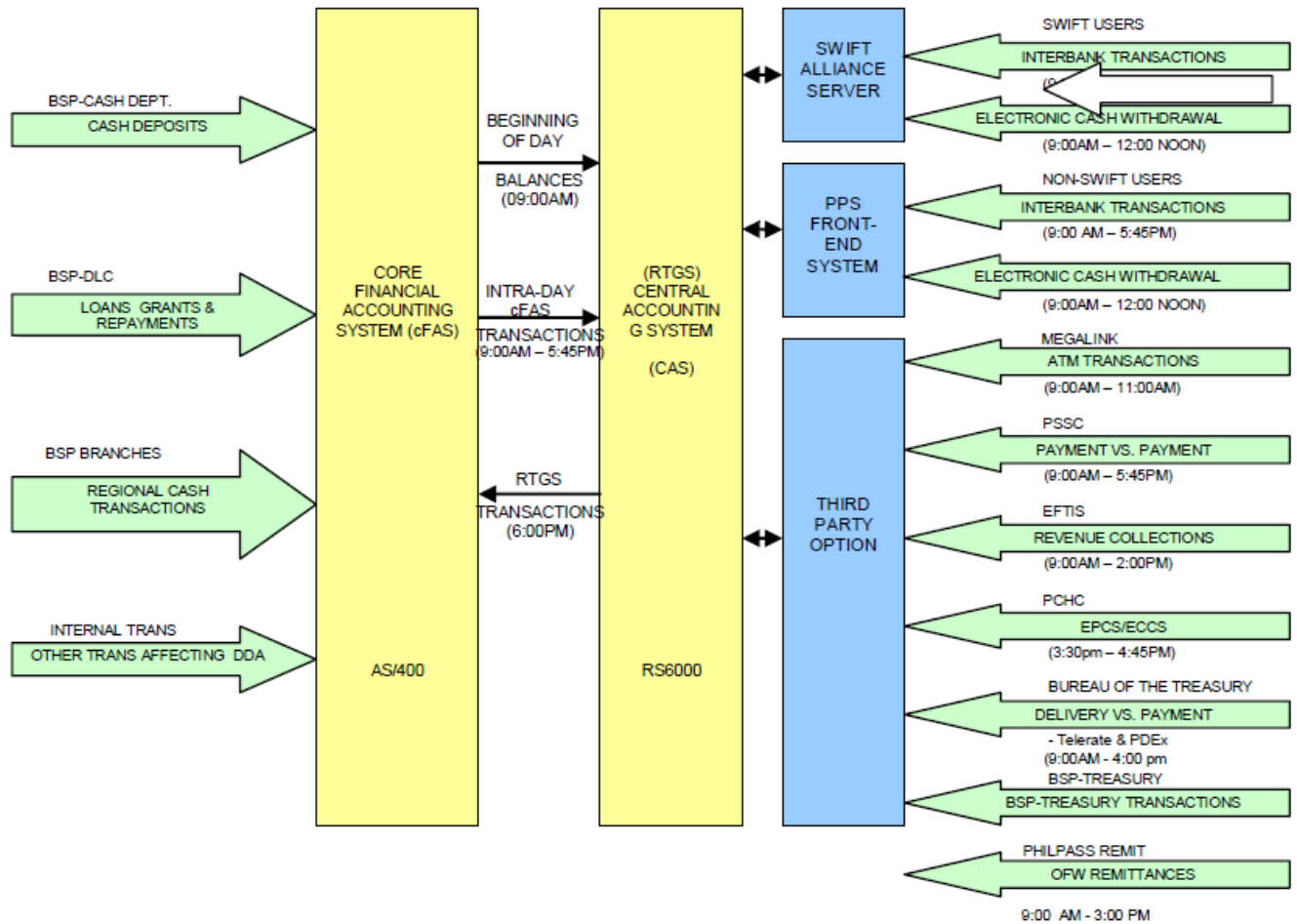


Figure: The basic system components of PhilPaSS (from Bangko Sentral ng Pilipinas)

Appendix IV

Focus group discussion guide for remittance beneficiaries and allottees

Profile – See participant questionnaire

- How much is total family income? Sources? Who contributes to this?
- What are the family assets? Which ones were acquired from local income? From remittances? From gifts? From inheritance?
- Who actually receives the remittance/relationship to remitter?
- Where do you receive the remittances? (Bank, Western Union or other money transfer organization, door-to-door, Padala, combination of the above etc.)
- Do you receive remittances through a bank account?
- How much is being remitted to you/how much do you receive on average? How many times a year do you receive remittances?
- Are you charged when you receive the remittances?
- Do you get the money in pesos or foreign currency? (specify foreign currency)
- Do you request for additional amounts apart from the regular remittance? Cite instances of urgent requests.
- Were remittances ever delayed? What do you do in this case?

