

**ENHANCING
THE EFFICIENCY
OF OVERSEAS
FILIPINO
WORKERS'
REMITTANCES**

PART I - MAIN REPORT

Contents

<i>Foreword</i>	<i>x</i>
<i>Abbreviations List</i>	<i>xi</i>
<i>Executive Summary</i>	<i>xiii</i>
<i>Highlights of the Market and Banking Study</i>	<i>xiv</i>
<i>Remittance Trends</i>	<i>xv</i>
<i>Conclusions and Recommendations</i>	<i>xv</i>
<i>Structure of the Report</i>	<i>xix</i>
PART I-MAIN REPORT	
I. Introduction	1
II. Context and Definitions	4
A. Definition of Remittances	4
B. Definition of Filipino Migrant Population	4
C. Categorization of Formal, Informal, and Unregulated Fund Transfers	4
D. Remittances as Perspective of Study	5
III. Objectives and Scope	7
A. Objectives	7
B. Assumptions	7
C. Stakeholders Interviewed	7
D. Countries Studied	8
IV. Migration Issues	9
A. Effects of Remittances	9
B. Irregular Workers	10
C. Human Rights	10
D. Brain Drain	10
V. Philippine Migration and Remittances	14
A. Migration Flows	14
B. Stocks	15
C. Remittance Flows	17
D. Sea-Based Workers	18
E. Feminization of Migration	19
VI. Profiles of the Overseas Filipino Worker	20
A. Sociodemographic Profiles	20
B. Remittance Behavior	21
C. Savings and Spending Behavior	23
VII. Remittances and Overseas Filipino Workers	25
A. Remittance Players	25
B. Informal Remittance System and the <i>Padala</i> Practice	28
C. Cash Brought Home	29
D. Remittance and Pricing Structures	30

VIII. Philippine Banking and Remittance Framework	33
A. Regulatory Framework	33
B. Anti-Money Laundering Laws	34
C. Tax on Banks and Nonbank Financial Intermediaries	36
D. Clearing Systems	37
E. International Connectivity	37
F. Payment Methods	38
G. Domestic Distribution	39
H. Inter-Commercial Bank Connectivity	40
I. Interconnectivity of Banking System Members	41
IX. Remittance Environment in Countries of Study	42
A. Singapore	42
B. The United States	43
X. Recording of Remittances	51
XI. Developments in the Remittance Industry	54
A. New Players	54
B. Trends	55
C. Entry of Nontraditional Players	56
XII. Leveraging Remittances for Development	58
A. Policies and Initiatives to Increase Remittance Volume and Formal Remittances	58
B. Philippine Incentive-Based Programs	59
C. Enhancing the Efficiency of Government Agencies	65
D. Government Practices on Leveraging Remittances	69
E. Civil Society Practices on Leveraging of Remittances	71
F. Role of Rural Banks, Cooperatives, Microfinance, and Other Grassroots Institutions on Remittances	74
G. Investment Channels	78
H. Leveraging Foreign Currency Flows	79
XIII. Barriers to Increasing Remittance Flows	81
A. Regulatory Barriers	81
B. Nonbank-Related Barriers	83
XIV. Conclusions and Recommendations	85
A. Rationale of Policy Recommendations	85
B. Breaking Down Barriers and Bridging Gaps	86
C. Remittance Cost Reduction	87
D. Enhancing the Efficiency of the Government's Overseas Deployment System	89
E. Leveraging Remittances for Development	90
F. Regional Cooperation	91
Appendixes	
1.1 State Licensing Requirements	93
1.2 List of Stakeholders	94
1.3 Summary of Remittance Fees and Charges from California	98
1.4 Key Accomplishments of the Anti-Money Laundering Council	101
1.5 Various Flows of Remittances	107
1.6 The US Federal Automated Clearing House	113

(Basic Information and Philippine Implications)	113
A. Basic Information	113
B. Philippine Implications	115
1.7 Payment Methods Used in the Philippines	117
1.8 State Regulation of Money Service Businesses in the United States	118
1.9 New Remittance Products	119
1.10 Remittance Securitization Structure (Citibank)	125