Household expenditures

- What is the pattern of family expenditures? Who decides how family expenses are allocated?
- Who spends the most? Why? How? The least, why, how?

Proportion devoted to savings and investments

Savings

- Are you able to save? If no, why not?
- What are the top three reasons that you are saving money?
- About how much are you able to save monthly from your overall family income?
- About how much are you able to save monthly from your family member's overseas remittance/s only?
- Where do you keep your savings? Kindly specify the name of the commercial/thrift/rural bank, or cooperative, or microfinance institution, or paluwagan group. If you keep savings at home, why?

Entrepreneurship

- Did you set up a business before the OFW relative went abroad? Pls. share what happened to this business.
- Do you now own any enterprise/business? How many enterprises do you own and where are they located? If yes, please specify and describe the enterprise/business.
- Why did you engage in business? Why did you engage in this particular business over other types?

- How did you get to engage in business? (joint partnership, undertook business training, acquired franchise, encouraged by a relative or friend in the same business, etc.)
- Who manages your enterprise? Why? How?
- Source of capital to start/sustain the enterprise?
- How much are you earning from enterprise?

Savings and investment products/financial instruments

- Do you have investments in the Philippines (other than enterprise)?
- Kindly specify, including the types of financial products (insurance on yourself/family members or property insurance, plans for education, health maintenance, estate and retirement, SSS, special time deposits, stocks, bonds, etc.)

Awareness of savings, investment and entrepreneurship opportunities in the Philippines

- Are you aware of any program that encourages savings, investments and entrepreneurship in the Philippines where overseas Filipinos and their families can participate in? If yes, could you identify the programme/s by name and who operates the programme?
- How did you know these programmes? (government or commercial websites, or FB and other social networking sites; pre-departure orientation; from any government agency, Philippine embassy; NGO; information from relatives and friends, your trade/seafarers union, etc. Please specify.

Perceived hindrances to saving / investing / running a business in the Philippines?

- Personal reasons
- Community-wide realities
- Realities surrounding the business / investment environment in the Philippines?

Appendix V

FGDs with overseas Filipino workers

(Balik-Manggagawa Centre, POEA, October 2012)

	Grp. 1 N=8	Grp. 2 N= 10	Grp. 3 N=11
SAVINGS BEHAVIOR			
<i>Bank Accounts</i>			
Overseas	7	1	10
Philippines	1	2	9
Self			10
Other bank products			
INVESTMENT BEHAVIOR			
Operating an Enterprise	2	5	1
Capital used from remittance		1	4
Loans		1	
Purchase of land			
Lending activities		1	
Asset Buildup, e.g. house/lot, vehicles, etc.	1		
Stocks, bonds, financial instruments			
TECHNOLOGICAL CAPACITY			
Ownership of computer	8		
Knowledge of internet, email, surfing		8	
Mobile Phone	8	10	11
SOCIAL INSURANCE			
SSS		8	10
Pag-ibig		8	10

Appendix VI

Focus group discussion participant profile

Profile

Name (optional) _____ Age _____ Civil status _____

Number of children, if any _____ Highest educational attainment _____

Present residence (city/province) _____ Previous residence (city/province) _____

Occupation, if any _____ Place of work _____ Monthly Salary/income PHP _____

Membership in cooperative, hometown association, OFW Family Circle, etc _____

If you have a family member/s working abroad,

Relationship to OFW _____ What country? _____

How long OFW abroad? _____ Job of OFW _____

How do your family member/s send money? (Bank/Western Union or other MTO/Padala/Others)

How many times a year do you receive remittances? _____ Usual monthly amount (USD) _____

Do you have other bank accounts apart from the one used for allotment/remittance? (yes/no) _____

What other bank products do you have (bonds, stocks, SDA, FCD, credit card, etc.)

Do you have other family members working abroad? _____

Business, if any _____ Capital _____ Monthly income from business _____

Assets (real estate, vehicle, work animal, etc) and estimated worth/value (PHP) _____

General Disposition of remittances

	Expenses	Amount (PHP)
1	Food and beverage	
2	Transportation	
3	Utilities i.e. electricity, water, gas, etc.	
4	Household operations, e.g. househelp, etc.	
5	Personal care and effects	
6	Clothes, shoes and other apparel	
7	Education	
8	Communications	
9	Recreation	
10	Medical Care	
11	Non-durable household items	
12	Durable furniture and equipment	
13	Rent	
14	Household maintenance and minor repairs	
15	Taxes	
16	Special occasions of family expenses	
17	Misc. gifts and contributions to others	
18	Monthly payments (e.g., amortizations, premiums, etc.)	
19	Gambling / Lottery	
20	Alcoholic beverages	
21	Cigarettes	
22	Other expenses, specify	
	Total household expenses	

Appendix VII

List of key informants

Government of the Philippines

Bangko Sentral ng Pilipinas

Diwa C. Guinigundo, Deputy Director

Rosabel B. Guerrero, Head, Dept. of Economic Research

Ruth C. Gonzaga, Deputy Director, Balance of Payments Statistics Group

Bella S. Santos, Payments and Settlements Office

Commission on Filipinos Overseas (CFO)

Sec. Imelda M. Nicolas, CFO Chair and Co-Chair, REDC

Social Security System

Joy A. Villacorta, Head, OFW Management Department

Overseas Workers Welfare Administration

Carmelita S. Dimzon, Administrator

Private sector

Commercial Banks

Cynthia Paras-Santos, First Senior Vice President and Head TeleMoney Group, Rizal Commercial Bank and President, Association of Bank Remittance Officers (ABROI)

Ma. Elene Piccio, Executive Vice President, Institutional Banking Sector, Philippine National Bank

Articer Quebal, Consultant, Remittance Marketing, Bank of Commerce

Marlon Hernandez, Senior manager, Business Development & Research, Bank of Commerce

George Inocencio, Vice President and Head, Centre for Global Filipinos, Development Bank of the Philippines

Raquel Bumbay, Product Development Head, BDO Remittance, Banco de Oro

Roberto Vergara, Group head, Global Banking- Remittance Group, Land Bank of the Philippines

Thrift/Savings Banks

Ramon Murillo, Consultant, Postal Savings Bank

Bernadette Ratcliffe, First Vice President, East West Bank

Rural Banks

Atty. Francis Ganzon, President, Bangko Kabayan

Francis Maneja, Executive Director, Rural Bankers Association of the Philippines(RBAP)

Abundio D. Quililan, Jr. President and CEO, New Rural Bank of San Leonardo

Fr. Emeterio Barcelon, S.J., Founder, Xavier Tibod Rural Bank

Microfinance Institutions

Rolando B. Victoria, Executive Director, Alalay Sa Kaunlaran, Inc. (ASKI)

Jun Perez, Executive Director, Seedfinance, Inc.

Marlon Palomo and Irene Fernandez, INAFI Philippines

Telecommunications Companies

Kay A. Rimando, Manager, Strategic Alliances-Financial Services

Non-Government Organizations

Cristina Liamzon-Valenzuela, former Executive Director, Pilipinas-OFSPES and Consultant, Ateneo School of Government

Leila Rispens Noel, WIMLER Partnerships for Social Progress, Hong Kong.

Appendix VIII

Draft executive order creating the Remittance-for-Development Council (REDC)

REPUBLIC OF THE PHILIPPINES
OFFICE OF THE PRESIDENT
MALACAÑANG
MANILA

EXECUTIVE ORDER NO. _____

ESTABLISHING THE REMITTANCE FOR DEVELOPMENT COUNCIL OR ReDC

WHEREAS, remittances from overseas Filipinos which amounted to US\$20.116 billion in 2011, accounting for nine percent of the Philippines' Gross Domestic Product, (a) contribute to the creation of new social assets and services and community infrastructure such as schools, health centers, roads and other community projects; (b) rebalance economic growth; and (c) help lift households out of poverty;

WHEREAS, there is a need to support the development of policies that tap the potential of overseas Filipino remittances, which are primarily from permanent migrants and overseas Filipino workers (OFWs), for savings, investments, entrepreneurship and job creation;

WHEREAS, there is a need to create an enabling and creative environment for harnessing remittances for development, address the gaps and constraints, and provide incentives that support individual and collective remittances for development;

WHEREAS, the Philippine Development Plan for 2011-2016 provides in Chapter 2: Macroeconomic Policy, Section on Monetary Policy and External Sector Reforms: *"Furthermore, policymakers will need to focus on leveraging remittances as a tool for economic development. While remittances are private transfers, the government can ensure that the policy environment is conducive to the use of remittances for investment in well-considered financial products, in productive activities such as entrepreneurial undertaking as well as in better housing, education, and healthcare for remitters and their beneficiaries. Improving the financial education of the overseas Filipino community and implementing measures to further promote the flow of remittances through the financial system would help catalyze the development role of remittances"*;

WHEREAS, the *Bangko Sentral ng Pilipinas (BSP)* undertakes various bank-related initiatives to improve the remittance environment and to channel remittances to productive undertakings. Through these initiatives, the BSP intends to maximize the benefits of remittances by ensuring the smooth inflow of remittances and channeling them to the financial sector so that these funds can be mobilized for lending and other productive activities;