PART II - MARKET STUDY

I. Introduction	131
A. Background	131
B. Market Research Objectives	131
C. Research Design and Methodology	131
II. Survey Findings	137
A. Findings of the Philippine Overseas Filipino Workers Survey	137
B. Findings on the Nationwide Beneficiaries Survey	157
C. Findings on the Singapore Survey	172
D. Findings on the United States Survey	180
III. Focus Group Discussion Summaries	188
A. Background	188
B. Reasons for Becoming an Overseas Filipino Worker	188
C. The Recruitment and Employment Process	188
D. Adjustments Made in the Country of Work	189
E. Sending Remittance	189
F. Retirement Plans	190
G. Overseas Filipino Worker Community Initiatives	191
IV. Survey Questionnaires	192

Tables

PART I

Table 1.1:	Largest Developing Country Receivers of Remittances, 1995–1999	1
Table 1.2:	Estimates of Irregular Migrants in Selected Asian Countries	12
Table 1.3:	Migration Outflows—Philippines (2002)	14
Table 1.4:	Stock Estimates of Overseas Filipinos (2003)	16
Table 1.5:	Overseas Filipino Workers Remittances	17
Table 1.6:	Occupation of Respondents	21
Table 1.7:	Visa or Citizenship Status of Respondents	21
Table 1.8:	Remittance Channels Commonly Used by Respondents	22
Table 1.9:	Top 3 Attributes in Selection of Remittance Modes	22
Table 1.10:	Top 3 Gaps Between Importance and Satisfaction Ratings	22
Table 1.11:	Remittance Behavior of Respondents	23
Table 1.12:	Respondents' Ownership of Selected Items in Country of Work	24
Table 1.13:	Respondents' Ownership of Selected Items in the Philippines	24
Table 1.14:	Top Banks in Remitter Countries	26
Table 1.15:	Industry Estimates of Informal Remittance Users in Selected Economies	29
Table 1.16:	Comparison of Transfer Mechanisms	30
Table 1.17:	Cost of Credit-to-Account, Dollar-to-Peso Transfer from Selected Economies	32
Table 1.18:	The Philippine Banking System	39
Table 1.19:	Saturation Rate of Possible Remittance Retail Outlets in the Philippines	40
Table 1.20:	Tagging and Recording Remittances	52
Table 1.21:	Deployment of Overseas Filipino Workers by Region and Province	62
Table 1.22:	Predeparture Expenses of Migrant Women Bound for Hong Kong, China, or Italy (pesos)	67
Table A3.1:	Summary of Remittance Fees and Charges from California to the Philippines (March 2004)	98
Table A3.2:	Summary of Remittance Fees and Charges from Singapore to the Philippines (April 2004)	100
Table A6.1:	Gateway Operators and Areas Served	114

PART II

Table 2.1:	Details on Focus Group Discussions and Participants	132
Table 2.2:	Frequency of Remitting	137
Table 2.3:	Remittance Amount	137
Table 2.4:	Average and Frequency of Remittances by Country	138
Table 2.5:	Awareness of Remittance Modes	139
Table 2.6:	Sources of Awareness	140
Table 2.7:	Remittance Channels Used	140
Table 2.8:	Remittance Channel by Country	141

Table 2.9: Remittance Channel by Occupation	141
Table 2.10a: Charges for Remittances	142
Table 2.10b: Breakdown of Charges Between \$1 to \$10	142
Table 2.11: Attribute Ratings	143
Table 2.12: Income Sources	144
Table 2.13: Percentage of Income Used For Remittances	144
Table 2.14: Monthly Savings	145
Table 2.15: Likelihood of Retiring in the Philippines	145
Table 2.16: Interest in Contributing to Development	146
Table 2.17: Country of Work	146
Table 2.18: Occupation	147
Table 2.19: Country by Respondent Occupation	147
Table 2.20: Age of Respondents	148
Table 2.21: Gender of Respondents	148
Table 2.22: Socioeconomic Class of Respondents	148
Table 2.23: Educational Level of Respondents	149
Table 2.24: Monthly Household Income	149
Table 2.25a: Respondent Profile by Occupation (%)	150
Table 2.25b: Respondent Profile by Occupation (%)	151
Table 2.25c: Household Monthly Income by Occupation(P)	151
Table 2.26a: Respondent Profiles by Country of Work(%)	152
Table 2.26b: Respondent Profiles by Country(%)	153
Table 2.26c: Respondent Profiles by Country of Work(%)	153
Table 2.27: Urban and Rural Classification of Respondents	154
Table 2.28: Civil Status of Respondents	154
Table 2.29: Education of Respondents' Spouses	154
Table 2.30: Land and Sea Classification	155
Table 2.31: Residence and Birthplace of Respondents by Region	155
Table 2.32: Years Worked and Residing in Country	155
Table 2.33: Years Sending Remittances	156
Table 2.34: Respondent Category and Resident Status	156
Table 2.35: Ownership of Durables	157
Table 2.36: Frequency of Remittances	157
Table 2.37: Remittance Amounts	158
Table 2.38: Awareness of Remittance Modes	158
Table 2.39: Sources of Awareness	159
Table 2.40: Remittance Channels Used	159
Table 2.41: Factors Considered in Choosing a Remittance Channel (Unaided)	160
Table 2.42: Attribute Ratings of Beneficiaries	161
Table 2.43: Income Sources of Beneficiary Households	162
Table 2.44: Expenses Allocated from Remittances	162
Table 2.45: Expenses Allocated from Remittances	163
Table 2.46: Expenses Allocated from Remittances	164
Table 2.47: Allocations for Fiestas, Marriages, Birthdays, and Other Occasions	164
Table 2.48: Monthly Allocations for Savings in Pesos	165
Table 2.49: Where Beneficiary Households Keep Savings	165
Table 2.50: Financial Instruments	165
Table 2.51: Interest in Contributing to Development	166

Table 2.52: Country of Work of Remitter	166
Table 2.53: Occupation of Overseas Filipino Worker Sending Remittances	167
Table 2.54: Contract and Resident Status	167
Table 2.55: Educational Attainment of OFW	167
Table 2.56: Age of Respondent	168
Table 2.57: Gender	168
Table 2.58: Civil Status of Beneficiary Respondent	168
Table 2.59: Socioeconomic Class	169
Table 2.60: Monthly Household Income	169
Table 2.61: Occupation of Beneficiary Respondent	170
Table 2.62: Ownership Status of Residence	170
Table 2.63: Region of Residence	171
Table 2.64: Ownership of Durables (%)	171
Table 2.65: Frequency of Remitting (%)	172
Table 2.66: Remittance Amounts (%)	172
Table 2.67: Sources of Awareness (%)	173
Table 2.68: Remittance Channels Used (%)	173
Table 2.69: Attribute Ratings of Singapore	174
Table 2.70: Total Income Used For Remittances (%)	174
Table 2.71: Where Singapore Respondents Keep Savings	175
Table 2.72: Likelihood of Retiring in the Philippines (%)	175
Table 2.73: Community Development Activities (n = 55)	176
Table 2.74: Current Community Development Activities (n = 35)	176
Table 2.75: Occupation (%)	177
Table 2.76: Age of Singapore Respondents (%)	177
Table 2.77: Gender of Singapore Respondents (%)	177
Table 2.78: Civil Status of Singapore Respondents (%)	177
Table 2.79: Region of Residence (%)	178
Table 2.80: Years Working in Singapore (%)	179
Table 2.81: Respondent Category and Resident Status (%)	179
Table 2.82: Ownership of Durables (%)	179
Table 2.83: Frequency of Remitting (%)	180
Table 2.84: Remittance Amounts (%)	180
Table 2.85: Sources of Awareness (%)	181
Table 2.86: Remittance Channels Used (%)	181
Table 2.87: Attribute Ratings of US Respondents	182
Table 2.88: Income Used For Remittances (%)	183
Table 2.89: Where US Respondents Keep Their Savings	183
Table 2.90: Likelihood of Retiring in the Philippines (%)	183
Table 2.91: Occupations of US Respondents (%)	184
Table 2.92: Age of US Respondents (%)	184
Table 2.93: Gender of US Respondents (%)	184
Table 2.94: Civil Status of US Respondents (%)	185
Table 2.95: Region of Residence (%)	185
Table 2.96: Years Working in US (%)	186
Table 2.97: Respondent Category and Resident Status (%)	186
Table 2.98: Ownership of Durables	187

Foreword

As a major development agency in Asia, the Asian Development Bank (ADB) recognized the need to explore the development potential of remittances for the region—a major supplier of foreign workers and, therefore, a substantial receiver of remittances. The Philippines was selected for this study because it is second-largest migrant sending country and the third-largest remittance-receiving country in the world. Its well-organized overseas deployment system also made the country an attractive candidate for study. A team of ADB consultants composed of Ildefonso F. Bagasao (team leader), Ma. Elena B. Piccio, Ma. Lourdes T. Lopez, and Peter Djinis prepared the study.