WHEREAS, one of the 10-point goals of the Commission on Filipinos Overseas (CFO) is *to develop and implement, in coordination with and with the support of other government agencies, a streamlined and facilitative entry and directional process for development assistance in the form of resources, knowledge, skills and technology from Filipinos overseas, that will be strategic and responsive to existing development issues and needs of the country and will optimize the assistance's development potentials*;

WHEREAS, the CFO, as stated in its 10-point Goals, 2010-2016, endeavors “to provide mechanisms for various stakeholders to coordinate, forge partnerships, upscale and leverage diaspora funds (e.g. remittances and savings) and investments, broaden donors’ and investors’ base and replicate best practices especially in financial literacy, microfinance and social enterprises, in order to make these funds more effective tools for the country’s development and economic growth”;

WHEREAS, the United Nations Development Programme (UNDP), sponsored by Western Union’s philanthropy arm – the Western Union Foundation, spearheaded the implementation of the Overseas Filipinos-Remittance for Development (OF-RED) Project in 2011-2012 to address the goal of harnessing overseas Filipinos’ remittances for poverty reduction and economic development. It aims to support policies that translate overseas Filipinos remittances into savings, investments, and enterprises. The project is being implemented by National Economic and Development Authority (NEDA) and the CFO;

WHEREAS, in order to achieve the foregoing objectives, the creation of the Remittance for Development Council (ReDC) was envisioned by the CFO to be an advisory and policy-recommending body that will provide direction to and catalyze the channeling of individual and collective remittances for development and as a consultative forum to discuss issues and concerns about remittances.

WHEREAS, the Administrative Code of 1987 vests the President with continuing authority to reorganize the administrative structure of the Office of the President;

NOW, THEREFORE, I, BENIGNO S. AQUINO III, President of the Republic of the Philippines, by virtue of the powers, vested in me by law, do hereby order the following:

Section 1. Establishment of ReDC –The Remittance for Development Council (ReDC or Council) is hereby established to be an advisory and policy-recommending body that will provide direction to and catalyze the channeling of individual and collective remittances for development and as a consultative forum to discuss issues, concerns about remittances.

Section 2. Specific objectives – The specific objectives of the ReDC include collaboration with other public and private stakeholders in building the capacities of migrants and their dependents to increase their productive capacities thru savings, investment and entrepreneurship; advocating for a policy environment that is conducive to the growth of both individual and collective remittances for development; and encouraging more remittance products and services which are tailored fit to overseas Filipinos.

Section 3. Functions – The ReDC shall perform the following functions, programs and initiatives:

- a. Serve as a forum to present, discuss, analyze and advocate various issues affecting and effecting remittances from overseas Filipinos;

- b. Collaborate with other groups for the collection of data and research to support and strengthen the Council's informed policy-recommendation capability;
- c. Recommend and advocate for policies and programs that further reduce remittance charges and fees; that expand and make accessible the various projects and initiatives implemented by the government and private banks and remittance companies to maximize the use of remittances for investments, entrepreneurship, savings and other related purposes;
- d. Recommend and advocate for policies and programs that will help improve the business environment and encourage overseas Filipinos' investments, entrepreneurship, and savings;
- e. Collaborate with public and private organizations that provide financial education and literacy programs, as well as those that offer training and opportunities for small and medium enterprises in the country for overseas Filipinos and the families they have left behind; and
- f. Help disseminate information on various collective remittance models and mechanisms.

Section 4. Composition – The ReDC shall be composed of representatives from the public, private, and civil society sectors involved in remittances, in general, and remittances for development, in particular. The CFO shall be the Convenor and Secretariat. The BSP, because of its key role in the regulation and monitoring of remittances, shall be a major partner in the undertaking. Permanent and alternative representatives shall be appointed by the member organizations. Should there be other entities or organizations who express intention to join, the ReDC will decide on the matter of membership (whether addition or removal of members) by consensus.

1. For the government:

- a. Commission on Filipinos Overseas – Convenor and Secretariat
- b. National Economic and Development Authority
- c. Department of Foreign Affairs
- d. Department of Trade and Industry
- e. Department of Agriculture
- f. Department of Finance-National Credit Council
- g. Department of the Interior and Local Government
- h. Department of Labor and Employment
- i. Philippine Overseas Employment Administration
- j. Overseas Workers Welfare Administration
- k. Union of Local Authorities of the Philippines¹

2. For the private sector:

- a. Association of Bank Remittance Officers of the Philippines
- b. Rural Bankers Association of the Philippines

¹ The Union of Local Authorities of the Philippines is the umbrella organization of all leagues of local government units (LGUs) and leagues and federations of local elective and appointive officials.