The authors acknowledge and are grateful for the support of the Department of Economic Research of the Bangko Sentral ng Pilipinas, as well as to the public and private institutions, individuals, and other stakeholders interviewed, as listed in Appendix 1.2. Special thanks are due the overseas Filipino workers, who gave their time, insights, and various forms of assistance to ensure the success of the research.

This study together with other documents relevant to remittances is available on ADB's remittance website, <http://www.adb.org/documents/TARs/PHI/tar-phi-4185.asp>. Since the completion of the study in July, 2004, subsequent events have affected several of the study's observations and conclusions. Two subsequent events are particularly worth noting:

- 1) The Philippines has been removed from the FATF list of non-cooperative countries due to the leadership of the BSP and the work of the Anti-Money Laundering Council; and
- 2) Both Philippine mobile telephone operators have introduced programs that allow for OFWs in several countries to transfer value by means of text messaging to beneficiaries in the Philippines. ADB believes this innovation has significance not only for reducing the costs of Philippine remittances but also as a precedent for other Developing Member Countries.

Abbreviations

ABROI	–	Association of Bank Remittance Officers, Inc.
ACH	–	automated clearing house
ADB	–	Asian Development Bank
AML	–	anti-money laundering
AMLA	–	Anti-Money Laundering Act
AMLC	–	Anti-Money Laundering Council
APEC	–	Asia Pacific Economic Cooperation
APG	–	Asia-Pacific Group on Money Laundering
APPEND	–	Alliance of Philippine Partnerships for Enterprise Development
ASEAN	–	Association of Southeast Asian Nations
ATM	–	automated teller machine
BAP	–	Bankers Association of the Philippines
BPI	–	Bank of the Philippine Islands
BSP	–	Bangko Sentral ng Pilipinas
CFO	–	Commission on Filipinos Overseas
CODE-NGO	–	Caucus of Development NGOs
DFA	–	Department of Foreign Affairs
DFID	–	Department for International Development (UK)
DOJ	–	Department of Justice
DOLE	–	Department of Labor and Employment
DST	–	documentary stamp tax
DTI	–	Department of Trade and Industry
EPCS	–	Electronic Peso Clearing and Settlement
ePMO	–	Electronic Postal Money Order
FAO	–	Filipino associations overseas
FATF	–	Financial Action Task Force
FDI	–	foreign direct investment
FGD	–	focus group discussion
FTH	–	Feed the Hungry
FX	–	foreign exchange
GSIS	–	Government Service and Insurance System
IADB	–	Inter-American Development Bank
ILO	–	International Labour Organization
IMF	–	International Monetary Fund
IRA	–	internal revenue allotment
LBP	–	Land Bank of the Philippines
LGU	–	local government unit
MFI	–	microfinance institution
MIF	–	Multilateral Investment Fund
MOI	–	memorandum of intent
MSB	–	money service business
MTA	–	money transfer agency
MTO	–	money transfer office
NATCCO	–	National Confederation of Cooperatives
NCR	–	National Capital Region
NGO	–	nongovernment organization
NSO	–	National Statistics Office
OFW	–	overseas Filipino worker
OFW-IMC	–	Overseas Filipino Workers-International Management Corporation
OWWA	–	Overseas Workers Welfare Administration

PCHC	–	Philippine Clearing House Corporation
PDIC	–	Philippine Deposit Insurance Corporation
PDOS	–	Predeparture Orientation Seminar
PNB	–	Philippine National Bank
POEA	–	Philippine Overseas Employment Administration
PPC	–	Philippine Postal Corporation
PRC	–	People’s Republic of China
RA	–	Republic Act
RBAP	–	Rural Bankers Association of the Philippines
RCBC	–	Rizal Commercial Banking Corporation
SAR	–	suspicious activity report
SEC	–	Securities and Exchange Commission
SME	–	small and medium enterprise
SSS	–	Social Security System
TESDA	–	Technical Education and Skills Development Authority
UAE	–	United Arab Emirates
UN	–	United Nations
UOB	–	United Overseas Bank
US	–	United States
VAT	–	value-added tax

NOTE

- (i) In this report, “\$” refers to US dollars.
- (ii) “S\$” refers to Singapore dollars.

Executive Summary

Migrant remittances provide the most direct, immediate, and far-reaching benefit to overseas workers, their families, and their countries of origin. These international transfers, much of them unrecorded and unregulated, are a more constant source of income to developing countries than official development assistance, foreign direct investment, and other private inflows. With the global diaspora of migrant workers, remittances have emerged as a new engine for poverty alleviation in developing countries. One of the major challenges for governments that see large numbers of their citizens working abroad is to identify and implement measures that will maximize these inflows, and then harness them for the development of the migrants' countries of origin.

An estimated 175 million people now live outside their countries of birth, contributing to the development of their host countries, as well as their countries of origin. By filling labor shortages in certain areas or occupying jobs that host country workers do not want, they contribute meaningfully to the countries where they work. They also contribute as consumers and taxpayers. At the same time, they regularly send back part of their income for the basic needs of their families, and contribute to urgently needed humanitarian causes and socioeconomic projects in their communities of origin. This massive transfer of funds is occurring against a backdrop of an intensifying debate over the positive and perceived negative effects of migration.

The emerging economic power of migrant remittances has spurred multilateral institutions, international organizations, foundations, universities, and national governments to study this issue seriously. Institutions that have started to address this important topic include the Asian Development Bank (ADB), Inter-American Development Bank (IADB), International Monetary Fund, World Bank, and the United Nations, among others. This ADB-supported study on enhancing the remittances of overseas Filipino workers is possibly the first in-depth report of its kind on the Philippines.

While acknowledging the ongoing debate over migrant issues, the study views remittances as a clear source of capital and resources that have impacted—and will probably continue to impact in the coming years—the development of millions of households in the Philippines, a major labor-sending and remittance-receiving country. The data and insights offered by the study should be useful for policymakers in government, the private sector, and multilateral and international agencies, not only in improving these flows, but also channeling these remittances to strategic areas and sectors where they are urgently needed.

The main objectives of the study were to review the flows of remittances, and identify constraints in the policy, regulatory, and institutional framework that hinder these flows. The study then developed proposals to address the problems and constraints with the goals of:

- (i) Increasing remittance volumes, if possible;
- (ii) Facilitating the shift from informal to formal channels; and
- (iii) Encouraging, where applicable, the use of remittance proceeds for sustainable poverty reduction.

Market surveys and focus group discussions were conducted in the Philippines and two major remitting countries, Singapore and the United States (US), to obtain a profile of Filipino remitters and their beneficiaries. The aim was to understand (i) the factors that influence their remittance behavior and use of remittances, (ii) their savings and investment practices, and (iii) their receptiveness to contributing to the development of their communities of origin. Interviews were conducted with key stakeholders, such as government agencies, banks, private remittance agencies, regulatory authorities in the Philippines and overseas, community-based financial institutions, nongovernment organizations (NGOs), and Filipino associations overseas (FAO).

Highlights of the Market and Banking Study

The study found that 80% of respondents said they regularly remit through banks or other regulated channels. Like migrants of other countries, they rated speed, trustworthiness, reliability, and efficient service as the most important factors in selecting remittance modes. While the average remittance was \$340, monthly remittances ranged from \$205 to \$524.

Nine of 10 said they save in banks or through personal hoarding, with 70% maintaining bank accounts in the Philippines and 52% using an automated teller machine (ATM) for their payments or remittances. In Singapore, where more than half the respondents were in typically low-wage domestic work, 80% stated they are able to save some of their earnings. Almost half indicated that they keep their savings in Singapore banks.

A large percentage of respondents (41% in the nationwide Philippine survey, 49% in Singapore) had to borrow money to pay for recruitment expenses. Moreover, 19% said they borrowed money even while working overseas. These debts, which normally are incurred at heavy interest rates, affect remittable amounts.

Some 26% of respondents were aware of FAOs or NGOs to which they contribute or donate. Of those surveyed, 61% indicated that they were interested in contributing to the development of their communities.