- c. Chamber of Thrift Banks
- d. Western Union
- e. LBC Express Inc.
- f. Mhuillier Philippines
- g. Other similar entities/organizations

3. For the civil society and academe:

- a. Atikha Overseas Workers and Communities Initiative Inc. (Atikha)
- b. Alalay sa Kaunlaran Inc. (ASKI) Philippines
- c. ASKI Global Limited Singapore
- d. Center for Agriculture and Rural Development - Mutually Reinforcing Institutions (CARD-MRI)
- e. Community-Based Monitoring System (CBMS) Network
- f. Economic Resource Center for Overseas Filipinos (ERCOF)
- g. International Network of Alternative Financial Institutions-Philippines (INAFI-Philippines)
- h. Microfinance Council of the Philippines Inc. (MCPI)
- i. PlaNet Finance
- j. Transnational Institute for Grassroots Research and Action (TIGRA)
- k. Unlad Kabayan Migrant Services Foundation (Unlad)
- l. Other similar entities/organizations

Section 5. Strategic, development and dialogue partners – There shall be strategic, development and dialogue partners in the ReDC who shall provide information and advice on matters in respect to their mandate as well as relevant laws and regulations responsive to the functions and activities of the ReDC; and provide resource persons and technical assistance in developing or enhancing financial literacy programs, information dissemination efforts, and other related advocacies of the ReDC for channeling remittances for economic development and other productive purposes.

The strategic, development and dialogue partners are the following:

1. Strategic Partners

- a. Bangko Sentral ng Pilipinas
- b. Cooperative Development Authority
- c. Insurance Commission
- d. Securities and Exchange Commission

2. Development Partners

- a. United Nations Development Programme
- b. Western Union Foundation
- c. International Organization for Migration-Manila
- d. World Bank
- e. Asian Development Bank
- f. International Labor Organization-Philippines
- g. Delegation of the European Commission to the Philippines

3. Dialogue partners

- a. Overseas Filipinos – Through the regular consultation and dialogue that the CFO and non-government organization-members undertake with overseas Filipinos or their associations, they shall be consulted on relevant matters concerning projects and activities of the ReDC.

Section 5. Clusters and Technical Working Groups – The ReDC may establish clusters or technical working groups from among the members to undertake specific activities/tasks which the ReDC may delegate to them.

Section 6. Secretariat – The CFO, as Secretariat of the ReDC, shall be responsible for the coordination, preparation, logistics, and operations for the bi-monthly meetings, coordination with and monitoring of the assigned duties and responsibilities of its members.

Section 7. Funds – The funds for the first year of operation of the ReDC shall come from the development assistance of UNDP and Western Union Foundation. The CFO as Secretariat, may seek grants from public and private sources, and may accept donations to finance the projects, programs and activities of ReDC for the succeeding years.

Section 8. Effectivity – This Executive Order shall take effect immediately and shall remain in full force until repealed.

Section 9. Repeal – All orders, rules and regulations, issuances or parts thereof, which are contrary to or inconsistent with this Executive Order are hereby repealed or modified accordingly.

Done in the City of Manila this ____ day of _____ 2012.

BENIGNO S. AQUINO III
President

By the President:

PAQUITO N. OCHOA, JR.
Executive Secretary

Appendix IX

Remittance-backed products and services of Philippine universal and commercial banks

A. Summary: range of products and services

Overseas remittance services (plus domestic remittance services)	Savings products	Investment products	Loan products	Other products
<p>Almost all banks have a remittance product, covering all types of transactions for the last mile (bank accounts, pick-up, door-to-door, some telegraphic transfer, Internet and mobile banking)</p> <p>Some banks have tie-ups with Filipino and foreign-owned money transfer organizations, especially in countries where these commercial banks do not have a presence. If they have a presence, MTOs are as outlets on behalf of Philippine banks</p> <p>Some banks have a scheme where remitters open an automatic savings account at home</p> <p>One bank has a “food remittance” service; only one bank has a tie-up for remittances sent via postal mail.</p>	<p>Many banks have let remitters open a savings account as the destination account of the overseas remittance</p> <p>A few banks introduce to the overseas Filipino market their other savings products (e.g. time deposit), or these banks do not explicitly invite overseas migrants and their families to try out these other products</p>	<p>Only two commercial banks have opened investment products that specifically cater to the migrant market.</p> <p>One bank that has an investment product for overseas migrants had the backing of Philippine central bank authorities, since the said bank is state-owned.</p>	<p>The commercial banks with loan products mostly offer housing loans, sensing that property acquisition is a popular investment for overseas Filipinos.</p> <p>Two banks have an automobile loan facility for overseas migrants. One bank has a facility for personal loans.</p> <p>Two state-owned banks, in cooperation with a migration-related government agency, offer entrepreneurial loans for overseas workers.</p>	<p>Banks have opened their bills payment services to the migrant market.</p> <p>One bank has a <i>balikbayan box</i> “remittance” service</p> <p>Two banks have some special promotions catering to the migrant market so as to leave a foothold into the said market.</p>