Decision-makers in beneficiary households allocated their remittance income for (i) food, (ii) utilities and other expenses for household operations, (iii) personal care and effects, (iv) communications, and (v) transportation. In terms of value, however, allocations were highest for food consumed at home and education. Aside from household expenses, allocations for fiestas and other special occasions also were observed.

Remittance Trends

The remittance market between the Philippines and remitting countries is very competitive. With the entry of more players (including nontraditional ones, such as credit unions and cooperatives) and of new technology-based products, remittance costs, which are already quite reasonable, could be pushed lower. This should increase the formal sector's share of the remittance flows.

Services offered by Philippine banks, licensed nonbank money transfer agencies, courier companies, and ethnic stores acting as agents for banks have converged. The industry is characterized by partnerships, alliances or tie-ups, and revenue sharing among different players in the remittance market. Banks have adopted the marketing and promotional features that have endeared Filipino remitters to informal remittance agencies, such as door-to-door or courier services. With the help of technology and marketing, coupled with the reliable image of a banking institution, banks are under pressure to reduce costs to levels that could be considered competitive with informal transfer agencies.

Industry players observed a reduction in the use of unregulated channels, possibly due to the wider availability of services and products considered reliable, safe, and inexpensive. The exception occurs when migrant workers' recipient households do not have access to an adequate number of banks or remittance agencies, or when workers personally bring home cash following contract periods. Culture, convenience, and the need to maintain anonymity, especially in the case of irregular workers, likewise influence remittance behavior.

Conclusions and Recommendations

The Philippine Government should take bilateral initiatives to open remittance windows for Philippine banks or remittance entities in host countries with large numbers of overseas Filipino remitters, such as the US, Italy, Japan, Saudi Arabia, and other Middle Eastern countries. This could enhance competition, drive down costs, and encourage more remittances through the formal sector.

A solution must be found to enable millions of overseas Filipino workers (OFWs)—as well as those of other nationalities—with irregular status in major remitting countries to access banking or other formal remittance facilities. The lack of banking access forces these workers to use unregulated remittance channels. US authorities should give serious consideration to the proposal to accept identity cards issued by Philippine consular officials, similar to the Mexican *matricula* cards, as identification for opening US bank accounts. Regulations in remitting countries could be liberalized to allow Filipino banks, through their overseas offices or through money transfer agencies, to introduce Philippine-based savings and investment products, or to open Philippine-based accounts for remittance beneficiaries.

Compliance with anti-money laundering (AML) requirements has increased costs incrementally to banks and remittance agents of banks in remitting countries. The inclusion of the Philippines on the list of noncooperative countries by the Financial Action Task Force (FATF) also might lead to more rigorous scrutiny of banking and remittance matters, hurting Philippine banks and remitters. The Philippines and FATF officials should address the gray areas in implementation to hasten the removal of the Philippines from the noncooperative countries list.

Since the Philippines is an archipelago with many underdeveloped areas, the door-to-door system for remittances will continue to be used unless problems of interconnectivity are addressed. Aside from being unsafe, door-to-door operations add an incremental cost of at least \$2.00 to the remittance price. Interconnectivity would allow community-based institutions, rural banks, cooperatives, and microfinance institutions, as well as post offices, greater participation in providing remittances, and other financial products and services, to migrants' beneficiaries.

Participation in the Philippine AML Council could be expanded to include the private banking sector, informal remittance practitioners, and even nonbank foreign exchange dealers. While the Bangko Sentral ng Pilipinas (BSP) is considering various options and proposals for the registration and monitoring of nonbank money exchange and remittance agencies, the inclusion of such agencies in discussions at this early stage might be useful. Many in the banking industry have complained about unfair competition in the remittance and foreign exchange market between banks and nonbank entities due to the application of the Anti-Money Laundering Act and foreign exchange rules.

Establishment of online remittance systems and straight-through processing enhances remittance systems and reduces costs significantly. Opening a window for financing alternatives, preferably in local currency, could encourage rural institutions that wish to upgrade their systems, but are hampered by the huge investments required.

The initiative to extend the US federal automated clearing house for US payments to the Philippines should be implemented, given its potential to cut remittance costs. However, the trade off between lower costs for OFWs and the loss of revenue from foreign exchange transactions—a principal source of revenue on remittance transactions—remains the key issue that must be resolved. Of course, the local banks must be technically and financially ready as well. Interconnectivity issues with other remitting countries also might be included in future studies.

The flow of remittances is influenced by (i) fluctuations in the demand for Filipino workers in overseas markets, (ii) competition from migrants from other countries, (iii) labor nationalization laws and economic recession in host countries, and (iv) job credential issues that downgrade migrant wages. The Philippine Government could respond to these issues by upgrading the quality of preparatory education, augmented by special skills training; identifying new labor mar-

kets, provided they do not endanger workers' welfare; and negotiating with host governments for the proper accreditation of workers' academic and work experience.

Electronically centralizing the databases of different government agencies involved in the overseas deployment system could improve the exchange of vital information on migrant stocks and flows, upgrade communications between home agencies and overseas offices, and enhance the authentication of documents needed to process applications. It also could improve other services that not only enhance the deployment process, but save the Government and migrants money and man-hours. A centralized database could serve as a central portal for information by migrants on available programs and services offered by the Government and private agencies on livelihood, skills training, counseling, credit access, and other valuable resources for the reintegration of returning migrants. Funding agencies and multilaterals might consider studying and supporting such projects.

The difficulty in obtaining reliable information from Government agencies due to imprecise information in application forms should be addressed through systematic and purposeful recording of information on the public that transacts business with these agencies. The improvement of interconnectivity and management information systems among these agencies also would help address this issue. Better recording and disaggregation of data are keys to enhancing information systems, which also could improve the recording of remittance flows.

The Philippines is recognized internationally for its Predeparture Orientation Seminar, which is conducted under the direction of the Overseas Workers Welfare Administration (OWWA). This is the only instance where financial, banking, and livelihood specialists offer guidance on savings and other aspects of financial literacy to OFWs. Similar programs to raise awareness should be extended to the recipient families and rural communities where the great majority of OFWs originate. Incorporating financial literacy into school curriculums also should be studied. Banks and other remittance intermediaries could support such efforts as a means of customer creation.

The fact that two thirds of OFWs originate from the provinces or the countryside strongly suggests that the role of community-based financial or economic institutions in linking remittances to development should be enhanced. Rural banks, thrift banks, cooperatives, and microfinance institutions could play a greater role in the delivery of remittance and entry-level financial products and services to beneficiary families.

Windows for funding or institutional support could be opened to encourage initiatives by NGOs or microfinance institutions that give OFWs or their family members access to programs on savings mobilization, investments, credit access, or enterprise development in migrants' communities of origin. Support also could be provided for the development of new products and capability building of microfinance institutions. Lessons could be learned from IADB's Multilateral In-

vestment Fund programs, particularly on leveraging remittances through enterprise development and capability building for NGOs engaged in service delivery to migrant families.

The Philippine Government should pay serious attention to benevolent and economic activities by FAOs, given the actual and potentially huge inflows from this sector to development projects in the country. A study could be conducted separately to determine whether their contributions in money or commodities could be enhanced through meaningful incentives, the facilitation of bona fide donations to attain economies of scale through a more organized pooling of resources. The Government, through the Commission on Filipinos Overseas, and Filipino NGOs and foundations have programs that could be enhanced through technical assistance. Multilateral agencies also might consider study and support for matching the funds donated by these overseas associations to boost capital buildup.

OWWA, which administers the OFW welfare fund, must provide more effective reintegration programs to assist overseas workers on their return to the Philippine workforce. On the other hand, multilaterals could assist programs on savings mobilization and enterprise development initiated by NGOs through technical assistance to fund a focused study on reintegration and support initiatives.

The Philippine system of incentives in the form of tax exemptions and property privileges to expatriate capital must be evaluated. This review should assess the impact of these incentives on local economic development, and their ability to attract serious and long-term productive investments from overseas Filipinos or the transfer of acquired skills and technologies.

Policymakers and overseas Filipino communities should discuss fully the effects and implications of the Dual Nationality Act on former Filipinos. This might go hand in hand with programs supporting local government initiatives on generating domestic and foreign investments in their respective communities. If properly designed and implemented, bonds issued by local governments and guaranteed by their internal revenue allotments could be potential vehicles to fund important public infrastructure projects that enhance countryside development, such as farm-to-market roads, and post-harvest and refrigeration facilities.