Range of products and services by Philippine commercial banks (continued)

	Overseas remittance services (plus domestic remittance services)	Savings products	Investment products	Loan products	Other products
Bank A	HAGIBIS Overseas Remittance Programme Special remittance arrangement programme (with identified partners abroad) Electronic peso clearing settlement system SWIFT transfer Telegraphic transfer Pay-out arrangements (with Western Union, Uniteller, EZ Remit, Xpress Money, Fast Remit)				Bills payment Debit arrangement Collection of foreign drafts Manager's checks Foreign currency notes Traveler's checks
Bank B	Gintong Hatid Express (web-based) Gintong Hatid SMS Inquiry (to check on remittance status via mobile phone) Gintong Hatid Remittance Tracking System Gintong Hatid Remittance Pickup System Gintong Hatid Remittance Courier Express System Remit Home System (for US-based remitters)				Cash card product
Bank C	Overseas remittance services (plus domestic remittance services)	Savings products	Investment products	Loan products	Other products / offerings

	Overseas remittance services (plus domestic remittance services)	Savings products	Investment products	Loan products	Other products
Bank D	Credit-to-account	Kabayan		Asenso Kabayan	Kabayan Bilis

	Remit Cash Card Cash pick up anywhere (through bank's branches, remitters centres at malls and rural bank partners) Cash pick up arrangements with pawnshops Value added services (e.g. food remittance) Credit to other bank accounts Cash door-to-door Remittance	savings account		programme <ul style="list-style-type: none"> • Kabayan Personal Loans • Kabayan Home Loans • Kabayan Auto Loans • Kabayan Homes 	Bayad (bills payment)
Bank E		Savings VIPinoy Card		Seafarer's home loan	Annual awards for outstanding overseas Filipinos and children of overseas Filipinos
Bank F	On-Time Remittance card				
Bank G	EC Remit program (EC card, credit-to-account, bank-to-bank, door-to-door, pick-up remittances, overseas collection arrangement)			OFW Reintegration programme (in cooperation with the Overseas Workers Welfare Administration)	Pangkabuhayan para sa Pinoy program (raffle promo to lucky remitters, for them to win livelihood packages and start-up capital)
Bank H	U-Remit (EC card, credit-to-account, bank-to-bank, door-to-door, pick-up remittances, overseas collection arrangement)	U-Remit account		Home Loan for OFWs	
Bank I	Easy Padala (iCheque, iPadala, iWire, iSweldo, iAch [for US remitters]) OFW Cash Card			OFW Reintegration program (in cooperation with the Overseas Workers Welfare Administration) Bahay para sa Bagong Bayani housing loan	

	Overseas remittance services (plus domestic remittance services)	Savings products	Investment products	Loan products	Other products / offerings
Bank J	Credit-to-bank account Credit to other accounts Cash pick-up (at Metrobank branches and anywhere) Door-to-door	World Cash Card OFW Peso Savings Account OFW Dollar Savings Account			Bills payment

	International money transfer tieups E-banking Mobile banking Shipping payroll services						
Bank K	Credit-to-bank account Credit to other accounts Web remit (USA, Canada, UK and Singapore) Phone remittance (Canada, UK) 7-11 convenience store remittance (Hong Kong) Postal service remittance (Singapore and Switzerland) International money transfer tie-up (Xoom)	Global card OFW Account	Filipino Savings	Global funds market funds, in both peso and dollar)	Filipino (money investment funds, in both peso and dollar)	Global Filipino Auto loan Pangarap loan (multi-purpose loan, for Filipinos in Italy, Singapore and Hong Kong) Own a Philippine Home Loan (for Filipinos in Singapore, US, Japan and UK)	Rapid Hatid Balikbayan Box (in-kind remittance) Bills payment
Bank L	Telemoney (credit-to-account, to other bank accounts, door-to-door)					Housing loan	Bills payment

Appendix X

Scan of remittance-backed products and services by thrift/savings banks

Thrift or savings bank	Products' features
Thrift bank 1	<p>Products and services No "tailor-made" products for OFWs</p>
Thrift bank 2	<p>Products No "tailor-made" products for OFWs</p> <p>Partnerships (June 2012) I-Remit and thrift bank partnered with KAMPI and Kabalikat ng OFW for Corporate Social Responsibility</p>
Thrift bank 3	<p>Products No "tailor-made" products for OFWs</p>
Thrift bank 4	<ul style="list-style-type: none"> • On-Time Remittance Card – a reloadable cash card that functions as an ATM card and purchase card, requiring only a minimum initial load of PHP100, but not initial deposit requirement or minimum maintaining balance; could be accessed through ATMS, Tellerphone, or POS, at BancNet accredited establishments. • Withdrawals at any ATM nationwide of the said thrift bank and ATMs under the BancNet, Megalink and Expressnet networks. • Bills payment, Fund transfer to a China Bank or BancNet Account • As a Purchase Card usable over 5 000 Bancnet POS terminals in the Philippines. • Beneficiary notified of remittance and the availability of his Red On-time Remittance Card through SMS or phone call. The Red On-time Remittance Card can be picked up at the designated China Bank branch in the Philippines. Higher withdrawal limit of PHP30 000/day using Bank ATMs
Thrift bank 5	<p>Products Gintong Hatid Remittance Program , a remittance tie-up between the thrift bank and the Asia United Bank. Brunphil and thrift bank's Instant Pera Padala A remittance tie-up with Brunphil Express Singapore that caters to the needs of the Filipino migrant workers in Singapore and their families in the Philippines.. International Money Order via PostalCash ATM A joint project of the Philpost and the thrift bank to improve delivery of postal payment services where proceeds of the international money order remittances are credited to the PostalCash ATM account of the recipient within 24 hours upon receipt of the list from the Money Order Service from foreign postal administrations with which the Philippines has bilateral agreement. Partners Philpost , AUB and Brunphil Express Singapore</p>
Thrift bank 6	<p>UCPB Home Loan for OFW of up to PHP500000, payable in 15 years, to buy a residential lot, house and lot, condominium or townhouse, home construction, house renovation, refinance existing mortgage, or multi-purpose loan with home as collateral.</p> <p>Remittance Service (U-Remit) Through 10 overseas tie-ups, correspondent banks and 183 local branches and 1,400 local MTO remittances may be sent and picked up, through various modes- credit to own account, credit to account in other banks, cash pickup and a special account for OFWs with no initial deposit requirement and no maintaining balance. The thrift bank and the NGO OFW Family Club entered into a partnership in 2012</p>
Thrift bank 7	

to launch a 5 to 20 year high yielding Savings Program to OFW Family Club members with the main purpose of helping fellow Filipino migrant workers choose wise investments.

Partners

Western Union

Thrift bank 8

Seafarers' Loan

- No collateral, multi purpose loans from PHP20 000 to PHP500 000 payable through installments via allotment deduction available to seafarers of manning agencies accredited to the bank, with at least 1 year completed contract on board and minimum basic pay of PHP7 000.
- ATM Card – proceeds through managers check or withdrawn at any Megalink, Bancnet and Expressnet ATM nationwide
- Remittance and Bills Payment Partners include SSS, Philhealth, Globe, Moneygram, Iremit and Smart Communications

Thrift bank 9

Products

Key Card/Equicom Cash Cards

- Accepted worldwide for shopping, dining and bills payment in at least 29 million Visa establishments worldwide.
- Cash withdrawal anytime and at any branch of this thrift bank and at the ATMs under the Megalink, Bancnet, Expressnet networks and through VisaPlus in the Philippines and abroad
- 24/7 Customer Service through hotlines and internet/Mobile and Internet access of accounts if enrolled through bank website.
- Cash card has advantages of a debit card without having to open a deposit account.

Thrift bank 10

- US Dollar Savings and Time Deposit products for “Balikbayan”/ US Immigrants, Overseas Contract Workers (OCWs);
- Loans (Crop Loan for farmers with at least five hectares of farmland, Go Negosyo Loan for owners of business establishments that have successful operations and are profitable for at least two years, Livestock Loan for poultry and hog raisers, Car/Truck Loan for those who would like to purchase car or truck, Housing Loan for real estate or home improvement

Thrift bank 11

- Remittance services through Western Union, BDO remittance or Uniteller.
- Collection Services for SSS, BIR and Pag-Ibig through debit arrangement, over the counter payment or ATM
- Remittance through Credit to Account, Door-to-Door Cash or check delivery or payment of remittance proceeds at bank counters with overseas tieups.
- Remittances could be claimed in any of bank branches sent through:
 - UniTeller Remittance Service (P only)
 - Western Union Money Transfer
 - EZ Remit Remittance Service(P only)
 - Xpress Money (P & \$*)
 - Fast Remit
- Electronic Transfer of remittance to any US dollar or peso account to the Philippines

Thrift bank 12

Products

No “tailor-made” products for OFWs, except remittance services through Western Union.

Thrift bank 13

Savings direct credit to account.