With predictable flows of more than \$7 billion per year, Filipino workers' remittances could be securitized for developmental initiatives. Several foreign banks based in the Philippines have been offering to local banks, multilateral institutions, and the Government securitization transactions based on dollar flows from overseas workers' remittances. Multilateral institutions could provide credit enhancements to, or otherwise support, local banks to achieve the desired investment grade ratings. Microfinance institutions or local development projects could be the targeted areas of investments.

The origin countries of migrants and host countries are key stakeholders in labor migration. Countries of origin seek more labor markets for its migrant workers to

increase potential remittances, while host countries need migrant workers to fill labor shortages and enable its local workforce to shift to other productive occupations. Hence, host and origin countries share a mutual interest in addressing core issues and concerns on remittances, irregular workers, illicit trafficking of migrants, and downgrading of terms of employment and academic credentials of migrant workers, among others. This could be done through bilateral initiatives within the ambit of regional economic groupings, such the Association of South East Asian Nations or Asia Pacific Economic Cooperation forum, whose membership includes host and origin countries. As a major development agency in Asia, ADB could lend its technical assistance in supporting studies, sponsoring conferences and discussions on remittance and migration issues, and even identifying potential best practices within the region.

Structure of the Report

Chapter I points out the importance and stability of remittance flows as a basis for serious consideration as a development tool. Migrant literature is examined to show the current focus of activities by international and multilateral organizations in enhancing remittance flows, and linking them to development. Chapter II contains a general and disaggregated definition of remittances, and the universe of remitters. It also clarifies the meanings of formal, informal, and unregulated channels as used in the study. Chapter III states the objectives of the study and the fundamental assumption that formal remittance flows afford greater opportunities for leveraging remittances than informal or unregulated flows. It also explains the reasons for selecting Singapore and the US as the countries of study. Chapter IV briefly examines some of the major issues regarding migration, all of which affect the flow of remittances and their use by migrants and their families. Chapter V contains statistics on migrant flows, stocks, and important characteristics of Philippine migration, as well as flows of remittances and the major sources of remittances.

Chapter VI discusses the sociodemographic profiles of remitters, their remittance and savings behavior as well as spending habits, and their attitudes towards community development. Chapter VII identifies the players in the Philippine remittance market and the factors that affect remittance choices, based on survey results and extensive interviews of major industry players among banks and non-bank transfer agencies.

Chapters VIII and IX contain the detailed studies on the legal, banking, and regulatory environments in the Philippines, Singapore, and the US. These chapters also examine the formal and informal transfer agencies, and how they affect banking and nonbanking remittance services and Philippine payments systems. Finally, they also discuss issues such as AML, costs, taxation, and other concerns, and how all these affect bank and nonbank remittance procedures and remittance costs. Chapter X is devoted solely to a discussion on the recording system of remittances by the BSP, the Philippine central bank.

Chapter XI introduces the reader to developments in the remittance industry. It contains a list of new players, new technology-based products and the companies behind them, and projections on future drivers of remittance mechanisms. Chapter XII is about the all-important and challenging issue of leveraging remittance flows for development. It focuses on some key areas: (i) enhancing Government systems; (ii) community-based financial institutions, such as cooperatives, microfinance institutions, and rural banks; and (iii) Filipino hometown associations and NGOs, where remittance-leveraging initiatives could be based. This chapter also briefly describes mandatory remittance schemes—when it works (as in the Republic of Korea) and when it doesn't (as in the Philippines). It lists Philippine laws and policies designed to persuade overseas Filipinos to save, spend, and invest their earnings in the Philippines. An explanation of the rationale behind the Dual Nationality Law, which addressed a legal technicality that might have prevented overseas Filipinos from helping their country in the past, also is included. It cites emerging good practices on leveraging remittances on the part of two Filipino NGOs, as well as for Government-initiated programs on housing and social security for migrant workers. The chapter highlights some emerging trends on the entry of new players to the remittance market. Chapter XIII is devoted to a discussion of the legal, regulatory, and practical barriers that hinder remittance flows to the formal sector. Chapter XIV contains the conclusions and recommendations.

The second part of this report contains the detailed results and analysis of the market study, which includes (i) the nationwide survey of OFWs, (ii) the nationwide survey of beneficiary households, (iii) the survey of OFWs in Singapore, and (iv) the survey of overseas Filipino Americans and OFWs in the US. Summaries of the focus group discussions are also included in this section.