- No initial deposit and no maintaining balance required provided there is a remittance transaction at least once every six months.
- Earn higher interest than any other regular savings account.
- Access account (monitor balance, fund transfer, bills payment, or reload cell phones through over 9 000 Expressnet, Bancnet and Megalink ATMs nationwide, or through cell phones.
- Withdraw cash from over 1 million Cirrus-affiliated ATMs in over 210 countries worldwide in the currency of the country you are in.
- Cashless shopping via the Express Payment System (EPS) at accredited

- establishments nationwide
- Open an account from anywhere in the world -- online.
- Discount on remittance charges

Seafarer's Home Loan

- Available to seafarers recruited by manning agencies accredited to the bank, not over 60 years and earning at least PHP40 000
- 5 to 15 year payment terms
- PHP400 000 minimum loan amount

The VIPinoy Card

A privilege card enabling Overseas Filipino Workers, Overseas Filipinos/ Balikbayan (OF) and their immediate family various services privileges and conveniences in almost all Ayala Malls and Ayala-managed Malls. These perks include videoconferencing service, mobile phone charging stations, internet stations, lounging area, drinking stations, currency exchange, use of customer's lounge and invitation to seminars and reserved seats in concerts or shows.

Thrift bank 14

Housing Loan

- Amount from PHP300,000 to PHP10 Million depending on capacity to pay
- Purchase of lot, house and lot, condominium, or home improvement which serves as collateral through mortgage;
- Fire insurance required to be taken with company insurance
- Special housing loan packages featuring 12-month grace period for amortisations, or borrowing vs. existing homes to consolidate other debts.

Remittance Service (RCBC Telemoney)

- Remittances through the usual modes, including door to door, through overseas tie-ups and collection of proceeds through its local branches **within 24** hours and in certain cases, even after banking hours.
- Use of service for bills payment
- SMS tracking or monitoring service.

Thrift bank 15

Home, auto and small enterprise loans, but no tailor-made OFW products and services.

Thrift bank 16

Overseas Filipino Savings Account (OFSA)

A fixed interest-bearing savings account

- No opening or maintaining balance
- With personalized ATM card in any of PSBank's 170 branches nationwide
- Payment of utility bills, shopping at any BancNet-affiliated establishment and pay for PSBank Home Loan, Home Credit Line, Home Construction Loan, or Auto Loan via Automatic Debit Arrangement
- Use of internet to transfer funds to their PSBank OF Savings Account, anytime, anywhere, without going to the nearest remittance centre or local bank
- Use of PSB Remote Banking for balance inquiries, bills payment and view and print their loan account summary, online loan application.

Remittance partners abroad

1. JPMORGAN CHASE BANK
2. WELLS FARGO BANK (formerly Wachovia Bank)
3. BANK OF NEW YORK
4. METROBANK NEW YORK
5. METROBANK AYALA CENTRE

Remittance Tieups

1. iRemit

Thrift bank 17

**Products
Loans**

Loans for OFWs or Balikbayans, for personal expenses, purchase of lot or house and lot and improvement and renovation of existing house, payment of medical bills, appliance purchase.

- Loan amount depends on actual need of the project, loan value of collateral, repayment capacity of the project and creditworthiness of

borrower

- Flexible terms, up to 5 years
- Latest contract of employment or proof of hiring
- Monthly amortization with maximum of 3 month grace period
- Real estate collateral
- Easy payment in equal monthly instalments
- Reasonable interest rate

Card product

A card facility for payroll servicing of employees, pensioners, OFW remittances and other special arrangement involving batch crediting to savings account.

- No minimum amount and maintaining balance required
 - Competitive Interest earning if ADB is PHP501 and above.
 - May be used to withdraw cash from any FCB Automated Teller Machines, or bills payment through an FCB accredited company at FCB branches.
 - Payment for purchases of good and services at EFT/POS terminal at accredited merchant
 - Use for transferring funds to another enrolled account
-

Review of remittance-backed products in the Philippines

This study reviews the Philippine remittance environment and provides the reader with what are considered current and cutting-edge in the Philippine remittance environment, how the existing industry practices and regulatory measures can contribute to development gains, the gaps and hindrances that could be addressed through regulation, competition, or improvement of financial mindsets. It describes the key stakeholders in the banking and non-banking sector which provide remittance and financial services as part of or their main or core business, on a daily or regular basis, including new players and the innovations they bring towards harnessing remittances for productive use. This study outlines the various issues and challenges that need to be addressed or models that need to be supported, particularly emerging good practices that show potential to be used for translating migration gains into local economy development, particularly of financial literacy.

This is part of a series of papers being published by the ILO/Korea Partnership Programme, ILO Regional Office for Asia and the Pacific.

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